



Meeting: **AUDIT AND GOVERNANCE COMMITTEE**
Date: **WEDNESDAY 26 JULY 2017**
Time: **5.00PM**
Venue: **COMMITTEE ROOM**
To: **Councillors M Jordan (Chair), I Reynolds (Vice Chair),
K Arthur, Mrs J Chilvers, B Marshall, Mrs M McCartney and
B Sage.**

There will be a briefing 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 .

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 19 April 2017 and 14 June 2017 (pages 1 to 9 attached).

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

5. Audit Action Log

To review the Audit Action Log (page 10 attached).

6. Audit and Governance Work Programme

To note the current Work Programme and consider any amendments (pages 11 to 15 attached).

7. Risk Management Annual Report 2016/17 (A/17/6)

To receive the report of the Audit Manager, which provides a summary of risk management activity in 2016/17 and proposed risk management actions for 2017/18 (pages 16 to 19 attached).

8. Review of the Corporate Risk Register (A/17/7)

To receive the report of the Audit Manager, which updates Councillors on the Corporate Risk Register and asks Councillors to endorse the actions of officers in furthering the progress of risk management (pages 20 to 41 attached).

9. Annual Report of the Head of Internal Audit (A/17/8)

To receive the report of the Head of Internal Audit which present the Annual Report for 2016/17 (pages 42 to 83 attached).

10. Internal Audit Charter (A/17/9)

To receive the report of the Audit Manager, which asks the Committee to approve the revised Internal Audit Charter (pages 84 to 97 attached).

11. External Audit Progress Report (A/17/10)

To receive the Audit Progress Report from the external auditor, which updates Councillors on recent external audit activity (pages 98 to 105 attached).

12. External Audit Completion Report (A/17/11)

To receive the report of the external auditor, which asks the committee to consider the work of the external auditor during the financial year ending 31 March 2017 (pages 106 to 131 attached).

13. Annual Governance Statement (A/17/12)

To receive the report of the Chief Finance Officer, which asks the committee to approve the Annual Governance Statement as included in the Statement of Accounts (pages 132 to 135 attached).

14. Statement of Accounts 2016/17 (A/17/13)

To receive the report of the Head of Technical Finance, which asks the committee to approve the Statement of Accounts for the financial year 2016/17 (pages 136 to 274 attached).

Gillian Marshall
Solicitor to the Council

For enquiries relating to this agenda please contact Alice Courtney, Democratic Services Officer. Tel: 01757 705101. Email: acourtney@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

Venue:	Committee Room
Date:	Wednesday 19 April 2017
Time:	5.00 pm
Present:	Councillors M Jordan (Chair), I Reynolds (Vice Chair), K Arthur, Mrs J Chilvers, Mrs M McCartney, and R Packham.
Also Present:	Hilary Putman, Independent Person.
Apologies:	None.
Officers present:	Karen Iveson, Chief Finance Officer (s151); Gillian Marshall, Solicitor to the Council; June Rothwell, Head of Operational Services, Phil Jeffrey, Audit Manager, Veritau; Mark Kirkham, Partner, Mazars LLP, Gavin Barker, Manager, Mazars LLP and Janine Jenkinson, Democratic Services Officer.
Public:	0
Press:	0

43. DISCLOSURES OF INTEREST

There were no disclosures of interest.

44. MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 18 January 2017 and the Working Group meeting held on 2 March 2017.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 18 January 2017 and the Working Group meeting held on 2 March 2017.

45. CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair welcomed recently appointed members of the Committee, Councillors R Packham and Mrs M McCartney to the meeting.

The Chair requested that agenda item 8 – Review of Standards Arrangements be considered as the first item.

46. REVIEW OF STANDARDS ARRANGEMENTS

The Solicitor to the Council reported that on 13 December 2016 full Council had received a report regarding the operation of the current standards regime for the council and parish councils within Selby District. The report had concluded that whilst the arrangements were satisfactory and met legal duties, there were areas for improvement and it had been recommended that a review be undertaken. At the meeting, Council resolved to ask the Audit and Governance Committee to review the Standards Arrangements and to report back if they considered any changes should be made to the current arrangements.

Note – Councillor I Reynolds entered the room at this point in the meeting.

Members were informed that the Audit and Governance Committee had established a working group to consider the arrangements. The group had met on 2 March 2017 and had recommended a number of changes to the current arrangements for dealing with standards matters.

The Solicitor to the Council highlighted an error in the penultimate sentence on page 50 of the report. She advised that the sentence beginning 'Where a complaint is in relation to a Town or Parish Councillor the panel will also include **one** none voting co-opted Town or Parish Councillor' should be amended to read 'Where a complaint is in relation to a Town or Parish Councillor the panel will also include **two** none voting co-opted Town or Parish Councillors'.

The Independent Person endorsed the recommendations set out in the report.

The Chair expressed his thanks to Councillor B Marshall for his advice and contributions at the working group meeting.

The Solicitor to the Council explained that training for parish councillors would be held in Tadcaster, Sherburn and a venue in the east of the District. In addition, training sessions for District Councillors would be arranged.

RESOLVED:

That the Audit and Governance Committee recommends to full Council that changes are made to the Selby District Council Constitution as follows:

- I. that Council adopt the revised Standards Arrangements as set out in Appendix A of the report;
- II. to establish a Standards Sub-Committee as a sub-committee of the Audit and Governance Committee with the Terms of Reference as set out in Appendix B of the report;
- III. that the membership of the Standards Sub-Committee be 3 District Councillors from the Audit and Governance Committee and two co-opted members from a Parish Council;
- IV. that it be part of the arrangements that the Standards Sub-Committee be required to consider the views of the Monitoring Officer and an Independent Person before making a decision; and
- V. that consequential amendments be made to Article 9 of the Constitution, as set out in Appendix C of the report.

Note – Hilary Putman left the room at this point in the meeting and did not return.

47. AUDIT ACTION LOG

The Committee considered the Audit Action Log.

The Head of Operational Services provided an update in relation to Minute No. 28 – Consideration of Internal Audit Report (Private Session).

The Head of Operational Services explained that Internal Audit had identified a number of duplicate invoices and payments had been made by creditors. Members were advised that a number of actions had been put in place to address the issues identified.

Members were informed that measures put in place to mitigate future risk included a review of procedures, the development of procedure notes, a significant increase in the use of the e-Procurement system, and the delivery of refresher training for relevant officers.

The Committee was advised that Internal Audit would continue to monitor and review the situation as part of the annual work programme.

RESOLVED:

To note the Audit Action Log.

Note - The Head of Operational Services left the room at this point in the meeting and did not return.

48. EXTERNAL AUDIT PROGRESS REPORT

The External Audit Manager (Mazars LLP) presented the report that provided an update on progress in delivering external audit.

The Committee was informed that to date two areas had been identified to report to members: issues to address in relation to payroll and follow up on the duplicate payments issues reported to the Audit and Governance Committee in January 2017.

With regard to duplicate payments, members were informed that an analysis of a download of payments data for 2016/17 had been undertaken and no other significant duplicate payments in addition to those that had already been identified were found. The Manager reported that this corroborated the view given by officers that the particular issues experienced in the summer 2016 were isolated cases and that appropriate actions had been taken to mitigate the risk of further issues arising.

In relation to issues to address in relation to payroll, the Chief Finance Officer (s151) reported that the matter had been escalated in an effort to resolve the issues with North Yorkshire County Council.

RESOLVED:

To note the report.

49. AUDIT STRATGY MEMORANDUM

The Committee considered the Audit Strategy Memorandum provided by the external auditor, Mazars LLP.

The External Audit Manager, (Mazars LLP) reported that the audit would be delivered in four main phases and was expected to be completed by 31 July 2017; ahead of the statutory deadlines being brought forward from next year. The statutory deadline for 2016/17 remained 30 September 2017.

Members were advised that in previous years Mazars had sought to rely on assurances provided by the auditor of the North Yorkshire Pension Fund (KPMG) in relation to the council's pension disclosures. The Committee was informed that going forward, Mazars would seek to reduce or eliminate the need for such assurances, by performing additional procedures as part of its audit. However, for the current year some assurances in relation to the data used in the recent triennial revaluation of the fund would be sought.

RESOLVED:

To note the report.

50. UPDATES TO THE CONSTITUTION

The Solicitor to the Council explained that as part of the preparations for Annual Council a review of the Constitution was undertaken to ensure it was up to date and fit for purpose.

Members were informed that during the 2017 review, it had been identified that updates should be made to: the Scheme of Delegation to deal with a Written Ministerial Statement on affordable housing contributions which had necessitated the creation of the Planning Sub-Committee, and to the Officer Code of Conduct. In addition, recommendations to update the Standards Arrangements had been proposed.

In relation to the Planning Sub-Committee, the Solicitor to the Council explained that a significant level of additional resources were required in terms of planning officer time, support from Legal, Democratic Services and Business Support, and members time to attend committee meetings, beyond what would be required to determine an application under delegated powers. Members were informed that the benefits of not having the Planning Sub-Committee would be faster decision making, a more effective service for applicants and financial savings, due to the reduced cost of administering the meeting.

With regard to changes to the Scheme of Delegation, the Solicitor to the Council explained that the Scheme had been updated and clarified; however there had been no changes of substance to the level of delegations.

The report set out the proposed amendments and asked the Committee to endorse them for consideration at the Annual Council meeting.

RESOLVED:

That Audit and Governance Committee endorse the changes to the Scheme of Delegation at Part 3 of the Constitution as set out in Appendix A of the report and recommend that the changes be approved by Council and the Leader, and recommend to Council that the Officer Code of Conduct set out in Appendix B of the report be approved by Council and that delegated power be given to the Chief Executive, in consultation with the Leader of the Council to make further amendments to the Code.

51. INTERNAL AUDIT PROGRESS REPORT 2016/17

The Internal Audit Manager (Veritau) explained that the purpose of the report was to provide an update on progress made in delivering the internal audit work plan for 2016/17, and to summarise the findings of recent internal audit work.

Members noted that there were currently three reports at draft report stage and five reports had been finalised since the last report to the Committee. The Manager reported that it was anticipated that the target to complete 93% of the Audit Plan would be exceeded by the end of April 2017.

RESOLVED:

To note the report.

52. INTERNAL AUDIT AND COUNTER FRAUD PLAN 2017/18

The Internal Audit Manager (Veritau) explained that the Internal Audit and Counter Fraud Plan 2017/18 set out the planned 2017/18 programme of work for internal audit, counter fraud and risk management provided by Veritau for the council.

Members were informed that the Plan was aligned to the council's main strategic risks; however it was a working document and changes would be made throughout the year to reflect changes in risk and any issues that arose.

The content of the Plan had been subject to consultation with directors and other senior officers and formal approval by the Audit and Governance Committee.

The Plan was based on a total commitment of 480 days for 2017/18, this included 342 days for internal audit, which was a reduction of 13 days compared to 2016/17. A total of 105 days counter fraud work was also included, and 33 days to support the council's risk management arrangements.

In response to a question regarding the status of actions categorised as 'follow up in progress' the Manager explained that when actions became overdue a follow up questionnaire was sent to the responsible officer to complete.

RESOLVED:

To approve the Internal Audit and Counter Fraud Plan for 2017/18.

53. ANNUAL GOVERNANCE STATEMENT – ACTION PLAN REVIEW

The Chief Finance Officer (s151) presented the report and Action Plan for review. Members were advised that progress against the approved Action Plan had been made, although there were some actions on-going which would be monitored by the Leadership Team, in order to ensure actions were delivered to the agreed revised deadlines.

The Committee was informed that outstanding actions would be rolled into the Annual Governance Statement for 2016/17 and an update in progress would be reported at the next Audit and Governance Committee.

With regard to reconciliations of bank accounts and feeder systems, the Chief Finance Officer (s151) reported that good progress had been made on reconciliations over the year, but there had been some issues relating to payroll due to system changes at North Yorkshire County Council (NYCC). It was explained that the issues had now been resolved for 2016/17; however underlying issues remained with the costing file. Members were informed that these issues were being pursued with NYCC.

With regard to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS), the Chief Finance Officer (s151) reported that a follow-up audit of the agreed actions had been undertaken in 2016/17. The audit had identified some progress but a number of actions remained outstanding. The Committee was informed that a revised action plan was being developed which would be included in the Annual Governance Statement 2016/17 and regular updates would be brought to the Audit and Governance Committee during 2017/18.

In relation to ICT disaster recovery arrangements, members were informed that actions would be completed by 30 April 2017 and the Head of Business Development would circulate an update to the Committee.

RESOLVED:

To note progress against the Action Plan for the Annual Governance Statement for 2015/16.

54. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

The Chair presented the draft Audit and Governance Committee Annual Report 2016/17 for members' consideration and approval.

The Chair expressed his thanks to Councillor P Welch for his contributions and work during his time as a member of the Audit and Governance Committee.

RESOLVED:

- I. To approve the Audit and Governance Committee Annual Report 2016/17.**
- II. To delegate authority to the Democratic Services Officer in consultation with the Chair to update Appendix A of the report, prior to publication to reflect the work undertaken at the final meeting of the municipal year.**

55. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2017/18

It was noted that the Annual Governance Statement 2016/17 would be presented at the Committee meeting on 26 July 2017 and not on 27 September 2017, as indicated in the work programme.

The Chair requested that the Democratic Services Officer ensured that future Audit and Governance Committee meetings were scheduled to allow sufficient time to produce an update report to be presented at full Council.

RESOLVED:

To ask the Democratic Services Officer to amend the work programme, in-line with the alteration set out above.

The meeting closed at 6.15 pm.

Minutes

Audit and Governance Committee

Venue:	Meeting Room 2
Date:	Wednesday 14 June 2017
Time:	5.00pm
Present:	Councillors M Jordan (Chair), and B Marshall
Apologies:	Councillors Mrs M McCartney, B Sage and Mrs D White.
Officers present:	Karen Iveson, Chief Finance Officer (s151); Phil Jeffrey, Audit Manager, Veritau; Connor Munro, Auditor, Veritau; Gavin Barker, Senior Manager, Mazars; and Daniel Maguire, Democratic Services Officer
Public:	0
Press:	0

1. QUORUM

The Chair opened the meeting and confirmed that the meeting was not quorate, as defined by clause 8 of part 4 of the Council's constitution. It was confirmed that the business that was due to be transacted would be carried forward to the next scheduled meeting on 26 July 2017.

The meeting closed at 5.05pm.



Audit and Governance Committee: Action Log 2016-17

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
28 Sep 2016	22 - Internal Audit Progress Report	Request that future reports included a summary table showing the progress of audits and agreed actions.	Veritau will look at displaying the information in a convenient format.	KI / Veritau	In progress
18 Jan 2017	28 - Consideration of Internal Audit Report (PRIVATE SESSION)	Request that officers provide a progress update at the April meeting.	The Head of Operational Services updated the Committee at the April 2017 meeting. The Committee was advised that measures had been put in place to mitigate future risks, and that the internal auditors would continue to monitor this.	JR / KI	Completed
18 Jan 2017	32 - Progress update following the ICT disaster recovery report	Request that officers circulate the final ICT Disaster Recovery Plan to the Committee.	Officers will circulate final report at the end of April.	SR	In progress

Officers:

- KI - Karen Iveson, Chief Finance Officer
- GM - Gillian Marshall, Solicitor to the Council
- JR - June Rothwell, Head of Operational Services
- SR - Stuart Robinson, Head of Business Improvement and Development
- DSO - Democratic Services Officer

Last updated: 06-Jun-17

Audit Committee Work Programme 2017/18

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>		
14 June 2017	Meeting start times	To agree the start time of Audit and Governance Committee meetings for 2017/18
	Review of Action Log	To consider the latest Action Log
	Annual Report of the Head of Internal Audit 2016/17	To consider the Annual Report of the Head of Internal Audit 2016/17
	Internal Audit Charter	To review the Internal Audit Charter
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Annual Report 2016/17	To consider the Risk Management Annual Report for 2016/17
	Corporate Risk Register	To review the Corporate Risk Register.
	Consideration of internal audit reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.

26 July 2017	Review of Action Log	To consider the latest Action Log.
	External Audit Completion Report	To receive the Audit Completion Report from the external auditors
	Statement of Accounts 2016/17	To approve the Statement of Accounts 2016/17
	Internal Audit Report	To review progress against the Internal Audit Plan
	Annual Governance Statement 2016/17	To approve the Annual Governance Statement 2016/17
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.

27 September 2017	Review of Action Log	To consider the latest Action Log.
	Local Government Ombudsman Annual Review Letter 2016/17	To receive the Local Government Ombudsman Annual Review Letter 2016/17
	Counter Fraud Annual Report	To receive the Counter Fraud Annual Report
	Internal Audit Report	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'.

17 January 2018	Review of Action Log	To consider the latest Action Log
	Information Governance Annual Report 2017	To approve the Information Governance Annual Report
	Annual Audit Letter 2017	To review the Annual Audit Letter 2017
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Strategy	To review the Risk Management Strategy
	Corporate Risk Register	To review the Corporate Risk Register
	Internal Audit Report	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'.

18 April 2018	Review of Action Log	To consider the latest Action Log.
	Audit Strategy Memorandum	To review the external Audit Strategy
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit Report	To review progress against the Internal Audit Plan
	Internal Audit Plan 2018/19	To approve the Internal Audit Plan 2018/19
	Constitutional Amendments	To consider any proposed amendments to the Constitution.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.
	Annual Report 2017/18	To approve the 2017/18 Annual Report of the Audit and Governance Committee
	Work Programme 2018/19	To approve the 2018/19 Audit and Governance Committee Work Programme for 2018/19

Public Session

Report Reference Number: A/17/6

Agenda Item No: 7

To: Audit and Governance Committee
Date: 26 July 2017
Author: Phil Jeffrey; Audit Manager - Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Risk Management Annual Report 2016/17

Summary:

The report provides a summary of risk management activity in 2016/17 and proposed actions to be taken in 2017/18.

Recommendation:

Councillors note the risk management activity undertaken in 2016/17 and comment on the proposed actions for 2017/18.

Reasons for Recommendation

To support the Audit and Governance Committee's responsibility for considering the effectiveness of the Council's risk management arrangements.

1. Introduction and Background

- 1.1 It is the responsibility of all service managers to identify and manage risks associated with the delivery of their services. Veritau provides support to this process, by facilitating risk management activity and providing advice and training to managers and the Committee. This report summarises work undertaken by the Council to review risk registers during the year, and summarises work done to support this by Veritau.

2. The Report

2.1 Over the past year, the following action has been taken to develop risk management activity and review current risks.

- A review of the corporate risk register was undertaken in light of the recent organisational restructure, ensuring risks are transferred to the appropriate risk owner (where applicable).
- The Corporate Risk Register (CRR) has been reviewed by officers with assistance from Veritau.
- The Council's CRR was reported to the Audit and Governance Committee in September 2016 and January 2017.
- The Risk Management Annual Report 2015/16 was reported to the Audit and Governance Committee in June 2016.
- A review of the Risk Management Strategy was completed and reported to the Committee in January 2017.
- Officers have updated all Service Based Risk Registers (SBRR) to ensure they accurately reflect new and emerging risks.
- Veritau has held regular drop in risk clinics to help managers review risks in their service areas and identify mitigating actions where necessary.
- The Council's formal risk management guidance has been updated to reflect and support the revised Risk Management Strategy.
- Veritau has worked with officers to develop risk management information recorded on the Covalent system, which will help to ensure risk management is integrated into the culture and working practices within the Council.

2.2 Further specific activity planned for 2017/18 includes the following.

- Development of a means by which to monitor and report on the trend in corporate risk scores over time as well as wider exploration of reporting to assist the effective management of risk across the Council.
- Further development of the Service Based Risk Registers to ensure that they are fully aligned with the new Council structure.
- A review of the Council's approach to the management of project and partnership risks including how, which and when information is held on Covalent or 'offline' via other means.
- Continuation of the risk drop in and training sessions.
- Promotion of the use of Covalent to manage all updates to risks and their actions.
- Annual review of the Risk Management Strategy.
- Regular reporting of the Corporate Risk Register to Extended Leadership Team and to Audit and Governance Committee.

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 Overall, a number of actions have been taken in order to further embed sound risk management processes within the Council. Work will continue in 2017/18 to ensure proactive risk management around the Council continues to develop.

5. Background Documents

Risk Management Strategy – revised Jan 2017.

Contact Officer: *Phil Jeffrey; Audit Manager - Veritau*
phil.jeffrey@veritau.co.uk
01904 552926 / 01757 292281

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

Appendices:

No appendices.

Public Session

Report Reference: Number A/17/7

Agenda Item No: 8

To: Audit and Governance Committee
Date: 26 July 2017
Author: Phil Jeffrey, Audit Manager (Veritau)
Lead Officer: Karen Iveson – Chief Finance Officer (S151)

Title: Review of the Corporate Risk Register 2017-18

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 2017.

Recommendation:

Councillors endorse the actions of officers in furthering the progress of risk management.

Reasons for recommendation

The Audit 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 score.

- Risk description.
- Previous reported risk rating (January 2017).
- 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 the Council is working towards.
- Risk owner – identifies the officer responsible for monitoring the risk.
- Controls and Mitigating Actions in place – identifies the required management action and 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. This highlights 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 by offering challenge and support it retains its independence and objectivity as it is not part of the risk management process (i.e., it does not assess or score the individual risks).

2.3 There are a total of 17 risks on the council's corporate risk register. This includes 3 risks with a score of 12 or more (high risk). Three risks have ceased to be considered high risk since the January 2017 report to this committee.

2.4 The score for Organisational Capacity has reduced due to the completion of the Council's restructure along with an ongoing recruitment process to fill vacant posts. The score for Governance has reduced following a programme of governance training for the Extended Leadership Team. The score for Technology has reduced due to a number recent updates such as the drafting of the ICT/Digital Strategy, recruitment of a Digital Transformation Officer and gaining Executive approval for a preferred supplier for the new housing management system. Further details can be found at Appendix A.

2.5 One other risk score has changed since the last update; Financial Risk, which has decreased.

2.6 For the risks identified on the Corporate 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: *Phil Jeffrey; Audit Manager - Veritau*
phil.jeffrey@veritau.co.uk
01904 552926 / 01757 292281

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

Appendices:

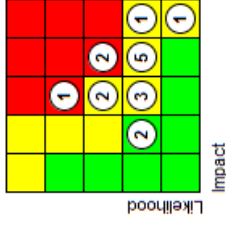
Appendix A – Corporate Risk Register

Selby District Council Corporate Risk Register 2017 - 2018























Overview: May 2017 Update



Risk Status	
	High
	Medium
	Low



Status	Code	Previous Risk Score (January 2017)	Current Risk Score	Trend	Title
	SDC_CRR_003	16	12		Financial Risk
	SDC_CRR_008	12	12		Economy
	SDC_CRR_017	12	12		Strategic Partnerships
	SDC_CRR_002	10	10		Health and Safety
	SDC_CRR_004	12	9		Organisational Capacity
	SDC_CRR_005	9	9		Performance

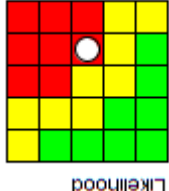
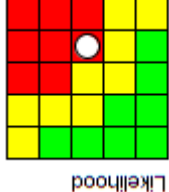
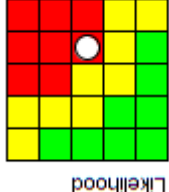
Status	Code	Previous Risk Score (January 2017)	Current Risk Score	Trend	Title
	SDC_CRR_001	12	8		Governance
	SDC_CRR_006	8	8		Managing Customer Expectations
	SDC_CRR_007	8	8		Fraud & Corruption
	SDC_CRR_010	8	8		Partnership Outcomes
	SDC_CRR_014	12	8		Technology
	SDC_CRR_009	6	6		Business Continuity
	SDC_CRR_013	6	6		Information Governance/Data Protection
	SDC_CRR_015	6	6		Assets
	SDC_CRR_016	5	5		Failure to adequately respond to Civil Emergencies
	SDC_CRR_011	4	4		Communications
	SDC_CRR_012	4	4		Policy Change

Selby District Council Corporate Risk Register 2017 - 2018

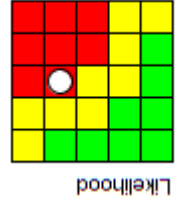
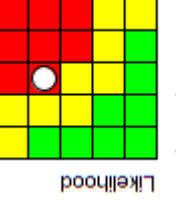
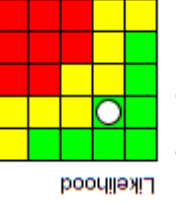


Risk Score 12 Risk Code & Title SDC_CRR_003 Financial Risk						
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place
<p>The Council's financial position is not sustainable.</p>		<p>The Council is unable 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 & 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>Medium Term Financial Strategy including savings/efficiency plan approved. 2017-18 budget and 3 year financial plan approved by Council in February 2017 - includes detailed savings plan and proposals for new Programme for Growth. Decision taken to pay off pension fund deficit in 2016/17 to achieve long term savings.</p>

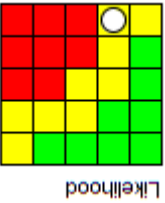
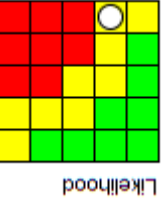
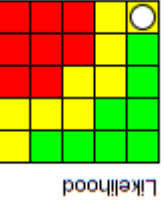
**Risk Score 12
Risk Code & Title SDC_CRR_008 Economy**

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Poor net economic growth.</p>		<p>Potential negative impact on income. Increased demand for services. Increased demand for interventions to stimulate economic growth.</p>			<p>James Cokeham</p>	<p>Engagement with LEP's to influence economic growth programmes. Engagement with key businesses to understand future plans. Engagement with key partners to influence investment programmes and decisions.</p>	<p>Risk level maintained due to current national economic uncertainty linked to ongoing Brexit negotiations, unknown impacts and potential exacerbating effect of snap general election.</p>

**Risk Score 12
Risk Code & Title SDC_CRR_017 Strategic Partnerships**

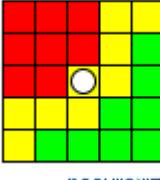
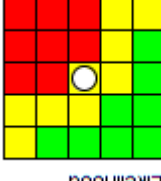
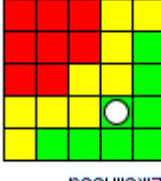
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Inability to influence strategic partnerships (e.g. health/ LEP/NYCC etc).</p>		<p>Opportunities to lever investment/capacity missed. Value from partnerships not achieved. Selby's profile not raised. Selby's asks not reflected in a devolution deal. Corporate Plan objectives not delivered.</p>			<p>Dave Caulfield</p>	<p>Targeted work with key developers and investors. Close working with the LEP's to identify potential investment opportunities. Close involvement in shaping the asks within any Devolution deal. 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 & Partnerships. Stage 2 of organisational review now implemented to put extra capacity into these areas. Advertised externally for key posts that will strengthen key partnership working. Programme for Growth includes projects to develop strategic partnerships.</p>

Risk Score 10
Risk Code & Title SDC_CRR_002 Health and Safety

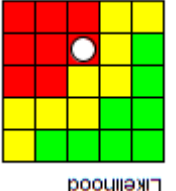
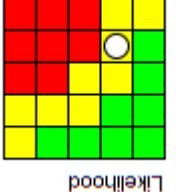
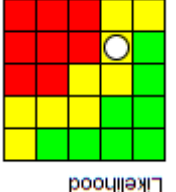
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Failure to comply with Health and safety legislation.</p>		<p>Actual or potential injury or loss of life. Environmental degradation. Financial loss / impact on value of assets. Reputational damage.</p>			<p>June Rothwell</p>	<p>Health and Safety Policy and Plan is 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&E compliance.</p> <p>Risk assessing, and then managing accordingly, every property and asset.</p> <p>Statutory checks to ensure regulatory HS&E Compliance.</p> <p>Event Safety Plan for all events managed by external consultants.</p>	<p>Employees continue to be consulted about health and safety issues through their service area meetings/groups and health and safety forum.</p> <p>Implementation of work programme for the next 12 months has commenced with a review of the working arrangements on Display Screen Equipment assessments.</p> <p>Review of the H&S training requirements for the trades team has been undertaken with key topic areas identified.</p>

Risk Score 9 Risk Code & Title SDC_CRR_004 Organisational Capacity							
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
Lack of organisational capacity and resilience to deliver Corporate Plan objectives.		<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>			Stuart Robinson	<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>Organisational restructure completed and implemented from 1 April.</p> <p>External recruitment underway to fill remaining vacancies.</p> <p>Some delays to Organisational Development Strategy but project brief being developed.</p>

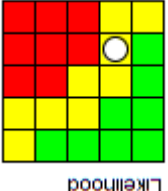
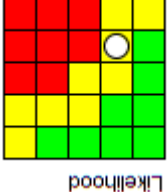
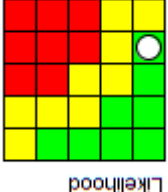
**Risk Score 9
Risk Code & Title SDC_CRR_005 Performance**

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Ineffective performance management.</p>		<p>Council priorities are not delivered.</p>			<p>Stuart Robinson</p>	<p>Performance management framework in place, embedded and well understood, including:</p> <ul style="list-style-type: none"> . Corporate plan/agreed corporate priorities . KPIs . Performance reporting . Performance system . Business planning . Appraisals <p>Sufficient resources to support effective implementation</p>	<p>Q3 performance reported to Extended Leadership Team/Executive/Scrutiny. Q4 reporting underway.</p> <p>Service planning session at Extended Leadership Team on 5 April - further session planned for 11 May. New Policy & Performance team in place from 1 April to support corporate performance management.</p> <p>Performance reporting to be updated for 2017/18.</p>

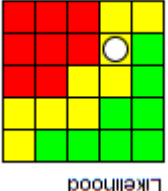
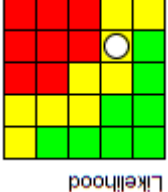
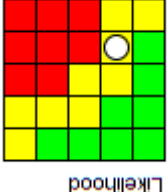
**Risk Score 8
Risk Code & Title SDC_CRR_001 Governance**

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>The Council's governance and transparency of decision making is not effective.</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 access to information rules, contract procedure rules and financial procedure rules.</p> <p>Governance training programme underway for new management team</p>	<p>The likelihood was reduced in February 2017 following a programme of governance training for the Extended Leadership Team (who sign off reports and decisions).</p> <p>New systems & responsibilities bedding in.</p>

**Risk Score 8
Risk Code & Title SDC_CRR_006 Managing Customer Expectations**

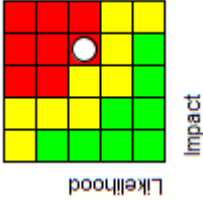
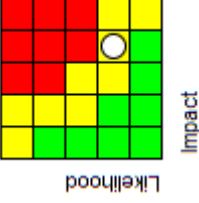
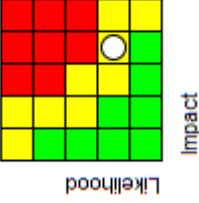
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Inability to meet customers' demand for services.</p>		<p>Poor customer satisfaction. Quality and timeliness of service suffers. Sustainability of service. Increased customer complaints. Impact on Elected Members.</p>			<p>Keith Cadman</p>	<p>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.</p>	<p>No further updates this quarter.</p>

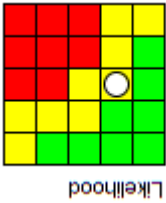
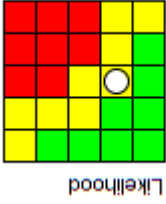
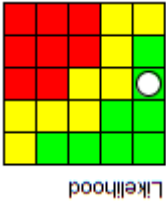
**Risk Score 8
Risk Code & Title SDC_CRR_007 Fraud & Corruption**

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Incident of fraud and/or corruption occurs within the Council.</p>		<p>Financial and reputational loss.</p>			<p>Karen Iveson</p>	<p>Counter fraud arrangements reviewed through annual self-assessment. Counter Fraud and Corruption Strategy and Policy to be reviewed in 2016/17.</p>	<p>Refreshed counter fraud and corruption strategy and associated policies approved by Executive April 2017.</p>

Risk Score 8 Risk Code & Title SDC_CRR_010 Partnership Outcomes						
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place
Service delivery partnerships do not deliver outcomes to support the Council's strategic objectives.		<p>Service performance falls short of expectations.</p> <p>Resources wasted due to requirement of additional management input.</p> <p>Strategic drift.</p>			Keith Cadman	<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>
						Partnership assessments currently being conducted by responsible officers and audit being undertaken by Veritau.
						May 2017 Update

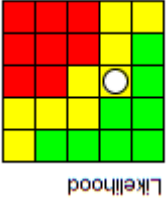
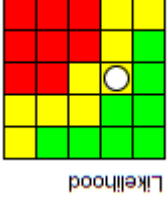
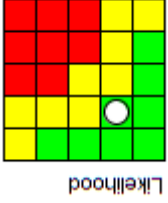
**Risk Score 8
Risk Code & Title SDC_CRR_014 Technology**

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>ICT not fit for purpose.</p>		<p>Missed opportunities for driving the business forward. Missed opportunities for efficiencies and innovation. 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. Align IT investment to business needs and requirements. Clear business cases and benefit realisation reports drive ICT investment. Seizing opportunities for partnership working which will deliver on shared ICT resources. ICT functionality maximised and organisational skills developed.</p>	<p>ICT/Digital Strategy drafted – to share with Extended Leadership Team in June. New structure proposals will create capacity to develop and implement strategy - currently out to advert for a range of roles. Digital Transformation Officer now in post for next 12 months. Public Services Network compliance certificate in place from April. Executive have approved preferred supplier for replacement housing management system. Roll out of tablet devices for Members and Leadership Team commenced. ICT DR Plan in place. DR arrangements have switched to NYCC – creating greater resilience. Positive progress on BT ICT Infrastructure programme. ICT Working Group continues to strengthen internal engagement.</p>

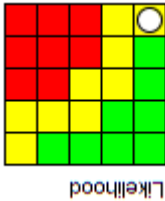
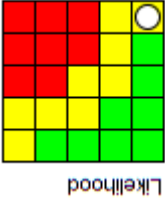
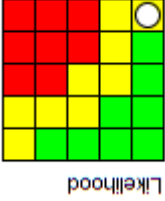
Risk Score 6 Risk Code & Title SDC_CRR_009 Business Continuity							
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
Capacity & resilience of our limited resources to maintain service delivery.		<p>Delivery of services not owned by those responsible for leadership and management.</p> <p>Failure to deliver services in exceptional circumstances.</p>			Stuart Robinson	<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>ICT DR Plan in place</p>	<p>ICT DR Plan is now in place.</p> <p>DR arrangements have switched to NYCC – creating greater resilience.</p> <p>Programme of DR improvements being developed with NYCC.</p> <p>Plan for services to review BCPs in September once restructure embedded.</p>

Risk Score 6 Risk Code & Title SDC_CRR_013 Information Governance/Data Protection							
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Non-compliance with the Freedom of Information and Data Protection acts.</p>		<p>Loss or inappropriate use of personal data and information. Damaged reputation. Financial penalty.</p>			<p>Karen Iveson</p>	<p>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.</p>	<p>Risk reviewed following discussion of action plan at Extended Leadership Team and results of latest sweep - no change.</p>

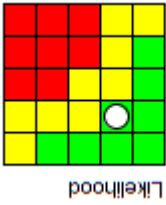
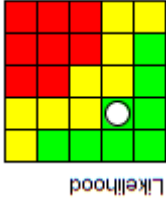
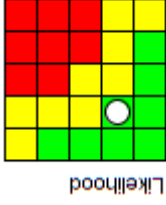
**Risk Score 6
Risk Code & Title SDC_CRR_015 Assets**

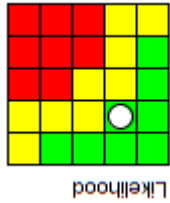
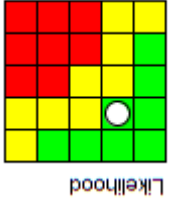
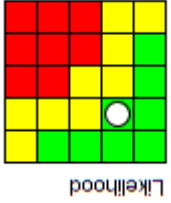
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Lack of a strategic use of assets.</p>		<p>Assets not used to implement Council's vision.</p>			<p>Dave Caulfield; Julie Slatter</p>	<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>Organisational Review completed with posts created in a new Economic Development and Regeneration team that will lead on strategic asset management.</p>

**Risk Score 5
Risk Code & Title SDC_CRR_016 Failure to adequately respond to Civil Emergencies.**

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Failure to fulfil statutory duties under civil contingencies legislation.</p>		<p>Failure to fulfil statutory duties under civil contingencies legislation.</p>			<p>June Rothwell</p>	<p>Established partnership with NYLRF - North Yorkshire Local Resilience Forum) & 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>Exercise Kanji took place in November and lessons learned reported to Extended Leadership Team in February.</p> <p>Emergency Planning command control and communications are being kept up to date.</p> <p>Senior manager to attend gold training.</p>

**Risk Score 4
Risk Code & Title SDC_CRR_011 Communications**

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Ineffective Communications internally and externally.</p>		<p>Lack of understanding of/buy in to corporate priorities.</p>			<p>Stuart Robinson</p>	<p>Resources in place – with the right skills. Agreed approach. Alignment to corporate priorities and decision making.</p>	<p>Additional resources secured. Intranet development continues to improve internal communication. Work to provide support to RDC has commenced.</p>

Risk Score 4 Risk Code & Title SDC_CRR_012 Policy Change							
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
Inability to respond to policy change from a national and/or local level.		<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>			James Cokeham; Stuart Robinson	<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>New corporate Policy & Performance Team in place from 1 April to ensure focus on wider national/local policy issues that may impact on the council.</p> <p>Monthly horizon scanning now in place and embedded to ensure senior management aware of implications of national policy changes.</p> <p>Stronger links in place with regional policy networks.</p> <p>Working group established to fully comprehend the policy implications of the Housing & Planning Act, and respond accordingly.</p>

Public Session

Report Reference Number: A/17/8

Agenda Item No: 9

To: Audit and Governance Committee
Date: 26 July 2017
Author: Phil Jeffrey; Audit Manager - Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Annual Report of the Head of Internal Audit 2016/17

Summary:

The purpose of the report is to present the internal audit annual report for 2016/17. That report is prepared by Veritau and is based on internal audit work carried out since April 2016.

Recommendation:

That the committee note the annual report of the Head of Internal Audit (Appendix A), including the opinion on the adequacy and effectiveness of the council's framework of governance, risk management and internal control.

Reasons for recommendation

To enable the committee to fulfil its responsibility for reviewing the outcomes of internal audit work and to support its consideration of the Council's Annual Governance Statement.

1. Introduction and background

- 1.1 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, the Head of Internal Audit is required to provide an annual report setting out the work done by internal audit. The report should also include an audit opinion based on an objective assessment of the framework of governance, risk management and control operating within the Council.

2. The Report

- 2.1 The purpose of the report, included at Appendix A, is to provide a summary of internal audit work carried out during 2016/17 and to express an opinion on the overall framework of governance, risk management and control in place within the Council.
- 2.2 The report includes a summary of the audit opinions for individual audits completed in the year, to support the overall opinion. A number of the internal audit reports are still at draft report stage and have not yet been finalised. However, we do not expect the findings or opinion contained in these reports to significantly change.
- 2.3 The report also includes a summary of internal audit performance for 2016/17 and conclusions from Veritau's internal audit Quality Assurance and Improvement Programme (QAIP).
- 2.4 A summary of Counter Fraud work carried out during 2016/17 is included at Appendix B.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

(a.) None.

3.2. Financial Issues

(a.) None.

4. Conclusion

- 4.1 The overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council is that it provides **Reasonable Assurance**. There are no qualifications to that opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion.
- 4.2 Although a reasonable assurance opinion can be given, we are aware of some significant weaknesses in the control environment which have been identified in relation to specific audits. We have recommended one issue (relating to creditor payments) to be considered for inclusion in the Annual Governance Statement.

5. Background Documents

Internal Audit and Counter Fraud Plan 2016/17.

Contact Officer: *Phil Jeffrey; Audit Manager - Veritau*
phil.jeffrey@veritau.co.uk

01904 552926 / 01757 292281

***Richard Smith; Deputy Head of Internal Audit -
Veritau
richard.smith@veritau.co.uk***

**Appendices: Appendix A: Annual Report of the Head of
Internal Audit 2016/17**

Appendix B: Counter Fraud update

Selby District Council

**Annual Report of the
Head of Internal Audit 2016/17**

Audit Manager: Phil Jeffrey
Deputy Head of Internal Audit: Richard Smith
Head of Internal Audit: Max Thomas
Date: 26th July 2017

Background

- 1 The Head of Internal Audit (HoIA) 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. In addition to regular progress reports, the Council's internal audit charter also requires that the HoIA provides an annual report, which includes:
 - 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.
- 2 Members approved the Annual Internal Audit Plan for 2016/17 at their meeting on 13 April 2016. The total number of planned audit days for 2016/17 was 355¹. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises the delivery of the agreed plan and the other information required for the annual report as set out in paragraph 1.

Internal Audit Work Carried Out 2016/17

- 3 A summary of the audit work completed in the year is attached at **Annex A**.
- 4 Veritau officers are involved in a number of other areas relevant to corporate matters:
 - **Support to the Audit and Governance Committee;** this is ongoing through our support and advice to Members. We assist by facilitating the attendance at the Committee of managers to respond directly to Members' questions and concerns arising from audit reports as well as the actions that managers are taking to implement agreed actions. We also prepare reports for the Committee, as well as attending, answering queries and providing training sessions.
 - **Financial appraisals;** this work involves supporting the assurance process by using financial reports from credit rating agencies and performing financial analysis in order to confirm the financial suitability of potential contractors.
 - **Risk Management;** Veritau facilitate the Council's risk management process.
 - **Counter Fraud;** Veritau now provide a corporate Counter Fraud service to the Council.

¹ This does not include 105 days of counter fraud work, and 33 days to support the council's risk management arrangements.

- **General advice and support;** Veritau provide advice to Officers on request to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.
- **Investigations;** Special investigations into specific sensitive issues.

5 As with previous audit reports an overall opinion is given for each of the specific systems under review. In addition to the standard reports below, non-standard reports are also issued with 'no opinion given' – these may be where the work is limited in scope or is not designed to provide assurance (for example advisory work).

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.

Follow up of agreed actions

- 8 It is important that agreed actions are formally followed-up to ensure that they have been implemented. Where necessary internal audit will undertake further detailed review to ensure the actions have resulted in the necessary improvement in control.
- 9 All actions from 2014/15 have now been implemented following completion of the one remaining action for which a revised date had been agreed.
- 10 A total of 77 agreed actions from 2015/16 audits have been followed up with the responsible officer. 64 had been satisfactorily implemented. The remaining 13 actions agreed in 2015/16 audits have either had revised dates agreed or not yet or follow up work is still in progress. A summary of this follow up work is included below:

2015/16 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	64	0	34	30
Revised date agreed	11	0	9	2
Follow up in progress	2	0	0	2
Not yet followed up	0	0	0	0
Total agreed actions	77	0	43	34

- 11 A total of 25 agreed actions from 2016/17 audits have been followed up with the responsible officers. 22 had been satisfactorily implemented. In addition, 3 actions have had revised dates agreed. The remaining 23 actions agreed in 2016/17 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:

2016/17 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	22	1	8	13
Revised date agreed	3	0	2	1
Follow up in progress	0	0	0	0
Not yet followed up	23	0	11	12
Total agreed actions	48	1	21	26

Completion of audit plan

- 12 Currently, four 2016/17 audits are at draft report stage. Nine reports have been finalised since the last report to this committee. A total of 93% of reports were completed to draft report stage by the end of April 2017 (the cut off point for 2016/17 audits), achieving the target of 93%. The remaining work will be finalised in 2017/18.

Compliance with Standards

- 13 Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. Quality assurance arrangements include ongoing operational procedures, annual internal self assessment against the PSIAS, and periodic external assessment. Further details on the QAIP and the outcomes of the quality assurance process are provided in annex B.

Audit Opinion and Assurance Statement

- 14 The overall opinion of the Head of Internal Audit on the risk management, governance and control framework operated by the Council is that it provides Reasonable Assurance. There are no qualifications to that opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion.
- 15 Although a Reasonable Assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified in relation to specific audits. Key actions agreed are summarised in the annex to this report. We have recommended one issue (relating to creditor payments) be considered for inclusion in the Annual Governance Statement.



Max Thomas
Director and Head of Internal Audit
Veritau Ltd

26 July 2017

Annex A

2016/17 audit assignments status

Audit	Status ²	Audit Committee
Corporate Risk Register		
Savings Delivery	Draft report issued	
Organisational Development	Cancelled	
Income Generation	Draft report issued	
Programme for Growth	Deferred	
Partnership Arrangements	Substantial Assurance	July 2017
CEF Governance	Reasonable Assurance	April 2017
Financial Systems		
Council Tax/NNDR	Deferred	
Sundry Debtors	Reasonable Assurance	April 2017
Benefits	Substantial Assurance	April 2017
Benefits - Overpayments	Cancelled	
Council House Repairs	Reasonable Assurance	July 2017
Creditors	Limited Assurance	January 2017
General Ledger	Reasonable Assurance	July 2017
Capital Accounting	Substantial Assurance	July 2017
Regularity / Operational Audits		
Absence Management	Reasonable Assurance	April 2017
Data Quality	Draft report issued	
Development Management	Draft report issued	
Housing Development	Cancelled	
Technical / Project Audits		
Better Together	Substantial Assurance	July 2017
Business Transformation	Deferred	
Contract Management	Substantial Assurance	July 2017

² Audits listed as 'deferred' or 'cancelled' have been reported in previous reports with reasons to the Committee.

Audit	Status ²	Audit Committee
ICT	Support/advice provided	
Information Security	Reasonable Assurance	July 2017
PCI DSS	No Opinion Given	July 2017
Project Management	No Opinion Given	July 2017
e- Procurement project support	Support/advice provided	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
General Ledger	14 th July 2017	Reasonable Assurance	0	1	2
Council House Repairs	13 th July 2017	Reasonable Assurance	0	4	0
Partnerships Arrangements	10 th July 2017	Substantial Assurance	0	0	2
Better Together	20 th June 2017	Substantial Assurance	0	0	1
Contract Management	16 th June 2017	Substantial Assurance	0	0	2
Project Management	6 th June 2017	No Opinion Given	0	3	2
Information Security Checks	1 st June 2017	Reasonable Assurance	0	3	0
Capital Accounting	25 th May 2017	Substantial Assurance	0	0	1
PCI DSS	13 th April 2017	No Opinion Given	0	3	1

Summary of audits completed to 14 July 2017; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
General Ledger	Reasonable Assurance	Whilst journals and virements had been processed accurately, a lack of explanation for significant budget variances and delays in completion of control account reconciliations were found to have persisted (having been previously identified in the 2015/16 audit).	14 Jul 17	0	1	2	Work will be continued with Payroll services to ensure continuity of accurate and timely costing files being produced. There will also be an increase in controls over timeliness of reconciliation completion including sign off and completion of reconciliation control sheet.	Due 30 July 2017
Council House Repairs	Reasonable Assurance	Control weaknesses were found to	13 Jul 17	0	4	0	The new service structure which has been in place since April 2017 includes a	Completed

³ Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
		exist with the materials purchasing process and with job costing which were related to the limitations of the existing housing management system. Other issues were found with user access, availability of manual overrides, low levels of confirmed appointments, management information, inventory management, the planned maintenance programme and					specific resource in the form of the Property Management Officer (Quality Inspections) who has commenced the carrying out of inspections.	
							Procurement of the new housing management system is in progress. Once implemented, automated processes will replace the manual workload and will enable all materials and jobs to be checked.	Due 30 November 2018
							A new housing management system will be procured which includes the capacity to cost jobs and will be linked to the finance system.	Due 30 November 2018
							Included in the specification for the new housing management	Due 30 November 2018

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
		the responsive repairs policy.					system is the requirement for there to be job scheduling functionality. This functionality will be made available when the system is implemented.	
Partnerships Arrangements	Substantial Assurance	The audit found two weaknesses relating to the corporate governance of partnerships. These were the lack of a policy (and associated roles and responsibilities) and the absence of a formal review process.	10 Jul 17	0	0	2	None	
Better Together	Substantial Assurance	The partnership mandate for the project was found to be effective at	20 Jun 17	0	0	1	None	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
		supporting the relationship between SDC and NYCC, with project plans in place, workstreams clearly defined and regular reporting to the Project Steering and Joint Member Groups.						
Contract Management	Substantial Assurance	The audit reviewed two contracts in detail. Performance targets, reporting requirements and termination procedures were included in the contracts.	16 Jun 17	0	0	2	None	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
		Invoices were for the correct amounts, authorised appropriately and paid within reasonable timescales. Some minor issues were observed with monitoring and availability of performance reports.						
Project Management	No Opinion Given	The audit found that a corporate approach to project management is not embedded, with formal roles and responsibilities not assigned and existing	06 Jun 17	0	3	2	Develop corporate project and programme management framework to be used for all high risk, corporate projects. Framework to include governance arrangements. Update project management guidance to be used for all projects	Due 30 September 2017 Due 30 September 2017

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
		guidance not reflecting the current organisational structure. Project information held on Covalent was also found to be outdated.					across the Council – to cover all aspects of project management including, initiation, scoping, planning, resourcing, communicating, monitoring, management of risk and review.	
							Rollout of training on the revised project management framework and guidance – commencing October 2017.	Due 31 December 2017
Information Security Checks	Reasonable Assurance	Unannounced checks were made after staff had left for the day. It found that storage was not locked and IT assets were left unsecured, although there was little	01 Jun 17	0	3	0	Findings will be shared with Directors and Service Managers via Extended Leadership Team and disseminated to all staff, including reiterating messages about keeping information secure and promoting culture that recognises information as an asset that must be	Completed – the findings were presented to Extended Leadership and information cascaded to staff regarding the clear desk policy as well as being displayed on the Civic Centre staff entrance screen.

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
		evidence of personal, sensitive or confidential data being left on desks.				protected. Any issues with availability of storage, broken locks or absence of keys and places to store keys to be identified and addressed so that all information is capable of being locked away.	As part of the office move project an audit/inventory of desks and cupboards was undertaken and it will be ensured that the office move plans include ensuring lockable storage is provided as required. Revised date of 31 Aug 17.	
						Responsibility for shared storage and rooms (e.g. archive room) to be made clear to ensure they are locked when not in use / at the end of the day.	As part of the office move/police co-location there are plans to introduce swipe card access to the archive rooms to address this issue. Revised date of 31 Aug 17.	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
Capital Accounting	Substantial Assurance	The audit reviewed a sample of projects within the Capital Programme. It found that, generally, projects were being managed well.	25 May 17	0	0	1	None	
PCI DSS	No Opinion Given	This was a follow-up audit of the 2014/15 audit of PCI DSS. It was found that reasonable progress had been made towards addressing the issues identified in the previous audit but several	13 Apr 17	0	3	1	A compliance procedure document will be produced as an appendix to the Data Protection Policy. This will clearly identify the responsible officers for PCI DSS at the council. Data & Systems will investigate the opportunity to introduce a 'hosted payment page' on the website from a payment provider. This would eliminate card processing	Due 30 September 2017 Due 31 August 2017

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
		outstanding issues remained relating to compliance documentation and procedures, monitoring of third party payment processors and completion of annual self-assessment questionnaires.				and storage on the council's network. Once the network has been reconfigured in line with the recommendations of the external consultant's report, the relevant self-assessment questionnaire will be completed and any remedial actions captured.	Due 30 September 2017	

Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Access Controls: Windows Network and Finance System (2014/15)	Network permissions will be reviewed and revalidated at the point of changing IT provision.	2	Head of Business Development & Improvement	01 Feb 16	Completed – the Windows network permissions were reviewed following the restructure and users who had left the organisation for longer than 3 months were deleted. Processes are now in place to ensure that the practice of deleting leavers' accounts is undertaken consistently.
Information Security Checks (2015/16)	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 needed within the Civic Centre.	2	Solicitor to the Council	31 Jan 16	A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. This action was ongoing according to the plan. Revised date of 31

Counter Fraud Arrangements (2015/16)	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. Management job descriptions will be reviewed for areas where fraud risks have been identified and these job descriptions will explicitly include counter fraud responsibilities.	2	Chief Finance Officer	31 Aug 16	Dec 17. Completed
ICT – Disaster Recovery (2015/16)	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.	2	Head of Business Development & Improvement	30 Nov 16	The service has confirmed this is completed – IA awaiting evidence of DR plan.
ICT – Disaster Recovery (2015/16)	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.	2	Head of Business Development & Improvement	30 Nov 16	The service has confirmed this is completed – IA awaiting evidence of DR plan.
ICT – Disaster Recovery (2015/16)	The new ICT Disaster Recovery Plan will include provision for a number of system restoration tests over the period of the	2	Head of Business Development & Improvement	31 Dec 16	Draft DR plan details testing and maintenance of the

	<p>agreement. SDC will determine and document the degree of testing of wider contingency arrangements which it deems sufficient, such as replacement premises, equipment etc.</p>			<p>plan to be scheduled annually. Replacement premises, equipment etc. being written into service area BCPs - project to be completed by September. Once the DR infrastructure improvements have been made and service area BCPs have been written then testing can commence. Revised date of 31 Dec 17.</p>
<p>ICT – Disaster Recovery (2015/16)</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 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</p>	<p>2</p>	<p>Head of Business Development & Improvement</p>	<p>30 Nov 16 Completed</p>

	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.					
ICT – Disaster Recovery (2015/16)	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.	2	Head of Business Development & Improvement/Head of Commissioning, Contracts & Procurement	31 Dec 16	Completed	
Information Governance (2015/16)	A policy review schedule will be drawn up for all information governance policies to be reviewed and, where required, updated. The data protection policy will be reviewed as a priority.	2	Solicitor to the Council	30 Nov 16	A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale for this action was included in the plan.	
Information Governance	A communications plan will be developed to refresh awareness of existing policies	2	Solicitor to the Council	30 Nov 16	Revised date of 31 Dec 17. A request has been made to HR and	

(2015/16)	and to give regular reminders to staff on information governance issues.				<p>Communications to refresh the messages on data protection and periodic e-mails are sent. Further work is to be undertaken to produce a written plan, scheduling regular update messages throughout the year.</p> <p>A revised date is to be agreed.</p>
Information Governance (2015/16)	The asset register will be reviewed and updated. This will include updating Information Asset Owner (IAO) responsibilities to reflect the new organisational structure. Job descriptions will be reviewed and responsibilities will be included for all roles who act as IAOs, as well as the Senior Information Risk Owner (SIRO) and Solicitor to the Council.	2	Solicitor to the Council	30 Nov 16	<p>A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale for this action was included in the plan.</p> <p>Revised date of 31 Dec 17.</p>
Information Governance (2015/16)	In reviewing and refreshing the information asset register (action 3.1), IAOs will refer to the information risk management policy.	2	Solicitor to the Council	30 Nov 16	<p>A high level action plan was included as part of the Information Governance Annual</p>

<p>Information risks will be considered by all services and significant risks identified through this process will be included in the service based risk registers.</p>				<p>Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale for this action was included in the plan.</p> <p>Revised date of 31 Dec 17.</p>
<p>Information Governance (2015/16)</p>	<p>2</p>	<p>Solicitor to the Council</p>	<p>30 Nov 16</p>	<p>A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale for this action was included in the plan.</p> <p>Revised date of 30 Sep17.</p>
<p>Information Governance (2015/16)</p>	<p>2</p>	<p>Solicitor to the Council</p>	<p>30 Nov 16</p>	<p>A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January.</p>
<p>Information Governance (2015/16)</p>	<p>2</p>	<p>Solicitor to the Council</p>	<p>30 Nov 16</p>	<p>The review of the information asset register (IAR) will identify information being shared with other organisations. IAOs will be asked to confirm whether all decisions to share information are recorded and that data sharing agreements are in place. Data sharing agreements will be drawn</p>

	up under the MAISP where required.				This action was ongoing according to the plan. Revised date of 31 Dec 17.
Information Governance (2015/16)	A consolidated corporate records retention and disposal schedule will be drawn up in line with the document retention policy. This will apply to all records held and in all formats and will be made available throughout the organisation.	2	Solicitor to the Council	30 Nov 16	A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale for this action was included in the plan. Revised date of 30 Sep17.
Absence Management (2016/17)	Management will introduce a revised process to ensure managers are reminded - at the point HR are notified of an absence - of the need to undertake Return to Work meetings and are automatically provided with employee absence history in advance. Return to Work form to be amended to require details of employee absence history.	2	Head of Business Development and Improvement	31 Mar 17	Completed – process and documentation revised and discussed at the recent Absence Workshops with line management. Compliance with this is being monitored in a weekly HR audit Reminder sent to all employees 14 July 2017.

Absence Management (2016/17)	Management will review spreadsheets for formula and data range integrity.	2	Head of Business Development and Improvement	31 Mar 17	Completed – a new spreadsheet following restructure in operation and formulas checked. Issue was a very small number of formulas had not captured field range.
Sundry Debtors (2016/17)	Senior Officers will continue to enquire with the software suppliers of COA as a matter of urgency to understand the root cause of the missing invoices. Further action will be taken, depending on the reason(s) uncovered.	2	Lead Officer – Data & Systems	31 Mar 17	Completed – the software supplier was consulted and ran in-depth checks, resolving that the error came about due to technical issues at the time the invoices were created which have since been rectified.
Sundry Debtors (2016/17)	Management will look to review and renegotiate the SLA between Richmondshire District Council and Selby District Council, taking into account the matters raised in this audit.	2	Chief Finance Officer	30 Sep 17	Due 30 September 2017

VERITAU

ANNEX B - INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual
- the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- the requirement for all audit staff to complete annual declarations of interest
- detailed job descriptions and competency profiles for each internal audit post
- regular performance appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- induction programmes, training plans and associated training activities
- the maintenance of training records and training evaluation procedures
- agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- the results of all audit testing work documented using the company's automated working paper system (Galileo)
- file review by senior auditors and audit managers and sign-off of each stage of the audit process
- the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- performance against agreed quality targets monitored and reported to each client on a regular basis.

On an ongoing basis, a sample of completed audit files is also subject to internal peer review by a senior audit manager to confirm quality standards are being maintained. The results of this peer review are documented and any key learning points shared with the internal auditors and audit managers).

The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment and professional networking are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board⁴ as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

2.0 Customer Satisfaction Survey – 2017

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2017. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 149 surveys (2016 – 124) were issued to senior managers in client organisations. 32 surveys were returned representing a response rate of 21% (2016 - 33%). The surveys were sent using Survey Monkey and respondents were asked

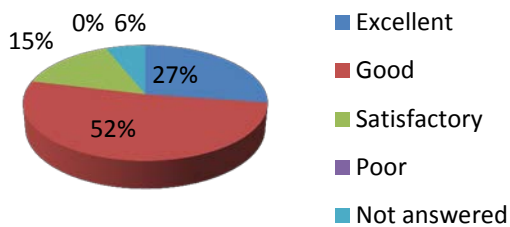
⁴ As defined by the relevant audit charter.

to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:

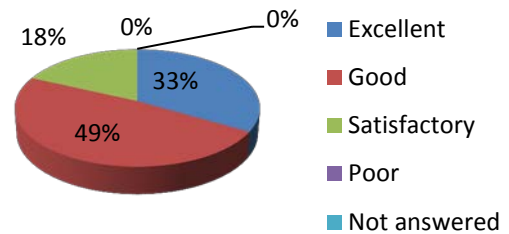
- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below:

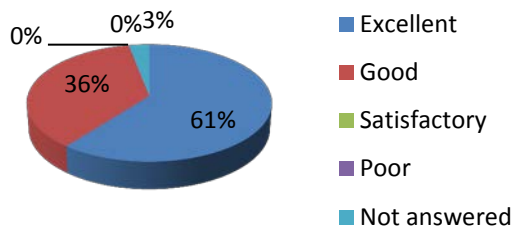
Quality of audit planning / overall coverage



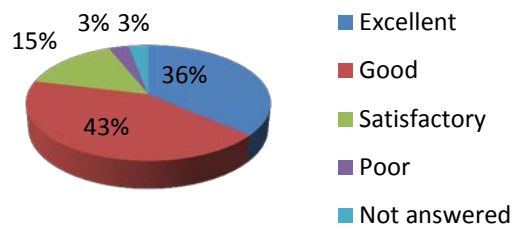
Provision of advice / guidance



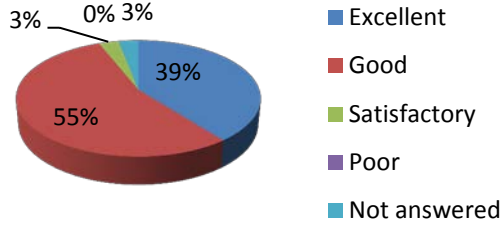
Staff - conduct / professionalism



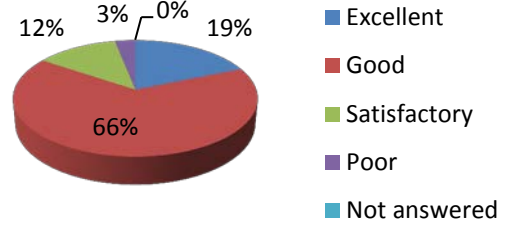
Ability to provide unbiased / objective opinions



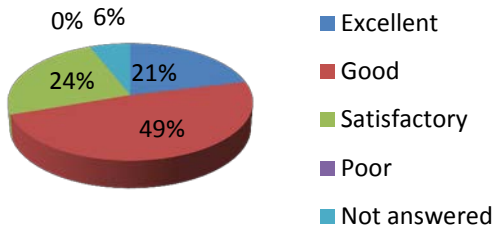
Ability to establish positive rapport with customers



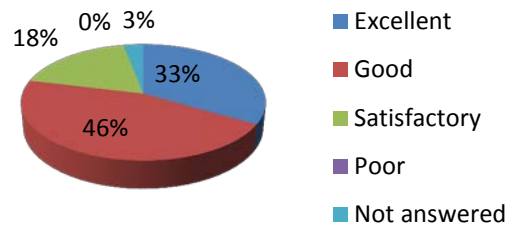
Knowledge of system / service being audited



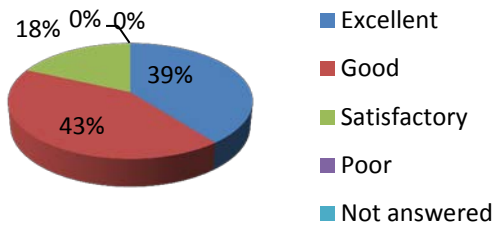
Ability to focus on areas of greatest risk



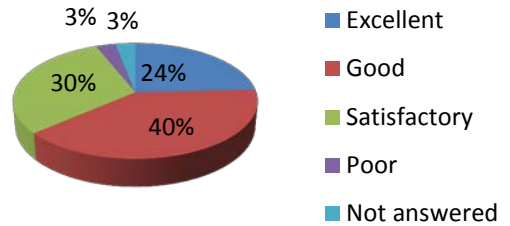
Agreeing scope / objectives of the audit



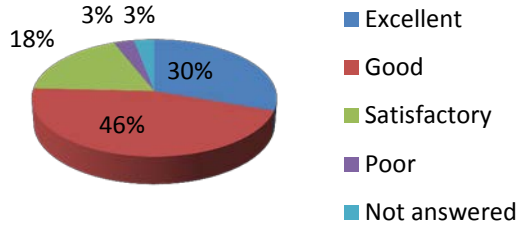
Minimising disruption to the service being audited



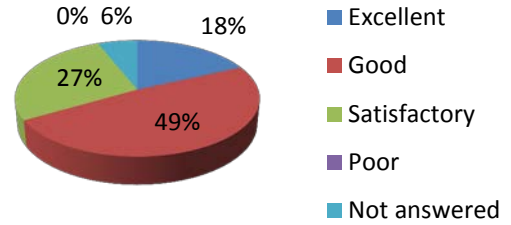
Communicating issues during the audit



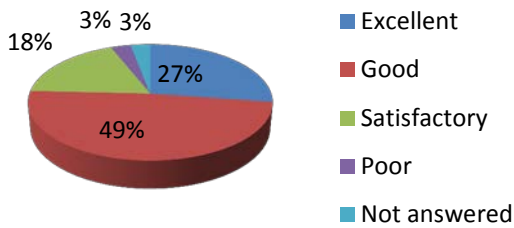
Quality of feedback at end of audit



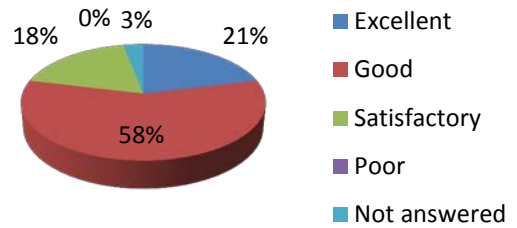
Accuracy / format / length / style of audit report



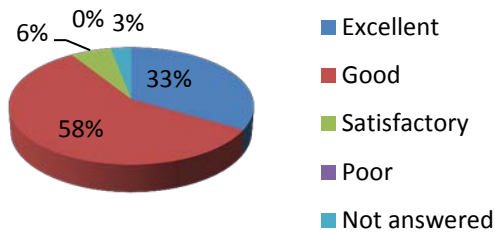
Relevance of audit opinions / conclusions



Agreed actions are constructive / practical



Overall rating for Internal Audit service



The overall ratings in 2017 were:

	2017		2016	
Excellent	11	34%	8	27%
Good	19	60%	19	63%
Satisfactory	2	6%	3	10%
Poor	0	0%	0	0%

The feedback shows that the majority of clients continue to value the service being delivered.

3.0 Self Assessment Checklist – 2017

CIPFA prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 but has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards.

In most areas the current working practices are considered to be at standard. However, a few areas of non-conformance have been identified. None of the issues identified are however considered to be significant. In addition, in some cases, the existing arrangements are considered appropriate for the circumstances and hence require no further action.

The following areas of non-conformance remain unchanged from last year:

<u>Conformance with Standard</u>	<u>Current Position</u>
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit?	The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal.
Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal?	See above
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and

<u>Conformance with Standard</u>	<u>Current Position</u>
	reported to the audit committee).
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Reliance may be placed on other sources of assurances where this is considered relevant. However, the Head of Internal Audit will only rely on other sources of assurance if he/she is satisfied with the competency, objectivity and reliability of the assurance provider.

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

Whilst the new Standards were only adopted in April 2013, the decision was taken to request an assessment at the earliest opportunity in order to provide assurance to our clients. The assessment was conducted by Gerry Cox and Ian Baker from the South West Audit Partnership (SWAP) in April 2014. Both Gerry and Ian are experienced internal audit professionals. The Partnership is a similar local authority controlled company providing internal audit services to a number of local authorities.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed an audit committee chair.

The conclusion from the external assessment was that working practices conform to the required professional standards. Copies of the detailed assessment report were provided to client organisations and, where appropriate, reported to the relevant audit committee.

5.0 Improvement Action Plan

Last year's quality assurance process identified the following required changes and improvements:

Change / improvement	Progress to date
The internal peer review highlighted the need for further training to be provided on sampling and testing.	Completed

No specific changes to working practices have been identified in 2017. However, to enhance the overall effectiveness of the service, the following areas are considered to be a priority in 2017/18:

- Further development of in-house technical IT audit expertise
- Implementation of the data analytics strategy (stage 1) and investment in new capabilities
- Improved work scheduling, clearer prioritisation of objectives for individual assignments to enable them to be managed within budget, and better communication and agreement with clients on timescales for completion of audit work.

6.0 Overall Conformance with PSIAS (Opinion of the Head of Internal Audit)

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards. 'Partially conforms' means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit service from performing its responsibilities in an acceptable manner. 'Does not conform' means the deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit service from performing adequately in all or in significant areas of its responsibilities.

APPENDIX B

COUNTER FRAUD ACTIVITY 2016/17

The table below shows the total numbers of fraud referrals received and summarises the outcomes of investigations completed during the year.

	2016/17
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, management action taken).	44%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£39,858
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£18,000

Caseload figures for the period are:

	As at 31/3/17
Referrals received	187
Referrals rejected ¹	30
Number of cases under investigation	38

¹ All referrals received by Veritau are assessed by quality of evidence and scale of fraud. Where a referral is rejected for investigation the referee or service area is notified.

Waiting to be assigned	38
Number of investigations completed	81

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Council data required by the Cabinet Office for the 2016/17 National Fraud Initiative was gathered in October 2016 and securely transmitted via the NFI web application. Results from the data matching exercise have now been returned. There are 170 recommended matches to investigate covering a range of council services. Work on these matches is now underway.</p> <p>The Council has joined City of York Council, Hambleton, Richmondshire and Ryedale district councils to undertake data matching exercises to detect cross boundary fraud. Results from a data match looking at single person discounts have been returned and matches are currently being reviewed.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity to date includes the following:</p> <ul style="list-style-type: none"> • Council Tax/Non Domestic Rates fraud – The team received 32 referrals for potential fraud in this area over the course of 2016/17. Fraud to the value of £3,000 was uncovered during the year. There are currently 11 ongoing investigations into Council Tax and Non Domestic Rates fraud. All work in this area over the last financial year was funded through a

Activity	Work completed or in progress
	<p>grant from the Department for Communities and Local Government (DCLG).</p> <ul style="list-style-type: none"> • Council Tax Support fraud – In 2016/17 the team received 59 referrals for possible fraud. Almost £4,500 of loss to the Council was detected due to fraud. There are currently 13 cases under investigation. • Debt recovery – The team provided support with 51 requests from the council to help trace absentee debtors and were able to provide address or employment details in 47% of cases. • Housing fraud – The team received 35 referrals for investigation in the year; 3 for illegal subletting, 5 property abandonments, 6 housing allocation frauds and 21 right to buy checks. There are currently 13 ongoing investigations in this area. Last year one housing applicant was cautioned for failing to update the Council about changes in their circumstances which would have affected their application. One false right to buy application was stopped with a value of £36,000. <p>Raising awareness of housing fraud, internally and externally, is an ongoing objective. In 2016/17 awareness sessions were held with housing, benefits, council tax and legal teams. Articles were written and published in the Council’s tenant magazine – Open Door.</p> <ul style="list-style-type: none"> • Internal fraud – No internal fraud referrals were received in 2016/17.

Activity	Work completed or in progress
Fraud liaison	<ul style="list-style-type: none"> • Parking fraud – Working with officers from the Council’s outsourced parking enforcement provider, Harrogate Borough Council, the fraud team has piloted new working practices to help combat disabled badge fraud within Council car parks over the final quarter of 2016/17. New processes allow enforcement officers to make checks on the ownership and validity of disabled badges. Where there is a suspicion of fraud the enforcement officer can refer the case for investigation. <p>The team made three checks for enforcement officers leading to two investigations. Both investigations led to disabled badges being seized and tickets being issued. One person was cautioned and another warned for offences relating to the misuse of disabled badges.</p>
	<p>On 1 March 2016 the council’s remit to investigate and prosecute housing benefit fraud transferred to the Department for Work and Pensions (DWP). The counter fraud team now acts as a single point of contact for the DWP and is responsible for providing data to support their housing benefit investigations.</p> <p>The team dealt with 169 requests on behalf of the council during the last financial year. In addition housing benefit fraud concerns from within the council as well as from members of the public have been referred to the DWP for investigation. These referrals are tracked to ensure that the Council is aware of the results of any DWP investigations. Where financial penalties are recommended by the DWP the circumstances of each case is reviewed and advice is given to the Council to assist decision making.</p>

Activity	Work completed or in progress
Fraud management	<p>In 2016/17 a range of activity was undertaken to the support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • A new counter fraud and corruption policy and associated counter fraud and corruption prosecution policy was introduced. The new policy covers all forms of fraud the Council encounters or may encounter in the future. • A counter fraud strategy covering 2017-19 was developed. The strategy confirms the Council's commitment to tackling fraud and corruption and sets out actions to strengthen the Council's arrangements, in line with recommended practice. • A risk assessment considering the threat of fraud against the Council was completed in September. The assessment contained an action plan to help mitigate the risks identified. • An annual counter fraud report and update report were brought to the Audit and Governance Committee. In addition a fraud training session was provided for councillors. • The Council's website was updated to reflect the new counter fraud arrangements. • As part of the National Fraud Initiative, Council forms were reviewed to ensure that residents and employees were notified of how their data might be used.

Public Session

Report Reference Number A/17/9

Agenda Item No: 10

To: Audit and Governance Committee
Date: 26 July 2017
Author: Phil Jeffrey; Audit Manager - Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

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 2017 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 September 2016.

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 (Global IIA).
- 2.3. Global IIA introduced new and revised International Standards that came into force on 1 January 2017. To ensure the UK public sector standards continue to reflect the international standards, the revisions were adopted into the PSIAS from 1 April 2017.
- 2.4. To reflect the changes to the standards, a number of updates to the council's internal audit charter are required. The proposed new charter is included at appendix A, with amendments shown as tracked changes.

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 PSIAS

5. Background Documents

Contact Officer: *Phil Jeffrey; Audit Manager - Veritau*
phil.jeffrey@veritau.co.uk
01904 552926 / 01757 292281

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

Appendices: - Appendix A - Internal Audit Charter (amended)



Selby District Council

Internal Audit Charter

| ~~28 September 2016~~ 26 July 2017

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. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance. 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 2017⁶ CIPFA adopted revised Public Sector Internal Audit Standards (PSIAS)¹ 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 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 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 or head of service of the Council individually (including the Chief Executive) or collectively as 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
- approving the release of information arising from an audit to any third party.

¹ The PSIAS were adopted jointly by relevant internal audit standard setters across the public sector.

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.

3.3 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.”

3.4 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 environment², comprising its systems of governance, risk management, and control.

² For example the work of internal audit is not limited to the review of financial controls only.

- 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. The report will be used by the Committee 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 (including the code of ethics and standards) and the results of the quality assurance and improvement programme.

- 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 following consultation with the Audit and Governance Committee and senior management. The audit plan will also reflect which takes account of the requirements of the Charter, the strategy, and proper practice.
- consider trends and emerging issues that may impact the organisation

- 5.3 In undertaking this work, responsibilities of the internal audit service will include:

- providing assurance to the board and senior management on the effective operation of governance arrangements and the internal control environment operating at the Council³
- 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 and standards as set out in the PSIAS and reflected in this charter
- the code of ethics in the PSIAS⁴
- 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.

³ Where third parties place reliance on the assurance provided then they do so at their own risk.

⁴ 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 advice⁵
 - ~~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 entity⁶. 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 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/)
 - Chief Executive
 - Chief Finance Officer (s151 officer)
 - Monitoring Officer
 - other directors and heads of service.
- 7.3 The 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 Chief Finance Officer.

⁵ Auditors will not be used on internal audit engagements where they have had direct involvement in the area within the previous 12 months

⁶ Veritau North Yorkshire is part-owned by the Council. The company provides internal audit services to a number of member councils and other public sector organisations.

- 7.4 The Head of Internal Audit will report independently to Audit and Governance Committee/⁷ 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, or the Committee as a whole as required. Meetings may be requested by committee members or the Head of Internal Audit.
- 7.6 The Audit and Governance Committee/ 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 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 necessary⁸.

8 Fraud, and consultancy services and non-audit 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.

⁷ The committee/board charged with overall responsibility for governance at the council.

⁸ The relationship between internal audit and the Audit and Governance Committee is set out in more detail.

8.4 Where Veritau provides non-audit services (for example information governance), appropriate safeguards will be put in place to ensure audit independence and objectivity are not compromised. These safeguards include the work being performed by a separate team with different line management arrangements. Separate reporting arrangements will also be maintained. The Head of Internal Audit will report any instances where audit independence or objectivity may be compromised to the Chief Finance Officer and the Audit and Governance Committee. The Head of Internal Audit will also take steps to limit any actual or perceived impairment that might occur (for example by arranging for the audit of these services or functional activities to be overseen externally).

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 appropriate and sufficient to meet the requirements to provide an opinion on the Council's control environment. Where resources are judged to be inadequate or insufficient, recommendations to address the shortfall will be made to the Chief Finance Officer and to the Audit and Governance Committee.

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 Chief Finance Officer and the Audit and Governance Committee, for approval.

Relationship between the Chief Finance Officer (the s151 Officer) and internal audit

- 1 In recognition of the statutory duties of the Council's Chief Finance Officer (the CFO) for internal audit, this protocol has been adopted to form the basis for a sound and effective working relationship between the CFO and internal audit.
- (i) The Head of Internal Audit (HoIA) will seek to maintain a positive and effective working relationship with the 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 CFO (in addition to the Audit and Governance Committee).
 - (iii) The 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 CFO.
 - (iv) The HoIA will notify the CFO of any matter that in the HoIA's professional judgement may have implications for the CFO in discharging his/her s151 responsibilities.
 - (v) The 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 CFO, as well as to the Audit and Governance Committee.
 - (viii) The HoIA will report to the CFO (and the Audit and Governance Committee) any instances where internal audit independence or objectivity is likely to be compromised, together with any planned remedial action.
 - (ix). The HoIA will report to the CFO (and the Audit and Governance Committee) any instances where audit work has not conformed to the code of ethics and/or the standards. This includes the reasons for non-conformance and the possible impact on the audit opinion.

| (viii) The 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 and internal audit

- 1 The Audit and Governance Committee 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 and internal audit. This protocol sets out some of the key responsibilities of internal audit and the Committee.
- 2 The Committee 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 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, 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
 - (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

- (iv) establish whether anything arising from the work of the Committee requires consideration of the need to change the audit plan or vice versa
- (v) highlight any shortfall in the resources available to internal audit or any instances where the independence or objectivity of internal audit work may be compromised (and ~~to~~ make recommendations to address these to the Committee)
- (vi) report any significant risks or control issues identified through audit work which the HoIA feels necessary to specifically report to the Committee. This includes risks which management are failing to address but which the HoIA considers are unacceptable for the Council.
- (vii) report any actual or attempted interference in the performance or reporting of internal audit work
- (viii) participate in the Committee's review of its own remit and effectiveness
- (viii) discuss the outcomes of the quality assurance and improvement programme, and consult with the committee 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, or the Committee as a whole as required. Meetings may be requested by committee members or the HoIA.

Public Session

Report Reference Number: A/17/10

Agenda Item No: 11

To: Audit and Governance Committee
Date: 26 July 2017
Author: Daniel Maguire, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Audit Progress Report

Summary:

The report from the external auditor, Mazars, is provided for comment and noting.

Recommendations:

To consider the External Audit Progress Report.

Reasons for recommendation

The Audit and Governance Committee is required, in accordance with Part 3 of the Constitution, to consider reports of the external auditor and inspection agencies relating to the actions of the Council.

1. Introduction and background

- 1.1 The report has been submitted by the external Auditor, Mazars and updates the Committee on progress in delivering external audit.
- 1.2 The report was originally submitted for consideration to the June meeting of the Audit and Governance Committee, but that meeting was not quorate. In accordance with the council's Constitution the report is required to be considered at this meeting.

2 The Report

- 2.1 The report is attached at appendix A and sets out a summary of external audit progress to date.

- 2.2 The report also sets out key emerging national issues and developments that may be of interest to the Committee in respect of external audit.
- 2.3 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 – External Audit Progress Report

Audit Progress Report

Selby District Council



June 2017



Contents

Audit progress.....	3
National publications and other updates.....	4
Contact details.....	6

Audit progress

Audit progress

The accounts and audit timetable will be formally brought forward from the 2017/18 audit, with the draft accounts requiring certification by the end of May and the audit being completed by the end of July.

As you know, we agreed to trial the new timetable for the 2016/17 audit.

Officers have achieved the first deadline by producing a draft set of financial statements for 2016/17 and publishing these on the Council's website on 31 May 2017.

The audit work commenced on Monday 5 June 2017.

We will be able to update Members on the progress of the audit at the Committee meeting on 14 June 2017.

National publications and other updates

National publications and other updates

1. Integrating health and social care, Public Accounts Committee, April 2017
2. Planning for 100% local retention of business rates, National Audit Office, March 2017
3. 2017-18 work programme and scale of fees, Public Sector Audit Appointments Ltd, March 2017
4. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

1. **Integrating health and social care, Public Accounts Committee, April 2017**

Further to a National Audit Report on the Better Care Fund and various PAC hearings, the Public Accounts Committee published a report on integrating health and social care.

The conclusions and recommendations are summarised below.

- The Departments do not know what is the most effective balance of limited funding across health and social care. The Department and NHS England should assess the impact that financial pressure in social care is having on the NHS, so that it can better understand the nature of the problem and how it can be managed.
- The Departments and NHS England should reassess whether the Better Care Fund in its current form is still necessary and should identify what has worked well so this can be brought into sustainability and transformation planning.
- NHS England and the Local Government Association should encourage and support the full involvement of local government in the sustainability and transformation planning process. Working with their local authority partners, local health bodies should improve the involvement of local populations in the planning process.
- The Departments, NHS England and the Local Government Association must take responsibility for the performance of their programmes, including the Better Care Fund while it continues. We expect greater accountability and more realistic objectives, which the Departments and partners will stand by.

<https://www.publications.parliament.uk/pa/cm/cm201617/cmselect/cmpubacc/959/95902.htm>

2. Planning for 100% local retention of business rates, National Audit Office, March 2017

The Department for Communities and Local Government has made progress in designing the scheme for 100% retention of business rates by local authorities, but the scale of the remaining challenges presents clear risks both to the timely delivery of the initiative and to the achievement of its overall objectives, according to the National Audit Office.

By allowing local authorities to retain 100% of business rates, the Department hopes that this will incentivise them to grow their tax bases by adopting pro-development planning practices which in turn will support economic growth. But tax base growth does not necessarily mean economic growth: new developments might lead to the relocation of existing economic activities rather than the creation of new ones, for instance. The Department needs to understand the link between business rates and economic growth to ensure that the scheme is configured to maximise economic growth rather than just growth in the tax base.

<https://www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates/>

3. 2017-18 work programme and scale of fees, Public Sector Audit Appointments Ltd, March 2017

PSAA has published the work programme and scales of fees for 2017/18 audits of principal local government and police bodies. There are no changes to the overall work programme for 2017/18. Scale fees for 2017/18 have therefore been set at the same level as the fees applicable for 2016/17. This is the final year for which PSSA will set fees under the transitional arrangements made by DCLG.

<http://www.psa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees/>

4. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

The latest 2016/17 monitoring report highlights full compliance with the Regulator's standards for Mazars LLP.

<http://www.psa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

Contact details

Please let us know if you would like further information on any items in this report.

www.mazars.co.uk

Mark Kirkham
Partner
0191 383 6300

mark.kirkham@mazars.co.uk

Gavin Barker
Senior Manager
0191 383 6300

gavin.barker@mazars.co.uk

Address:
Salvus House,
Aykley Heads,
Durham,
DH1 5TS
0191 383 6300

Public Session

Report Reference Number: A/17/11

Agenda Item No: 12

To: Audit and Governance Committee
Date: 26 July 2017
Author: Daniel Maguire, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Audit Completion Report

Summary:

The report from the external auditor, Mazars, is provided for comment and noting.

Recommendations:

To consider the External Audit Completion Report.

Reasons for recommendation

The Audit and Governance Committee is required, in accordance with Part 3 of the Constitution, to consider reports of the external auditor and inspection agencies relating to the actions of the Council.

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and updates the Committee on progress in delivering external audit for the financial year ending 31 March 2017.

2 The Report

2.1 The report is attached at appendix A and sets out a summary of external audit progress during the financial year ending 31 March 2017.

2.2 The report also sets out key emerging national issues and developments that may be of interest to the Committee in respect of external audit.

2.3 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:

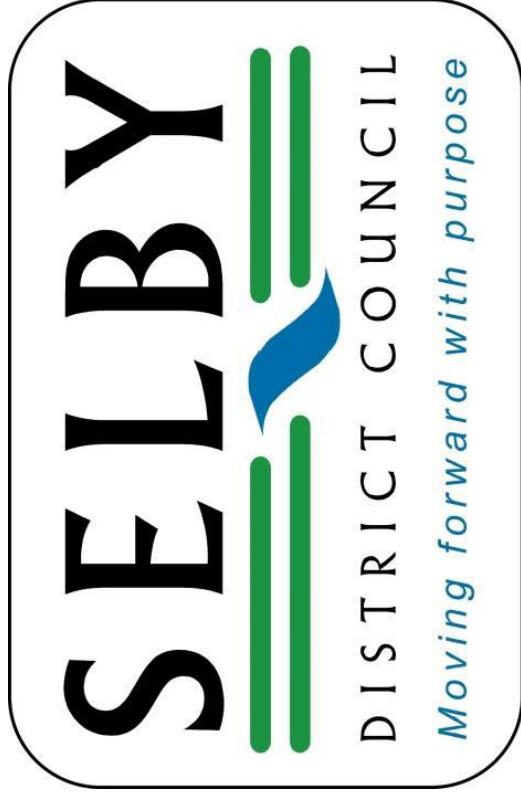
Daniel Maguire, Democratic Services Officer
Ext: 42247
dmaguire@selby.gov.uk

Appendices:

A – External Audit Progress Report

Audit Completion Report

Selby District Council



For the year ended 31 March 2017



Contents

1. Executive summary	3
2. Significant findings	5
3. Internal control recommendations	8
4. Value for Money Conclusion	12
Appendix A – Summary of misstatements	16
Appendix B – Draft management representation letter	18
Appendix C – Draft audit report	21
Appendix D – Independence	24

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council 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.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. Executive summary

Purpose of this report

The Audit Completion Report sets out the findings of our audit of Selby District Council (the Council) for the year ended 31 March 2017, and forms the basis for discussion at the Audit and Governance Committee meeting on 26 July 2017.

The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £775k. We have updated our assessment as part of our continuous planning processes and have set materiality at £788k. Our clearly trivial threshold for reporting matters to you has been set at £24k.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in March 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.</p>
Identified misstatements	<p>Our work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.</p>
Value for Money	<p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate having no matters to report in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>
Whole of Government Accounts (WGA)	<p>Our report on your WGA submission, in line with the group instructions issued by the NAO, will record that your activity was below the threshold set by the NAO meaning that we were not required to review the WGA return in detail this year.</p>

The status of our work

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017.

At the time of preparing this report, there are no significant matters outstanding.

If any subsequent issues arise, we will provide an update to you in a follow up letter prior to giving our opinion.

2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
<p>Management override of control</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work on:</p> <ul style="list-style-type: none"> 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. 	<p>Our work on the financial statements did not identify any manipulation of the financial position, and we did not identify any evidence of management override of controls.</p>

Significant risk	How we addressed the risk	Audit conclusion
<p>Pension Entries</p> <p>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 include estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts 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:</p> <ul style="list-style-type: none"> evaluated the management controls in place to assess the reasonableness of the figures provided by the Actuary; and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office. 	<p>Our work confirmed that reasonable assumptions had been used by the actuary and the required pension entries have been reflected in your financial statements.</p>

Qualitative aspects of the Council's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of your accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
<p>Accounting policies and disclosures</p>	<p>We have reviewed the Council's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code).</p> <p>In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.</p>
<p>Quality of the draft financial statements</p>	<p>We received draft financial statements from management on 31 May 2017. The draft financial statements were produced a month earlier than previously, ahead of the statutory requirement to do so for next year's 2017/18 financial statements. This was a considerable achievement by officers. The draft financial statements we received were well presented and of a good standard. It is clear that there has been considerable work performed by the finance team to improve working papers which has aided the audit process for this year.</p>

Qualitative aspect	Our views
Quality of supporting working papers	<p>Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit.</p> <p>The working papers supporting the financial statements were of a good standard. We are grateful to officers for their assistance in responding to requests for information and in dealing with our queries in a timely and efficient manner.</p>

Significant matters discussed with management

There were no significant matters arising from the audit 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.

3. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to 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 1 (high)**

There is potential for financial loss, damage to reputation or loss of information. Weaknesses may have implications for the achievement of strategic objectives and our recommendations should be considered immediately by management.

- **Priority 2 (medium)**

There is a need to strengthen internal controls or enhance efficiency. Our recommendations should be actioned in the near future.

- **Priority 3 (low)**

Internal controls should be strengthened where practicable and where there is a cost benefit from doing so.

Other deficiencies in internal control – Priority 2
Valuation of Council dwellings in the balance sheet

Description of deficiency	<p>It has not been possible to agree the number of properties in the housing rents system to the financial asset register. For over 3,000 dwellings, there was a discrepancy of one property between the 2 data sources. For around 400 garages, there was a discrepancy of 10 garages. Officers have confirmed to us that the data in the rents system which is used to manage Council properties is accurate, and this issue relates only to data held in the Fixed Asset Register (FAR).</p> <p>Some errors were made uploading data supplied by the external valuer to the FAR (£191k of discrepancies relating to the classification of property types) which were subsequently corrected.</p>
Potential effects	<p>Although the impact of this issue is not material, it is important to ensure that the correct information is reflected in the financial statements, and ties in to the housing rental system.</p>
Recommendation	<p>The Council should ensure that accurate information is recorded in the FAR, and that this is reconciled to the housing rents system, and checks are made to ensure that data from the valuer is input to the FAR correctly.</p> <p>Timescale - End of December 2017</p>
Management response	<p>We accept the findings of this recommendation. We will put in place further controls to ensure that information on assets held in the Operational Asset Management System, specifically for Council Dwellings and Garages, are more effectively interfaced with the Financial Fixed Asset Register. These measures include prompt reconciliation of the two systems and early preparation of the financial Fixed Asset Register well in advance of 2017/18 financial year end.</p>

Issues previously reported

For completeness, we include below the internal control recommendations identified earlier in the audit and reported to the Audit and Governance Committee in April 2017. We have provided a comment updating Members for the current position on each of these issues.

Issues to address in relation to payroll

Our payroll walkthrough testing highlighted the following issues that management have agreed will be addressed:

Findings and recommendations (and update at July 2017)	
<p>Expected key control</p> <p>The monthly payroll should be authorised by the Head of Service before payroll is run by North Yorkshire County Council (NYCC)</p>	<p>To date in 2016/17, the only authorisation that has been provided is by the HR Officer, who also prepares the payroll. There is no official delegation of authority for the HR Officer to authorise NYCC to run the payroll. Management restructuring may have impacted on the operation of this control.</p> <p>Agreed Action A senior manager will provide the necessary oversight and authorisation for NYCC to perform the payroll run.</p> <p>Updated July 2017 – we understand this recommendation has now been implemented.</p>
<p>Payroll audit reports are produced by NYCC and signed by HR to evidence reasonableness checks</p>	<p>To date in 2016/17, none of the payroll audit reports have been signed off at the appropriate level. Management restructuring may have affected the operation of this control.</p> <p>Agreed Action A senior manager will review and sign payroll audit reports each month on a timely basis.</p> <p>Updated July 2017 – we understand this recommendation has now been implemented.</p>

Findings and recommendations (and updated at July 2017)	
Expected key control	<p>The payroll reconciliation is currently showing a number of unreconciled items and discrepancies.</p> <p>Officers are satisfied that the correct amounts are being paid to employees and the correct deductions are being made for PAYE, NI, pensions, etc. However, there is a problem with the costing file which puts the payroll costs into the Council's general ledger.</p> <p>The discrepancies are not significant but we have reported this issue previously and it should have been addressed by now.</p> <p>We understand that management have now escalated this issue with NYCC to ensure it is resolved.</p> <p>Agreed Action The Council will ensure that the issues with the payroll reconciliation are resolved without further delay.</p> <p>Updated July 2017 – there are still discrepancies reflected in the payroll reconciliation. As previously reported the differences reflected in the 2016/17 financial statements are not significant, but it remains important that this issue is resolved for such a fundamental financial system.</p>

Follow up - duplicate payments

As part of our audit planning, we followed up on the issues with duplicate payments that were reported to the Audit and Governance Committee in January 2017. We carried out an analysis of a download of payments data for 2016/17 to identify potential duplicates.

We did not identify any significant duplicate payments in addition to those that had already been identified, reported and addressed by management. This corroborates the view given by officers that the particular problems experienced in the summer of 2016 were isolated cases and that management has taken appropriate action to address the issues arising. This analysis was carried out for the purposes of our audit risk assessment and should not be relied upon for any other purpose.

Updated July 2017 – we are not aware of any significant duplicate payments being included in the 2016/17 financial statements. The duplicates that did occur earlier in the year and which were reported to the Audit and Governance Committee in January 2017 were corrected in the financial year so that the 2016/17 financial statements are fairly stated.

4. Value for Money Conclusion

Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
<p>Informed decision making</p> <p>Acting in the public interest, through demonstrating and applying the principles and values of sound governance.</p> <p>Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.</p> <p>Reliable and timely financial reporting that supports the delivery of strategic priorities.</p> <p>Managing risks effectively and maintaining a sound system of internal control.</p>	<p>The Council operates an Executive with a Leader model, and this is governed by a Constitution including the normal features of an effective governance framework in local government.</p> <p>The Council has a clear Corporate Plan that sets out its priorities, including to do business, to enjoy life and to make a difference, and for this to be supported by a Council that delivers great value.</p> <p>Key priorities for the Council include delivering affordable housing and promoting economic growth and development. Delivery of priorities is monitored in quarterly performance reports and in the Annual Report.</p> <p>New decisions are supported by reports that outline appropriate options and relevant considerations, including references to financial, legal and performance issues where appropriate.</p> <p>There is evidence of financial reporting being used 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. In addition, regular financial reporting takes place, with formal reporting quarterly to the Executive.</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>The Council has a risk management strategy and framework in place. The Council has refreshed its corporate risk register in 2016/17.</p> <p>The system of internal control is subject to Internal Audit and for 2016/17, Veritau, the Council's internal auditors, have given an opinion of reasonable assurance.</p> <p>An Audit and Governance Committee is in place to oversee the governance framework including the work of internal audit and approval of the Council's financial statements.</p> <p>The 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. It also highlights issues relating to duplicate payments and payroll reconciliations.</p>	<p>Yes</p>

Sub-criteria	Commentary	Arrangements in place?
<p>Sustainable resource deployment</p> <p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p> <p>Managing and utilising assets effectively to support the delivery of strategic priorities.</p> <p>Planning, organising and developing the workforce effectively to deliver strategic priorities.</p>	<p>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.</p> <p>In recent years the Council has benefitted from an annual 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 and has set it aside for the Council's Programme for Growth initiative.</p> <p>In the 2017/18 budget, the Council has not assumed that the windfall will recur. The general fund budget has been set at £11.644m, with a small deficit of £377k to be funded from reserves.</p> <p>The Council decided to repay its Pension Fund deficit following the triennial actuarial revaluation of the North Yorkshire Pension Fund on 1 April 2016. The Council made a payment of £9.4m as an early repayment of the deficit in March 2017. This will generate an annual saving as a contribution towards the savings needed to balance the budget over the medium term.</p> <p>In the budget for the HRA a key factor in the next few years will continue to be the requirement to reduce rents by 1% per annum. The Council has still been able to set a budget for 2017/18 for the HRA which predicts a £1.2m surplus, although this will be required to support capital spending plans</p> <p>The Council has an Asset Management Strategy. There are good examples of the Council seeking to make best use of its assets with some key elements being part of the Better Together partnership with North Yorkshire County Council. More recently, the Council has decided to co-locate at the civic centre with North Yorkshire Police.</p> <p>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.</p>	Yes

Sub-criteria	Commentary	Arrangements in place?
<p>Working with partners and other third parties</p> <p>Working with third parties effectively to deliver strategic priorities.</p> <p>Commissioning services effectively to support the delivery of strategic priorities.</p> <p>Procuring supplies and services effectively to support the delivery of strategic priorities.</p>	<p>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.</p> <p>Another 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>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). This contract was extended during 2016/17.</p>	Yes

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that for 2016/17, we had not identified any significant risks for our VFM conclusion.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix C states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £24k, are set out below. All misstatements were adjusted by management and there are no unadjusted misstatements.

Adjusted misstatements 2016/17					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	Dr: Note 12 – Other Land and Buildings – Transfers			1,189	
1	Cr: Note 12 – Vehicles, Plant and Equipment - Transfers				1,189
	Explanation: The transfer of Summit Leisure Centre from Asset under Construction into use did not split out the different elements of the site between buildings and equipment.				
	Dr: Note 12 – Vehicles, Plant and Equipment - Additions			136	
2	Cr: Note 12 – Vehicles, Plant and Equipment - Transfers				136
	Explanation: VPE additions were incorrectly shown as transfers in the draft financial statements.				
	Dr: CIES – Cost of Services - Depreciation		229		
3	Cr: Note 12 – Land and Buildings - Accumulated Depreciation				150
	Cr: Note 12 – Vehicles, Plant and Equipment - Accumulated Depreciation				79
	Explanation: Depreciation previously not charged, relating to the Summit Leisure Centre.				

Adjusted misstatements 2016/17 (continued)					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	Dr: CIES – Other Operating Expenditure	2,423			
4	Cr: CIES – Cost of Services – Expenditure		2,423		
	Explanation: Transactions relating to the disposal of Non-Current Assets, were incorrectly disclosed within Cost of Services.				
	Dr: Accumulated Depreciation – Land and Buildings			599	
5	Cr: Cost/Valuation – Land and Buildings				599
	Explanation: In the course of performing the valuations, the accumulated depreciation was not written off. The gross position of cost/valuation and accumulated depreciation is therefore overstated, but the net position is correct.				

Disclosure amendments

A number of minor corrections and clarifications were made to the disclosures in the notes to the financial statements.

These included the amendment of disclosures relating to exit packages and officers remuneration; the majority of the changes related to corrections to bandings and including information omitted in the draft statements.

Appendix B – Draft management representation letter

To be on Selby District Council letter headed paper and addressed to the external auditor:

26 July 2017

Selby District Council - audit for year ended 31 March 2017

This representation letter is provided in connection with your audit of the statement of accounts for Selby District Council ('the Council') for the year ended 31 March 2017 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 2016/17 (the Code).

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 Code.

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 the Chief Finance 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 Council 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 Code 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 Code.

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 the Chief Finance 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 Code.

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. An 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 Code 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.

Yours sincerely

Ms K Iveson

Chief Finance Officer

Date: 26 July 2017

Appendix C – Draft audit report

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

Opinion on the Council financial statements

We have audited the financial statements of Selby District Council for the year ended 31 March 2017 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 2016/17.

This report is made solely to the members of Selby District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 as set out in 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 and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer 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 2016/17, 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2017 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 2016/17.

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 comply with Delivering Good Governance in Local Government: Framework (2016);
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 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 Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

The Council 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 Council has made 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 Council'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 Council 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 Comptroller and Auditor General, 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 Council 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 issued by the Comptroller and Auditor General, 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 2017.

Certificate

We certify that we have completed the audit of the financial statements of Selby District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[To be signed]

Mark Kirkham

For and on behalf of Mazars LLP

Salvus House

Aykley Heads

Durham DH1 5TS

26 July 2017

Appendix D – Independence

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

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



Public Session

Report Reference Number: A/17/12

Agenda Item No: 13

To: Audit and Governance Committee
Date: 26 July 2017
Author: Karen Iveson, Chief Finance Officer
Lead Officer: Karen Iveson, Chief Finance Officer
Executive Member: Cliff Lunn, Lead Member for Finance and Resources

Title: Annual Governance Statement 2016/17

Summary: The report presents the Annual Governance Statement (AGS) 2016/17 for approval.

Recommendations:

Councillors approve the 2016/17 Annual Governance statement as included within the Statement of Accounts.

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 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”.
- 2.3 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.
- 2.4 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.
- 2.5 Assurance can be provided by evidence from a number of sources including: 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.
- 2.6 The AGS, which is contained within the Statement of Accounts under the previous agenda item, highlights issues within the Council’s control framework identified in 2016/17 relating to creditors and payroll that are felt to warrant improvement. Both issues have benefitted from review by management and agreed actions have been implemented.

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:

Karen Iveson Chief Finance Officer
kiveson@selby.gov.uk

Appendices:

None

Public Session

Report Reference Number: A/17/13

Agenda Item No: 14

To: Audit Committee
Date: 26 July 2017
Author: John Raine, Head of Technical Finance
Lead Officer: Karen Iveson, Chief Finance Officer
Executive Member

Title: Statement of Accounts 2016/17

Summary: The purpose of this report is to enable Councillors to undertake an examination of the Council's financial accounts for the financial year 2016/17 and seek approval of them.

Recommendations:

Councillors approve the 2016/17 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 30th September following the financial year-end. This deadline has been brought forward for the approval of the 2017/18 accounts to 31 July 2018, and therefore this year, the Council are having a dry-run to ensure the accounts are approved by members by 31 July 2017 this year.
- 1.2 The 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 2016/17 is attached for approval at Appendix A. The Accounts have been prepared in

accordance with the code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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.
- 2.6 The Statement of Accounts also contains a Narrative Statement which highlights the key financial issues during 2016/17, and considers these in the context of the Council's future financial challenges and objectives.
- 2.7 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.
- 2.8 The accounts were made available for public inspection from 12 June 2017 until 21 July 2017, 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 2016/17 closedown working papers.

Contact Officer:

John Raine, Head of Technical Finance
John.raine@northyorks.gov.uk

Appendices:

Appendix A: 2016/17 Statement of Accounts
Appendix B: Explanatory paper to the Accounts

STATEMENT OF ACCOUNTS

2016/17

CONTENTS

	<u>Pages</u>
LEADER'S FOREWORD	3
NARRATIVE STATEMENT	4 - 14
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	15
INDEPENDENT AUDITOR'S REPORT TO SELBY DISTRICT COUNCIL	16 - 18
THE CORE FINANCIAL STATEMENTS	
EXPENDITURE AND FUNDING ANALYSIS	19
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	20
MOVEMENT IN RESERVES STATEMENT	21
BALANCE SHEET	22
CASH FLOW STATEMENT	23
EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS	
NOTE 1 - Accounting Policies	24 - 43
NOTE 2 - Accounting Standards that have been issued but not adopted	43 - 44
NOTE 3 - Critical Judgements in Applying Accounting Policies	44
NOTE 4 - Assumptions made about the Future and other Major Sources of Estimation Uncertainty	45 - 46
NOTE 5 - Material Items of Income and Expenditure	46
NOTE 6 - Events After the Balance Sheet	46 - 47
NOTE 7 - Adjustments between Accounting Basis and Funding Basis under Regulations	47 - 51
NOTE 8 - Transfers to / from Earmarked Reserve	52 - 53
NOTE 9 - Other Operating Expenditure	54
NOTE 10 - Financing and Investment Income and Expenditure	54
NOTE 11 - Taxation and Non-Specific Grant Income	54
NOTE 12 - Property, Plant and Equipment	54 - 56
NOTE 13 - Depreciation Methodologies	57
NOTE 14 - Commitments under Capital Contracts	57
NOTE 15 - Revaluations	58
NOTE 16 - Investment Properties	58
NOTE 17 - Intangible Assets	59
NOTE 18 - Financial Instrument Balances	60
NOTE 19 - Long Term Debtors	60
NOTE 20 - Financial Instruments Gains, Losses and Fair Values	61 - 62
NOTE 21 - Inventories	62
NOTE 22 - Debtors and Prepayments	63
NOTE 23 - Cash and Cash Equivalents	63
NOTE 24 - Creditors	63 - 64
NOTE 25 - Provisions	64
NOTE 26 - Usable Reserves	65
NOTE 27 - Unusable Reserves	66 - 70
NOTE 28 - Cash Flow Statement - Operating Activities	70
NOTE 29 - Cash Flow Statement - Investing Activities	71
NOTE 30 - Cash Flow Statement - Financing Activities	71

CONTENTS continued

	<u>Pages</u>
NOTE 31 - Expenditure and Funding Analysis further details	72 - 73
NOTE 32 - Officers' Remuneration & Exit Packages	74 - 75
NOTE 33 - Surpluses / Deficits on Trading Undertakings	76
NOTE 34 - Agency Services	76
NOTE 35 - Members Allowances	76
NOTE 36 - External Audit Costs	76
NOTE 37 - Grant Income	77
NOTE 38 - Related Party Transactions	78 - 80
NOTE 39 - Capital Expenditure and Financing	81 - 82
NOTE 40 - Leases	82 - 84
NOTE 41 - Assets Recognised under PFI Arrangements	84
NOTE 42 - Impairment Losses	84
NOTE 43 - Retirement Benefits	84 - 89
NOTE 44 - Contingent Liabilities	89
NOTE 45 - Contingent Assets	89
NOTE 46 - Nature and Extent of Risks Arising From Financial Instruments	89 - 92
NOTE 47 - Council Tax	93
NOTE 48 - Non-domestic Rates	93
NOTE 49 - Capital Expenditure Financed from Revenue	93
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	94
MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	95
NOTES TO THE HOUSING REVENUE ACCOUNT	95 - 99
THE COLLECTION FUND	100
NOTES TO THE COLLECTION FUND	101 - 104
GLOSSARY	105 - 113
ANNUAL GOVERNANCE STATEMENT	115 - 129

Copies of this and previous years accounts are available for viewing, along with other information about the Council's services on the Authority's website at www.selby.gov.uk or from Selby District Council, Civic Centre, Doncaster Road, Selby, North Yorkshire, YO8 9FT. Selby District Council will on request, provide this document in Braille, **large print** or audio format. If English is not your first language and you would like a translation of this document in an alternative language please telephone - 01757 705101.

LEADER'S FOREWORD

The Statement of Accounts for 2016/17 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 Corporate Plan, against the back drop of continued reductions in central government funding and major organisational change.

Our Corporate Plan, which was developed in partnership with local residents and businesses, key partners and stakeholders, 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 benefitted from cash windfalls from renewable energy business rates. We have used these gains wisely by reducing our pension liabilities to deliver long term revenue savings, whilst setting aside resources to invest in our priorities and to manage on-going risk.

We have also invested in new assets over the year – for example the Summit Indoor Adventure facilities in Selby opened their doors to the public at the end of May 2016; and we delivered new Council homes as well as improving our existing stock.

For a small Council capacity can be challenging at times and during the year we completed the process of re-organising our staff structure to better align with the 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. This includes investment in developing a new approach to supporting business and housing growth. This will help us to focus on making our district a great place to do business and a great place to live, and supports the long-term sustainability of the Council too.

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.

2016/17 also gave us the opportunity to celebrate the Tour de Yorkshire as we saw the cycle race pass through our district. And during the year we invested resource to support the community celebrate the event starting in Tadcaster in 2017- helping to showcase this great place following the devastating floods the previous year.

So overall 2016/17 was a year of change and new beginnings, and we end the year confident about our financial position and ready for new challenges ahead.

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 2016/17" (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 2016 to 31 March 2017:

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.

Expenditure and Funding Analysis Statement - this statement demonstrates how the funding available to Selby District Council for the year, has been used in providing services in comparison with those resources consumed or earned by the Council.

Comprehensive Income & Expenditure Statement - This statement shows the accounting net 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 2016/17 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 2016/17

Revenue expenditure for 2016/17 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 and what it is spent on.

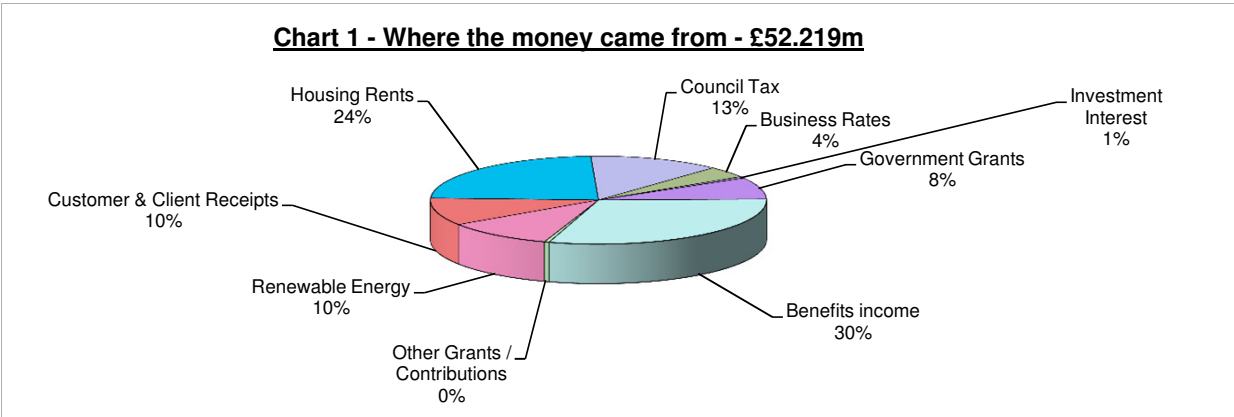


Chart 1 above shows income received in the year of £52.219m. 38% (£19.9m) of this is received from the government as direct grants, mainly to fund benefit payments and formula (or indirect) grants, i.e. grants that are not ring-fenced for specific purposes. Council Tax provides a further £6.6m, which includes £1.7m for Parish Council precepts, and the Council's share of business rates retention contributes £2.2m, with £5.4m in business rates from renewable energy facilities. Housing Rents provide £12.3m.

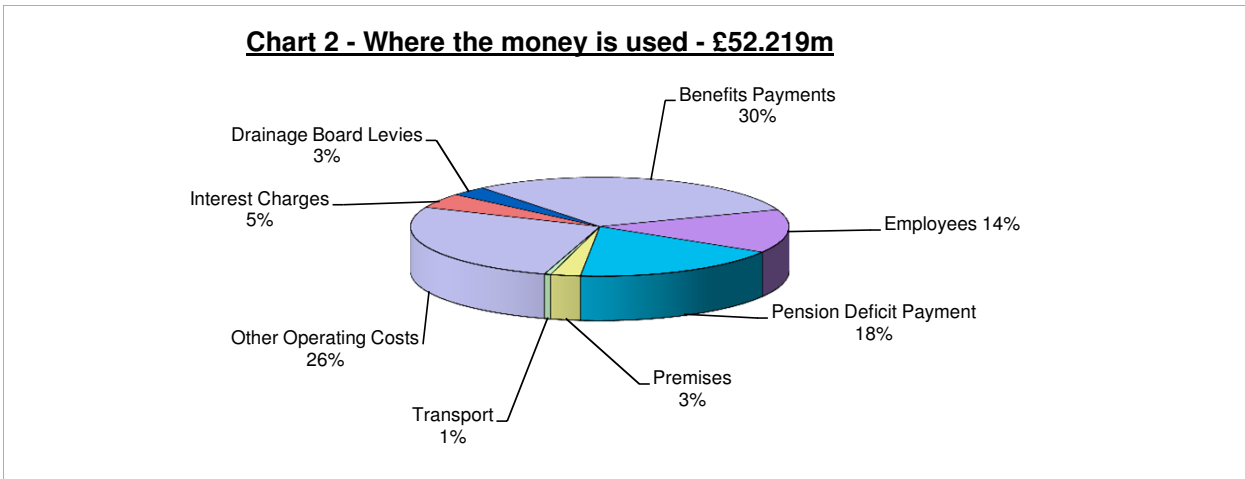


Chart 2 above shows that the largest proportion of the Council's money £15.7m is spent on Housing benefit payments. Other operating costs total £13.9m, which include the running costs of services including the HRA and contracts for recycling, refuse collection, street cleansing, grounds maintenance, gas servicing and leisure costing. £16.4m was spent on employee costs, this includes a one-off payment towards reducing the councils pension liability. Other costs include drainage board levies at £1.6m, interest payable costs £2.5m.

NARRATIVE STATEMENT

Financial Performance in 2016/17 Compared to Agreed Budget

The latest approved budget anticipated a £117k surplus for the General Fund after budgeted transfers to reserves and a transfer to the Housing Revenue Account Major Repairs Reserve (MRR) of £1.520m. The out-turn position was a General Fund surplus £518k and the Housing Revenue Account surplus was £1.964m. This includes a payment of £9.4m for early repayment of the Pension Fund Deficit, funded by Earmarked reserves. The performance against budgets for General Fund services and the Housing Revenue Account are shown separately in the following paragraphs.

General Fund

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	2,299	1,888	(411)
Pension Deficit Payment (GF Contribution)	7,581	7,581	-
Parishes Precepts	1,707	1,707	-
Internal Drainage Board Levies	1,635	1,635	(0)
Interest Payable and Similar Charges	130	130	-
Investment Interest	(232)	(232)	-
Non Cash Adjustments included in (Surplus)/Deficit	-	983	983
Net Operating Expenditure	13,120	13,692	572
Revenue Support Grant	(1,121)	(1,121)	-
Non Service Related Government Grants	(2,798)	(2,797)	1
Renewables Income	(6,422)	(5,427)	995
Business Rates	(1,453)	(2,171)	(718)
Council Tax Precept (including parish precepts)	(6,603)	(6,603)	-
Net (surplus) / deficit	(5,277)	(4,427)	850
Other Non Cash Adjustments	869	(888)	(1,757)
Transfers to / (from) Reserves	4,291	4,797	506
Transfers (to) / from GF Balances	(117)	(518)	(401)

NARRATIVE STATEMENT

4. Revenue Spending in 2016/17 continued

The previous table shows a saving against net cost of services of £411k. The table below looks at the major variances and gives a brief explanation as to why they have occurred. The main variances shown demonstrate that as part of its prudent financial management councillors and officers continually review budgets to achieve efficiency savings.

General Fund		
	Variance £'000	Reason for Variance
Employee & Travel Costs	(110)	During 2016/17 whilst the Corporate restructure was in progress, resources were directed to deliver priorities meaning some vacancies were held to prevent appointments being made to discontinuing posts.
Housing Benefits	(135)	An improved position on overpayment recovery and lower than anticipated growth in benefit payments for the year.
Planning Fee Income	(258)	Increased income from the variety and high volume of applications received.
Supporting People	108	Reduction in the amount of grant available from NYCC and eligibility of residents offset slightly by increased private payers and cost savings across the service.
Miscellaneous	(16)	Numerous smaller and compensating variances contributing towards the final surplus.
Total	(411)	

Investment income fell £8k short of budget due to the continuing low bank rate - the Council achieved an average return on its investments of 0.58% 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 2016/17 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.

Housing Revenue Account

The Housing Revenue Account (HRA) was estimated to make a surplus of £1.520m 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 £1.964m, this additional surplus has also been transferred to the Major Repairs Reserve.

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	(7,471)	(43,138)	(35,667)
Pension Deficit Payment (HRA Contribution)	1,810	1,810	-
Interest Payable and Similar Charges	2,638	2,414	(224)
Investment Interest	(48)	(38)	10
Non Cash Adjustments included in Surplus/Deficit	102	409	279
Net (surplus) / deficit	(2,969)	(38,543)	(35,602)
Capital Expenditure financed from revenue	2,150	2,501	351
Other Non Cash Adjustments	1,529	34,616	33,087
Transfers to / (from) Reserves	(2,230)	(538)	1,692
(Surplus) / Deficit available for distribution	(1,520)	(1,964)	(472)
Transfers (to) / from MRR	(1,520)	(1,964)	(444)
Transfers (to) / from HRA Balances	-	-	-

The table shows a difference against net cost of services of £35.667m. 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 2016/17 continued

Housing Revenue Account		
	Variance £'000	Reason for Variance
Revaluations & Impairments	(35,406)	Council dwellings revalued at 1 April 2016 as part of a 5 yearly exercise, the upward valuation is as a result of the social housing factor calculation. This transaction is reversed and has no impact on the rent payer.
Employees	21	Shortfall due to costs supporting housing development and cleaning costs for the community centres.
Premises Costs	(64)	Several items make up this variance including gas servicing and maintenance due to better quality boilers and solid fuel servicing due to conversions to gas. There were also community centre savings on utilities and repairs.
HRA Share of Support Services	27	Recharges from the General Fund for HRA services, in particular support towards the running and administration of the Community Centres.
Provision for Bad Debts	(50)	Contributions meet the impact of write-offs in year whilst maintaining appropriate levels in the provision for Rent Payers £229k and other HRA debtors £54k.
Rent - Dwellings	(120)	Income exceeded estimates, partly due to void turnaround rates and reletting at target rent for new tenancies.
Other Sundry Costs	(75)	Variances including unspent contingency for the year.
Total	(35,667)	

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 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 2017 and financial resources are being carried forward to 2017/18 to complete these projects. The total value of carry forwards is £4.788m (£2.154m Housing Revenue Account, £2.634m General Fund).

The detailed Core Financial Statements and accompanying notes are shown on pages 19 to 104.

5. Capital Expenditure

In 2016/17 the Council spent £4.268m (2015/16 £9.471m) on its capital programme (£1.161m General Fund and £3.107m Housing Revenue Account). An analysis of where the money was spent and the sources of funding are shown in the following two tables:

Capital Programme Analysis	Actual £'000	Proportion %
Council Dwelling Improvements	2,116	49.6%
Council dwelling construction	991	23.2%
Equipment & Vehicles, including Intangible Assets (e.g. computer software)	159	3.7%
Other Land and Buildings, including Community Assets	727	17.0%
Home Improvement Grants and Loans and Disabled Facilities Grants	277	6.5%
Loans to Selby District Housing Trust	(2)	0.0%
Total	4,268	100%

NARRATIVE STATEMENT

5. Capital Expenditure continued

Where the money came from	Actual £'000	Proportion %
Government Supported Borrowing	-	0.0%
Prudential / Internal Borrowing	(1,159)	27.2%
Capital Receipts	(84)	2.0%
Major Repairs Reserve	(2,150)	50.4%
Grants and Contributions	(45)	1.0%
Revenue and Reserves	(830)	19.4%
Total	(4,268)	100%

Explanation of variances against budget

The Council expected to spend £5.7m on its capital programme in 2016/17, £2.1m on General Fund and £3.5m on its Housing Investment. However there was an underspend of £0.95m on the General Fund and £0.4m on the Housing Revenue Account. The underspend on the General Fund was mainly due to the fact no loan funding was required to be paid over to Selby District Housing Trust during 2016/17 whereas £1.25m had been provisionally planned as part of the 2016/17 budget. The HRA underspend was due to general delays and slippage. Work on these projects will be completed in 2017/18 or later.

The major items of capital expenditure in 2016/17 were as follows:

	Actual £'000
New Leisure village	640
IT Hardware & Software	95
Central Heating systems	480
Rewiring	209
Bathroom replacements	208
Kitchens	240
Damp works	207
External door replacements	141
Disabled Facilities Grants	277
Cap Park ticket machines	41
Other capital initiatives	108
Housing developments	992
Other Housing improvements	629
Total	4,267

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 2016/17 but used internal borrowing to fund capital costs associated with the Selby Leisure Village and the housing development at Byram and Eggborough. 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.

NARRATIVE STATEMENT

7. Collection Fund

At 31 March 2017 there is a net deficit on the Collection Fund of £1.6m. The Council Tax element is a deficit of £0.1m of which £92k is owed by North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority. There is a deficit of £1.5m for non-domestic rates. Of the deficit £742k is owed by the central government and £149k by North Yorkshire County Council and North Yorkshire Fire and Rescue Authority.

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 £20.442m at 31 March 2016 to £11.357m at 31 March 2017 based on the 2016 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 £9.2m is primarily due to the early repayment of the Pension Fund deficit, funded by Earmarked Reserves.

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

The Balance Sheet on page 22 shows that the net worth of the Council increased by £48.6m to £126.5m. Significant movements on the balance sheet include an increase in non-current assets of £37.5m, primarily due to a significant change in measurement of the value of Council House land and buildings, enhanced by expenditure on the capital programme, offset by the net impact of disposals and depreciation. Cash equivalents increased by £10.3m to reflect an improved cash position. The long term pension fund liability reduced by £9.2m, primarily due to the early repayment of the Pension Fund deficit as determined by AON, the Actuary of the North Yorkshire Pension Fund.

Short-term debtors reduced by nearly £6m and short-term liabilities have increased by £2.3m.

In 2016/17 the Council received capital receipts of £2.2m from the sale of council houses and other land and buildings.

10. Review of the Council's Current Financial Position

At the 31 March 2017 the Council's usable reserves stood at £25.6m compared to £24.8m at the end of 2015/16. Included within these figures are £3.4m (£1.1m General Fund and £2.3m HRA) of unallocated revenue reserves. The remaining usable reserves include £14.3m earmarked reserves, £2.4m major repairs reserve and £4.0m 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 2016/17 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 and ensure long term savings in other recurring costs. 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.

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 - 104 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 2017.

Karen Iveson

CPFA

Chief Finance Officer (s151)

Dated

26 July 2017

Approval of the Accounts

This Statement of Accounts was approved by a resolution of the Audit Committee of Selby District Council on xx September 2017.

Councillor M Jordan

Chair of Audit Committee

Dated

26 July 2017

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

Opinion on the Council financial statements

We have audited the financial statements of Selby District Council for the year ended 31 March 2017 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 2016/17.

This report is made solely to the members of Selby District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 as set out in 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 and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer 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 2016/17, 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2017 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 2016/17.

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 comply with Delivering Good Governance in Local Government: Framework (2016);
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 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 Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

The Council 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 Council has made 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 Council'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 Council 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 Comptroller and Auditor General, 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 Council 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 issued by the Comptroller and Auditor General, 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 2017.

Certificate

We certify that we have completed the audit of the financial statements of Selby District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham

For and on behalf of Mazars LLP

*Salvus House
Aykley Heads
Durham DH1 5TS*

26 July 2017

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. This statement also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Further details can be seen in Note 5 to the Core Financial Statements (page 46).

EXPENDITURE & FUNDING ANALYSIS FOR 2016/17

Directorate	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding & Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Corporate Svcs & Commissioning	9,621	(32,638)	(23,017)
Economic Regeneration & Place	548	(46)	502
Legal & Democratic Services	691	(35)	656
Finance	1,022	(13,034)	(12,012)
Cost Of Services	11,882	(45,753)	(33,871)
Other Income & Expenditure	(11,763)	928	(10,835)
(Surplus) or Deficit	119	(44,825)	(44,706)
		£'000	
Opening General Fund & HRA Balance		(19,025)	
(Surplus) or Deficit		119	
Closing General Fund and HRA Balance at 31st March 2017		(18,907)	
General Fund Working Balance		329	
HRA Balance		(1)	
Earmarked Reserves		(209)	
		119	

EXPENDITURE & FUNDING ANALYSIS FOR 2015/16

Directorate	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding & Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Corporate Svcs & Commissioning	9,478	3,774	13,252
Economic Regeneration & Place	788	45	833
Legal & Democratic Services	354	35	389
Finance	1,089	(11,614)	(10,525)
Cost Of Services	11,709	(7,760)	3,949
Other Income & Expenditure	(14,546)	2,695	(11,851)
(Surplus) or Deficit	(2,838)	(5,065)	(7,902)
		£'000	
Opening General Fund & HRA Balance		(16,226)	
(Surplus) or Deficit		(2,838)	
Transfers Capital Grants Unapplied		40	
Closing General Fund and HRA Balance at 31st March 2016		(19,024)	
General Fund Working Balance		207	
HRA Balance		(11)	
Capital Grants Unapplied		(40)	
Earmarked Reserves		(2,994)	
		(2,838)	

	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2015	(1,674)	(11,689)	(2,256)	(607)	(1,092)	(2,003)	(228)	(19,549)	(46,831)	(66,380)
<u>Movement in reserves during 2015/16</u>										
Restated (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	0	0	(3,666)	(3,666)
Total Comprehensive Expenditure and Income	(4,341)	0	(3,561)	0	0	0	0	(7,902)	(3,666)	(11,568)
Restated 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
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,193)	0	(645)	0	(1,837)	(518)	(45)	(5,238)	(6,330)	(11,568)
Transfers to/from Earmarked Reserves (note 8)	2,399	(2,408)	635	(586)	0	0	(40)	0	0	0
Increase/Decrease (movement) in Year	207	(2,408)	(10)	(586)	(1,837)	(518)	(85)	(5,238)	(6,330)	(11,568)
Balance at 31 March 2016 carried forward	(1,468)	(14,097)	(2,266)	(1,193)	(2,929)	(2,521)	(313)	(24,787)	(53,161)	(77,948)
<u>Movement in reserves during 2016/17</u>										
(Surplus) or deficit on provision of services	(6,139)	0	(38,566)	0	0	0	0	(44,705)	0	(44,705)
Other Comprehensive Expenditure and Income		0		0	0	0	0	0	(3,642)	(3,642)
Total Comprehensive Expenditure and Income	(6,139)	0	(38,566)	0	0	0	0	(44,705)	(3,642)	(48,347)
Adjustments between accounting basis & funding basis under regulations (note 7)	5,937	0	38,887	0	518	(1,508)	45	43,879	(43,878)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(202)	0	321	0	518	(1,508)	45	(826)	(47,520)	(48,347)
Transfers to/from Earmarked Reserves (note 8)	531	(230)	(322)	21	0	0	0	0	0	0
Increase/Decrease (movement) in Year	329	(230)	(1)	21	518	(1,508)	45	(826)	(47,520)	(48,347)
Balance at 31 March 2017 carried forward	(1,140)	(14,328)	(2,267)	(1,172)	(2,411)	(4,029)	(267)	(25,613)	(100,681)	(126,294)

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; which is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement reconciles the year on year change in the net assets and Reserves held in the Balance Sheet.

The statement is divided into two sections; the Surplus or Deficit on the Provision of Services and the Other Comprehensive Income and Expenditure. The Surplus or Deficit on the Provision of Services represents the IFRS-based accountancy cost of delivering services by the County Council. The line items making up the Net Cost of Services have been amended from standard defined categories for local government, to a format which now more closely reflects the operational structure of the Council.

Other Comprehensive Income and Expenditure includes movements in the fair value of assets and actuarial movements on pension balances that are not reflected within the Surplus or Deficit of Provision of Services. All the results described above derive from continuing activities of the organisation.

2015/16 RESTATED				2016/17			
Expenditure	Income	Net Exp.		Expenditure	Income	Net Exp.	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
33,859	(20,607)	13,252	Corporate Services & Commissioning	35,022	(20,382)	14,640	
-	-	-	Exceptional Item - Council Dwelling Revaluation	-	(37,657)	(37,657)	
1,824	(991)	833	Economic Development, Regeneration and Place	1,667	(1,164)	503	
857	(468)	389	Legal & Democratic	1,003	(347)	656	
2,211	(12,736)	(10,525)	Finance	1,683	(13,695)	(12,012)	
38,751	(34,802)	3,949	Cost of Services	39,375	(73,245)	(33,870)	
		3,236	Other Operating Expenditure			4,275	9
		3,039	Financing and Investment Income & Expenditure			2,935	10
		(18,126)	Taxation and Non-Specific Grant Income			(18,045)	11
		(7,902)	(Surplus) or Deficit on Provision of Services			(44,705)	
		(603)	Other Comprehensive Income and Expenditure			(3,585)	27.1
		-	Surplus or deficit on Revaluation of Property, Plant and Equipment Assets				27.1
		-	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			-	27.2
		(3,063)	(Surplus) / Deficit on revaluation of available for sale financial assets			(57)	43
		(3,666)	Total Other Comprehensive Income and Expenditure			(3,642)	
		(11,568)	Total Comprehensive Income and Expenditure			(48,347)	

BALANCE SHEET

31-Mar-16 £'000		31-Mar-17		Notes
		£'000	£'000	
129,135	Property Plant & Equipment	166,420		12
500	Investment Property	513		16
165	Intangible Assets	141		17
-	Long Term Investments	1		18
814	Long Term Debtors	701		19
130,614	Total Non-current Assets	167,775		
-	Short Term Investments	-		18
8	Inventories and Work in Progress	-		21
9,426	Short Term Debtors	3,438		18,19,22
25,509	Cash and Cash Equivalents	35,812		23
34,943	Total Current Assets	39,250		
165,557	Total Assets		207,025	
(581)	Short Term Borrowing	(300)		18
(3,443)	Short Term Creditors	(6,599)		24
(2,040)	Provisions	(1,580)		25
(484)	Grants Receipts In Advance	(366)		37
(6,548)	Total Current Liabilities	(8,845)		
(60,299)	Long Term borrowing	(60,300)		18
(20,443)	Other Long Term Liabilities: Defined Benefit Pension Scheme	(11,357)		43
(319)	Finance Leases	(229)		40
(81,061)	Total Long Term Liabilities	(71,886)		
(87,609)	Total Liabilities		(80,731)	
77,948	Net Assets		126,294	
(24,787)	Usable Reserves		(25,613)	26
(53,161)	Unusable Reserves		(100,681)	27
(77,948)	Total Reserves		(126,294)	

Karen Iveson
CPFA
Chief Finance Officer (s151)

Dated 26 July 2017

CASH FLOW STATEMENT

2015/16 £'000		2016/17 £'000	Notes
(7,902)	Net (Surplus)/Deficit on the Provision of Services	(44,705)	
(6,635)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	38,613	28
1,090	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	2,316	28
(13,447)	Net Cash Flow from Operating Activities	(3,776)	
(1,148)	Investing Activities	1,305	29
4,113	Financing Activities	(7,832)	30
(10,482)	Net increase or decrease in cash and cash equivalents	(10,303)	
(15,027)	Cash and cash equivalents at the beginning of the reporting period	(25,509)	
(25,509)	Cash and cash equivalents at the end of the reporting period	(35,812)	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 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17, (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 2016/17 (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.

(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 dwellings (buildings) is payable into a Government pool, based on a central government formula.

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

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

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

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

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 Inspiring Healthy Lifestyles 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, 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. 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.

xxiii. 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

xxiii. 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.

xxiv. 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

xxiv. 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 2016 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 2021.

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

xxiv. 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

xxiv. 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 for council house buildings 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xxv. 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

1. Accounting Policies continued

xxvi 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.

xxvii. 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.

xxviii. 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.

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 2017 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.

The material judgement in choice of accounting policy relates to 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 41% (previously 31% prior to 2016/17) 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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 £1,224k, while a 0.1% increase in salary inflation assumptions would result in an increase in the pension liability of £198k.

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 2016 actuarial valuation.

Arrears

At 31 March 2017, the Council had a sundry debtors balance of £4.7m, and has made provisions for bad debt totalling £1.265m.

The provision for bad and doubtful Council Tax debts is 24.4% 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 46.8% 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 £15.716m in housing benefits in 2016/17 (£16.535m in 2015/16), and this was funded by government subsidy.

The Council made a voluntary payment to clear the current value of the pension fund deficit identified as part of the 2016 Triennial Revaluation of the pension fund of Selby District Council of £9.391m which was funded from a combination of reserves held in the balance sheet as at 31 March 2016. The payment will reduce down the value of future year's employer pension contribution rates.

The Council made a voluntary and supplementary minimum revenue provision contribution of £3.3m, which was funded from reserves.

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 £5.427m in income in relation to this in 2016/17 (£5.367m in 2015/16).

6. Events After the Balance Sheet Date

The draft Statement of Accounts were authorised by the Chief Finance Officer s151 on 31 May 2017. 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 2017, 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 any events which took place after 31 March 2017 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.

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

2016/17	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(1,345)	(4,049)	-	-	-	5,394
	19	37,695	-	-	-	(37,714)
Revaluation losses on Property, Plant and Equipment						
Amortisation of intangible assets	(46)	-	-	-	-	46
Capital grants and contributions applied	-	132	-	-	-	(132)
Revenue expenditure funded from capital under statute						
Soft Loans		-	-	(121)	-	121
	(1,055)	(1,391)	-	-	-	2,446
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						
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	3,869	1,263	-	-	-	(5,132)
Capital expenditure charged against the General Fund and HRA Balances	292	351	-	-	-	(643)
Adjustments primarily involving the Capital Grants Unapplied Account:						
	(45)	-	-	-	45	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	877	1,118	-	(1,995)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	87	-	(87)
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	(521)	-	-	521	-	-

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2016/17	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve:						
Transfer from the HRA to meet future capital and debt redemption costs	-	3,849	(3,849)	-	-	-
Use of the Major Repairs Reserve to finance pension deficit payment	-	(2,348)	2,348	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	2,019	-	-	(2,018)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4	-	-	-	-	(4)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(1,616)	(297)	-	-	-	1,913
Employer's pensions contributions and direct payments to pensioners payable in the year	8,377	2,564	-	-	-	(10,941)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(2,873)	-	-	-	-	2,873
Cost of Services	5,937	38,887	518	(1,508)	45	(43,878)

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
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(1,259)	(3,269)	-	-	-	4,528
Revaluation losses on Property, Plant and Equipment	52	1,202	-	-	-	(1,254)
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)
Adjustments primarily involving the Capital Grants Unapplied Account:						
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	-	-	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	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
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustments primarily involving the Major Repairs Reserve:						
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)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3	-	-	-	-	(3)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(1,744)	(257)	-	-	-	2,001
Employer's pensions contributions and direct payments to pensioners payable in the year	1,158	207	-	-	-	(1,365)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(2,514)	-	-	-	-	2,514
Cost of Services	2,149	2,917	(1,836)	(518)	(45)	(2,664)

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-15 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31-Mar-16 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31-Mar-17 £'000	See Notes Below
General Fund								
Access Selby	(602)	681	(79)	-			-	8.1
Asset Management	(268)	-	(107)	(375)	53	(575)	(897)	8.2
Business Rates Equalisation	(2,362)	164	(2,579)	(4,777)	7,347	(4,222)	(1,652)	8.3
Car Loan Bonds	(5)	-	-	(5)			(5)	8.4
Carried Fw'd Budgets	(967)	967	(1,493)	(1,493)	1,493	(1,546)	(1,546)	8.5
Contingency	(919)	496	(285)	(708)	708		-	8.6
Discretionary RR Fund	(300)	32	-	(268)			(268)	8.7
District Election	(127)	111	(30)	(46)		(34)	(80)	8.8
ICT Replacement	(695)	113	(200)	(782)	118	(200)	(864)	8.9
Industrial Units	(50)	10	-	(40)	40		-	8.10
NYCC Collaboration	(250)	100	-	(150)	100		(50)	8.11
Pensions Reserve	(786)	600	(181)	(367)	550	(183)	-	8.12
PFI Scheme	(2,386)	393	(367)	(2,360)	397	(1,795)	(3,758)	8.13
Planning Inquiries	(100)	100	-	-			-	8.14
Programme for Growth	(1,101)	6,908	(7,338)	(1,531)	8,557	(10,063)	(3,037)	8.15
ROS Maintenance	(58)	-	(22)	(80)			(80)	8.16
Sherburn Amenity Land	(10)	10	-	-			-	8.17
Spend to Save	(360)	316	(456)	(500)			(500)	8.18
Tadcaster Central Area	(205)	138	-	(67)	67		-	8.19
Wheeled Bin Hardship	(18)	18	-	-			-	8.20
Affordable Housing	(120)	-	(74)	(194)	351	(1,248)	(1,091)	8.21
Local Plan	-	-	(355)	(355)		(145)	(500)	8.22
Total	(11,689)	11,157	(13,566)	(14,098)	19,781	(20,011)	(14,328)	
Housing Revenue Account								
Carried Fw'd	(607)	607	(1,193)	(1,193)	1,193	(1,172)	(1,172)	8.5
Total	(607)	607	(1,193)	(1,193)	1,193	(1,172)	(1,172)	

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 Asset Management reserve has been created to fund repairs and improvements to the Corporate Land & 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 2017/18 for schemes which have been delayed from 2016/17.
- 8.6. To fund contingency items throughout the year.
- 8.7. The Discretionary RR Fund has been created to meet the costs of the new policy.
- 8.8. To spread the cost of funding expenditure on the District Elections every 4 years.
- 8.9. The ICT Replacement reserve is to fund the purchase new computer equipment and upgrade of systems.
- 8.10. To hold funds paid by industrial unit tenants for repairs and maintenance. Following a review of reserves, this has now been incorporated into the single Asset Management reserve
- 8.11. The NYCC Collaboration reserve has been created to meet implementation costs of the project.
- 8.12. To dampen the impact of future years' employers pensions costs increases.
- 8.13. To hold government grant and SDC contributions to pay for the housing PFI project .
- 8.14. 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.
- 8.15. The Programme for Growth reserve provides funds for capital or 'one-off' revenue projects to support delivery of the Council's Corporate Plan.
- 8.16. The ROS Maintenance reserve holds funds received through S106 agreements for recreation and open spaces maintenance.
- 8.17. 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
- 8.18. The Spend to Save reserve provides 'up front' investment for initiatives that generate revenue budget savings.
- 8.19. The Tadcaster Central Area reserve has been created to provide funds for its redevelopment. Following a review of reserves, this has now been incorporated into the Asset Management reserve
- 8.20. 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.
- 8.21. Developers contributions received towards provision of affordable housing.
- 8.22. To fund delivery of the District wide Local Plan

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

9. Other Operating Expenditure

2015/16 £'000		2016/17 £'000
1,635	Payments of Precepts to Parishes	1,707
1,580	Levies payable (Drainage Boards)	1,635
251	Contribution of Housing Capital Receipts to Government Pool	521
(230)	(Gain) / Loss on Disposal of Non-Current Assets	413
-	(Gain) / Loss on Disposal of Intangible Assets	-
3,236	Total	4,275

10. Financing and Investment Income and Expenditure

2015/16 £'000		2016/17 £'000
2,518	Interest Payable on Debt	2,527
32	Interest Element of Finance Leases	18
710	Net interest on the net defined benefit liability	666
	Income and Expenditure in relation to investment properties and changes in their fair value	-
(221)	Investment Interest Income	(275)
3,039	Total	2,935

11. Taxation and Non-Specific Grant Income

2015/16 £'000		2016/17 £'000
(6,317)	Council Tax	(6,529)
(14,332)	Non-domestic Rates	(13,762)
12,751	NDR top-ups/tariffs and safety net income	12,106
(1,756)	Revenue Support Grant	(1,121)
-	Small Business Empty Property Rate Relief	-
(5,367)	Business Rates - Renewable Energy	(5,427)
(2,251)	Non Service Related Government Grants	(2,611)
(854)	Recognised Capital Grants and Contributions	(701)
(18,126)	Total	(18,045)

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

	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
2016/17										
Cost or Valuation										
at 31 March 2016	99,161	25,220	5,068	-	291	177	2,392	132,309	3,072	135,381
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
Movement in 2016/17										
Additions	1,928	65	1,641	-	-	68	136	3,838	-	3,838
Transfers	-	4,529	(5,718)	-	-	-	1,189	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,614	954	-	-	-	-	-	3,568	-	3,568
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	34,263	(581)	-	-	-	-	-	33,682	-	33,682
Derecognition - disposals	(1,378)	(1,121)	-	-	-	-	(5)	(2,504)	-	(2,504)
Value as at 31 March 2017	136,588	29,066	991	-	291	245	3,712	170,893	3,072	173,965
Accumulated Depreciation and Impairment										
at 31 March 2016	(1,191)	(713)	-	-	(144)	(42)	(1,758)	(3,848)	(2,398)	(6,246)
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
Movement in 2016/17										
Transfers	-	-	-	-	-	-	-	-	-	-
Depreciation for the Year	(1,654)	(786)	-	-	(23)	(2)	(278)	(2,743)	(363)	(3,106)
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,189	599	-	-	-	-	-	1,788	-	1,788
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	-	18	-	-	-	-	-	18	-	18
Derecognition - disposals	-	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-	-
Value as at 31 March 2017	(1,656)	(882)	-	-	(167)	(44)	(2,036)	(4,785)	(2,761)	(7,546)
Net Book Value										
at 31 March 2017	134,932	28,184	991	-	124	201	1,676	166,108	311	166,419
at 31 March 2016	97,970	24,507	5,068	-	147	135	634	128,461	674	129,135

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12. Property, Plant and Equipment continued

Movement on Non-Current Assets continued

	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
2015/16										
Cost or Valuation										
at 31 March 2015	99,532	23,160	16	-	281	179	2,359	125,527	2,635	128,162
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
Movement in 2015/16										
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)
Value as at 31 March 2016	99,161	25,220	5,068	-	291	177	2,392	132,309	3,072	135,381
Accumulated Depreciation and Impairment										
at 31 March 2015	(1,241)	(64)	-	-	(126)	(40)	(1,533)	(3,004)	(1,920)	(4,924)
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
Movement in 2015/16										
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	-	-	-	-	-	-	-	-	-	-
Value as at 31 March 2016	(1,191)	(713)	-	-	(144)	(42)	(1,758)	(3,848)	(2,398)	(6,246)
Net Book Value										
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

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)
Buildings	
Council Dwellings - Traditional Construction	60
Council Dwellings - Non-Traditional Construction	20 - 40
Garages	10
Operational Buildings	10 - 36
Non-Operational Buildings	20 - 25
Other Assets	
Vehicles, Plant & Equipment	3 - 15

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 2017, 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 £15.787m, of which £1.285m was contractually committed at 31 March 2017. The table below analyses this sum into the individual programmes.

Expenditure approved and contracted at 31-Mar-16 £'000		Expenditure approved and contracted at 31-Mar-17 £'000	Period of Investment
1,454	Modernisations to HRA land & buildings	1,285	1-2 years
1,454	Total	1,285	

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 2016/17.

	Council Dwellings £'000	Other Land and Buildings £'000	Total £'000
Valued at current value :	134,950	29,523	164,473

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.

2015/16 £'000		2016/17 £'000
500	Opening Balance	500
-	Transfers (to)/from Property, Plant and Equipment	-
-	Net gains/(losses) from fair value adjustments	13
500	Closing Balance	513

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

17. Intangible Assets

2015/16				2016/17		
Software Licenses £'000	Other Intangible £'000	Total £'000		Software Licenses £'000	Other Intangible £'000	Total £'000
			Balance at start of year			
329	111	440	Original Cost	454	192	646
(329)	(111)	(440)	Accumulated amortisation	(354)	(127)	(481)
-	-	-	Net carrying amount at start of year	100	65	165
125	81	206	Expenditure in Year	23	-	23
-	-	-	Disposals in Year	-	-	-
(25)	(16)	(41)	Amortisation for the year	(35)	(10)	(46)
-	-	-	Amortisation derecognised on disposal	-	-	-
100	65	165	Net carrying amount at end of year	88	55	142
			Comprising:			
454	192	646	Gross carrying amounts	477	192	669
(354)	(127)	(481)	Accumulated amortisation	(389)	(137)	(527)
100	65	165		88	55	142

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.

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-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000
Investments				
Loans and receivables	-	-	-	-
Available-for-sale financial assets	-	1	-	-
Total investments	-	1	-	-
Debtors				
Loans and receivables	814	702	13	19
Financial assets carried at contract amounts	-	-	1,800	1,811
Total included in Debtors	814	702	1,813	1,830
Borrowings				
Financial Liabilities at amortised cost	(60,299)	(60,299)	(208)	(210)
Total included in Borrowings	(60,299)	(60,299)	(208)	(210)
Other Long-Term Liabilities				
Finance lease liabilities	(319)	(229)	(373)	(90)
Total Other Long-Term Liabilities	(319)	(229)	(373)	(90)
Creditors				
Financial liabilities carried at contract amounts	-	-	(1,216)	(2,527)
Total Creditors	-	-	(1,216)	(2,527)
Cash and Cash Equivalents				
Financial assets carried at contract amounts	-	-	25,998	36,517
Financial liabilities carried at contract amounts	-	-	(489)	(705)
Total Cash and Cash Equivalents	-	-	25,509	35,812

19. Long Term Debtors

	Long-Term		Current	
	31-Mar-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000
Soft Loans	63	68	6	8
Employee Loans	6		5	9
Mortgages - Ex Council Houses	-		2	2
Repair Assistance Loans	103	189	-	
Loan to Selby Housing Trust	556	446		
Other Loans	86		-	
Total Long Term Debtors	814	702	13	19

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:

2015/16					2016/17			
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
2,556	-	-	2,556	Interest Expense	2,544	-	-	2,544
-	-	-	-	Losses on derecognition	-	-	-	-
-	-	-	-	Impairment Losses	-	-	-	-
2,556	-	-	2,556	Interest Payable & Similar Charges	2,544	-	-	2,544
-	(221)	-	(221)	Interest income	-	(275)	-	(275)
-	-	-	-	Gains on derecognition	-	-	-	-
-	(221)	-	(221)	Interest & Investment Income	-	(275)	-	(275)
-	-	-	-	Gains on Revaluation	-	-	-	-
-	-	-	-	Losses on Revaluation	-	-	-	-
-	-	-	-	Amounts recycled to the I&E Account after impairment	-	-	-	-
-	-	-	-	Surplus arising on the revaluation of financial assets	-	-	-	-
2,556	(221)	-	2,335	Net gain/(loss) for the year	2,544	(275)	-	2,269

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 £76.4m.

- (a) estimated interest rates at 31 March 2017 of 3.5% - 8.4% for PWLB borrowing, 8.9% 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 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB	53,833	60,965	53,856	68,035
Other Market Debt	6,674	8,616	6,708	8,323
Financial Liabilities	60,507	69,581	60,564	76,358

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 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 £83.3m. But, if the authority were to seek to avoid the projected loss 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.

21. Inventories

The stock held by the Council is supplies for building maintenance which is used on council dwellings.

31-Mar-16 £'000		31-Mar-17 £'000
8	Opening Balance	8
264 (264)	Purchases in Year Usage in Year	337 (345)
8	Closing Balance	-

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

22. Debtors & Prepayments

31-Mar-16 £'000		31-Mar-17 £'000
6,195	Amounts falling due in one year:	415
1,112	Central Government Bodies	1,005
3,461	Other Local Authorities	3,283
10,768	Other Entities and Individuals	4,703
(1,355)	Less Provision for Bad Debts	(1,265)
9,413	Total	3,438

23. Cash and Cash Equivalents

	Balance at 31-Mar-16 £'000	Balance at 31-Mar-17 £'000	Cash Movement £'000
Cash in hand	1	1	(0)
Cash at bank	(489)	(705)	(216)
Cash Equivalents	25,997	36,516	10,519
Total	25,509	35,812	10,303

The value of cash and cash equivalents have increased significantly mainly due to the receipt of large debtor balances held at the end of 2015/16 for items relating to Business Rates safety net and Renewable energy.

The Council hold £272k in cash funds received from 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 Inspiring Healthy Lifestyles 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 Inspiring Healthy Lifestyles 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 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.

The Council hold £134k 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-16 £'000		31-Mar-17 £'000
(222)	Central Government Bodies	(2,283)
(333)	Other Local Authorities	(318)
(2,236)	Other Entities and Individuals	(3,119)
(652)	Section 106 Receipts (see note 24.1)	(879)
(3,443)	Total	(6,599)

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-16 £'000	Income £'000	Expenditure £'000	Balance at 31-Mar-17 £'000
Open Space Schemes	(513)	(173)	181	(505)
Health Care Facilities	-	(61)		(61)
Education	(3)	(934)	779	(158)
Public Transport / Traffic	(122)			(122)
Waste & Recycling	(14)	(23)	4	(33)
Total	(652)	(1,191)	964	(879)

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
Balance at 1 April 2015	-	(52)	(422)	(474)
Additional provisions made in 2015/16	(360)	(84)	(1,206)	(1,650)
Amounts used in 2015/16	-	84	-	84
Unused amounts reversed in 2015/16	-	-	-	-
Balance at 31 March 2016	(360)	(52)	(1,628)	(2,040)
Additional provisions made in 2016/17	(23)		(602)	(625)
Amounts used in 2016/17	357	20	705	1,082
Unused amounts reversed in 2016/17	3			3
Balance at 31 March 2017	(23)	(32)	(1,525)	(1,580)

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.

2015/16 £'000		2016/17 £'000	Note
	Usable Reserves		
(1,467)	General Fund	(1,140)	26.1
(15,291)	Earmarked Reserves	(15,500)	26.2
(1,136)	Housing Revenue Account - Core	(2,267)	26.3
(1,130)	Housing Revenue Account - Access Selby	-	26.3
(2,929)	Major Repairs Reserve	(2,410)	26.4
(2,521)	Capital Receipts Reserve	(4,029)	26.5
(313)	Capital Grants Unapplied	(266)	26.6
(24,787)	Total	(25,613)	

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. During 16/17, as part of the funding of the Pension Back-funding payment, Council approved a temporary reduction to this limit, with first call on Renewable Business Rates income being utilised to top the reserve back up to the minimum balance.

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.

2015/16 £'000		2016/17 £'000	Note
	Unusable Reserves		
	Revaluation Balances		
(3,467)	Revaluation Reserve	(6,481)	27.1
4	Available-for-Sale Financial Instruments Reserve	4	27.2
	Adjustment Accounts		
(68,881)	Capital Adjustment Account	(107,171)	27.3
13	Financial Instruments Adjustment Account	9	27.4
-	Deferred Capital Receipts Reserve	-	27.5
20,442	Pensions Reserve	11,357	27.6
(1,271)	Collection Fund Adjustment Account	1,602	27.7
(53,160)	Total	(100,681)	

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.

2015/16 £'000		2016/17 £'000
(2,906)	Balance brought forward at 1 April	(3,467)
(635)	Upwards revaluation of assets	(3,630)
37	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	45
(598)	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	(3,585)
27	Difference between fair value depreciation and historical cost depreciation	149
10	Accumulated gains on assets sold or scrapped	421
37	Amount written off to the Capital Adjustment Account	571
(3,467)	Balance carried forward at 31 March	(6,481)

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.

2015/16 £'000		2016/17 £'000
4	Balance brought forward at 1 April	4
-	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	-
-	Total movement on the reserve in Year	-
4	Balance carried forward at 31 March	4

27.3. Capital Adjustment Account

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £'000		2016/17 £'000
(63,029)	Balance brought forward at 1 April	(68,881)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
4,528	Charges for depreciation and impairment of non-current assets	5,394
(1,253)	Revaluation to reverse historic impairment of Property, Plant & Equipment previously charged to Income and Expenditure Account	(37,714)
41	Amortisation of intangible assets	46
(10)	Revenue expenditure funded from capital under statute	(132)
503	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	2,446
3,809		(29,960)
(37)	Adjusting amounts written out of the Revaluation Reserve	(571)
3,772	Net written out amount of the cost of non-current assets consumed in the year	(30,531)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Unusable Reserves continued

27.3. Capital Adjustment Account continued

2015/16 £'000		2016/17 £'000
3,772	Net written out amount of the cost of non-current assets consumed in the year	(30,531)
	Capital financing applied in the year:	
86	Use of the Capital Receipts Reserve to finance new capital expenditure	(87)
(1,756)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,018)
-	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	
(1,260)	HRA voluntary set aside for debt repayment	(1,260)
(187)	Minimum Revenue Provision - Borrowing	(3,499)
(481)	Minimum Revenue Provision - Leases	(373)
(6,046)	Capital expenditure financed from revenue	(643)
(9,644)	Total capital financing applied in the year	(7,881)
20	Loan Adjustments	121
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	
(68,881)	Balance carried forward at 31 March	(107,171)

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.

2015/16 £'000		2016/17 £'000
16	Balance brought forward at 1 April	13
(3)	Soft Loan adjustment	(4)
(3)	Total movement on the account in Year	(4)
13	Balance carried forward at 31 March	9

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.

2015/16 £'000		2016/17 £'000
-	Balance brought forward at 1 April	-
-	Principal Repayments in year transferred to the Capital Receipts Reserve	-
-	Balance carried forward at 31 March	-

27.6. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid, however during 2016/17 the Council took a decision to make an early repayment to the pension deficit of £9.4m, which is reflected in the £10.9m shown below.

2015/16 £'000		2016/17 £'000
22,869	Balance brought forward at 1 April	20,442
(3,063)	Remeasurement of the net defined benefit liability	(57)
2,001	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,913
(1,365)	Employer's pensions contributions and direct payments to pensioners payable in the year	(10,941)
20,442	Balance carried forward at 31 March	11,357

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

2015/16 £'000		2016/17 £'000
(3,785)	Balance brought forward at 1 April	(1,271)
2,514	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	2,873
(1,271)	Balance carried forward at 31 March	1,602

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.

2015/16 £'000		2016/17 £'000
(3,221)	Depreciation, amortisation, impairment and revaluations	31,134
(184)	Movement in creditors	(1,356)
(799)	Movement in debtors	565
12	Movement in provision for bad debts	90
-	Movement in inventories	(8)
(1,566)	Movement in provisions	460
636	Movement in pensions liability	1,913
(502)	Carrying amount of non-current assets sold	(2,479)
(1,011)	Other non-cash items charged to the provision of services	8,294
(6,635)		38,613

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.

2015/16 £'000		2016/17 £'000
673	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,994
417	Capital grants credited to the (surplus)/deficit on the provision of services	322
-	Any other items for which the cash effects are investing or financing cash flows	-
1,090		2,316

The cash flow for operating activities include the following items:

2015/16 £'000		2016/17 £'000
(221)	Interest received	(275)
2,518	Interest paid	2,527
2,297		2,251

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

29. Cash Flow Statement - Investing Activities

2015/16 £'000		2016/17 £'000
8,489	Purchase of property, plant and equipment, investment property and intangible assets	3,725
-	Purchase of short-term and long-term investments	-
478	Other payments for investing activities	19
(689)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,006)
(9,009)	Proceeds from short-term and long-term investments	(111)
(417)	Other receipts from investing activities	(322)
(1,148)	Net cash flow from investing activities	1,305

30. Cash Flow Statement - Financing Activities

2015/16 £'000		2016/17 £'000
-	Cash receipts of short and long-term borrowing	
-	Other receipts from financing activities	
414	Cash payments for the reduction of the outstanding liabilities relating to finance leases	373
-	Repayment of short and long-term borrowing	
3,699	Other payments for financing activities	(8,205)
4,113	Net cash flow from financing activities	(7,832)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

31. Expenditure and Funding Analysis (further details)

Adjustments from GF & HRA to arrive at the Comprehensive Income and Expenditure Statement amounts

2016/17	Adj for Capital Purposes	Net change for the Pensions Adj	Other Differences	Total Adjustments
Corporate Services & Commissioning	(32,191)	(447)	-	(32,638)
Economic Regeneration & Place	-	(46)	-	(46)
Legal & Democratic Services	3	(38)	-	(35)
Finance	(7,414)	(10,410)	-	(17,824)
Net Cost of Services	(39,602)	(10,941)	-	(50,543)
Other Operating Expenditure	932	1,913	2,874	5,719
Difference between General Fund Surplus or Deficit and Expenditure Statement Surplus or Deficit	(38,670)	(9,028)	2,874	(44,824)

2016/17 Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

Expenditure/Income

	£'000
Income	
Fees, charges and other service income	(6,200)
Interest and investment income	(1,626)
Income from NDR & Council Tax	(14,126)
Benefits Subsidy	(15,704)
Government Grants	(4,360)
HRA Property Rent	(12,707)
Total Income	(54,724)
Expenditure	
Employee Benefits Expenses	7,086
Premises	1,322
Supplies & Services	8,868
Transport	287
Benefit Payments	15,716
Interest Payments	4,561
Third Party Payments	137
Depreciation, amortisation, Impairment and Revaluations	(31,822)
Precepts & Levies	3,342
Capital Receipts Pool Payment	521
Total Expenditure	10,019
(Surplus) / or Deficit on Provision of Services	(44,705)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

31. Expenditure and Funding Analysis (further details)..... Continued

Adjustments from GF & HRA to arrive at the Comprehensive Income and Expenditure Statement amounts

2015/16	Adj for Capital Purposes	Net change for the Pensions Adj	Other Differences	Total Adjustments
Corporate Services & Commissioning	3,355	419		3,774
Economic Regeneration & Place	16	29		45
Legal & Democratic Services	3	32		35
Finance	(11,759)	144		(11,615)
Net Cost of Services	(8,385)	624	-	(7,761)
Other Operating Expenditure	181	-	2,514	2,695
Difference between General Fund Surplus or Deficit and Expenditure Statement Surplus or Deficit	(8,204)	624	2,514	(5,066)

2015/16 Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

Expenditure/Income

	£'000
Income	
Fees, charges and other service income	(4,907)
Interest and investment income	(1,516)
Income from NDR & Council Tax	(13,898)
Benefits Subsidy	(16,435)
Government Grants	(4,657)
HRA Property Rent	(12,895)
Total Income	(54,308)
Expenditure	
Employee Benefits Expenses	7,977
Premises	1,457
Supplies & Services	8,695
Transport	276
Benefit Payments	16,567
Interest Payments	4,543
Third Party Payments	290
Depreciation, amortisation, Impairment and Revaluation	3,135
Precepts & Levies	3,215
Capital Receipts Pool Payment	251
Total Expenditure	46,406
(Surplus) / or Deficit on Provision of Services	(7,902)

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.

2016/17			Total Remuneration excluding pension contributions 2016/17 £'000	Employer's pension contributions £'000	Total Remuneration including pension contributions 2016/17 £'000
Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'000			
Chief Executive - End 31 July 16	33	-	33	4	37
Chief Executive - Commence 8 Aug 16	31	-	31	-	31
Deputy Chief Executive*	4	-	4	1	5
Director (MD)*	3	-	3	-	3
Director*	3	-	3	-	3
Director*	3	-	3	-	3
Director**	16	-	16	2	18
Director of Economic Regeneration & Place	59	1	60	7	67
Director of Corporate Services & Commissioning	54	1	55	7	62
Solicitor to the Council	60	1	61	8	69
Head of Commissioning, Contracts & Procurement	54	1	55	7	62
Head of Operational Services	54	1	55	7	62
Head of Strategic Planning, Policy & Economic Development	54	1	55	7	62
Head of Business Development & Improvement	39	1	40	5	45
Head of Community, Partnerships & Customers	22	-	22	3	25
	489	7	496	58	554

* Following a major restructure, these posts were redundant and replaced by 2 new Director roles and 5 new Head of Services roles recruited to at various points during the year. **This Director role became vacant during July 2017 and was replaced by the Head of Community, Partnerships & Customers.

The Chief Executive role became vacant during July 2017 and was a shared role with NYCC (Assistant Chief Executive). The Selby role has been filled on a interim basis through a secondment arrangement with Ryedale District Council. The Chief Finance Officer S151 is now employed directly by North Yorkshire County Council and is contracted as part of a wider finance function to deliver services to Selby District Council.

2015/16			Total Remuneration excluding pension contributions 2015/16 £'000	Employer's pension contributions £'000	Total Remuneration including pension contributions 2015/16 £'000
Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'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 Council has no other employees who receive more than £50k remuneration, excluding employers pension contributions.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

32. Exit Packages

The Council approved termination of the contract of 4 employees in 2016/17 (6 in 2015/16), incurring liabilities of £40k (£363k in 2015/16). 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		
		2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	
£'000	£'000							£'000	£'000	
0	-	20,000	-	1	-	3	-	4	-	40
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	-	150,000	-	-	1	-	1	-	124	-
Total			-	1	6	3	6	4	363	40

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 2016/17 amounted to £194k (£197k in 2015/16). The 2016/17 figures include a £1k allowance paid to the vice chair (2015/16 £1k Vice Chair). The payments can be allocated as follows:

2015/16 £'000		2016/17 £'000
188	Allowances	187
9	Expenses	7
197	Total	194

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:

2015/16 £'000		2016/17 £'000
45	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.	13
59	Total	58

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.

2015/16 £'000		2016/17 £'000
	<u>Credited to Taxation and Non-specific Grant Income</u>	
(1,756)	Revenue Support Grant	(1,121)
(51)	Council Tax Freeze Grant	
-	Small Business Empty Property Rate Relief	
(5,367)	Renewable Energy	(5,427)
	Non-Service Related Government Grants	
(2,086)	New Homes Bonus	(2,452)
-	Council Tax Reduction Grant	
(114)	New Burdens Grants	(159)
(633)	Sect. 31 NNDR Relief Grants	(515)
	Capital Grants and Contributions	
-	Grant receipt for Hardware for Register of Electors	
(221)	Transformation Challenge Reward Grant	(186)
(10,228)	Total	(9,860)
	<u>Credited to Services</u>	
	Other Government Grants:-	
(9,630)	Rent Allowances	(9,201)
(6,514)	Rent Rebates	(6,207)
(196)	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	(323)
	Supporting People	(41)
(250)	Housing Benefits Admin & Counter Fraud Grant	(354)
(278)	Private Finance Initiative	(278)
(18)	Other Small Grants	(51)
(16,886)	Total	(16,455)

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-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000
<u>Grants Receipts in Advance</u>				
Individual Electorator Registration	-	-	(10)	(10)
Better Care Fund	-	-	-	(69)
Transformation Challenge Award	-	-	(474)	(287)
Total	-	-	(484)	(366)

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 2016/17 is shown in Note 35.

Some Members are directors and/or trustees of various entities in their own private capacity. During 2016/17 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	2015/16 Transactions £'000	2015/16 Balance Owed £'000		No. of Members With an Interest	2016/17 Transactions £'000	2016/17 Balances Owed £'000
2	42	-	Selby AVS	1	34	
1	39	-	Selby District CAB	-	-	
2	596	556	Selby Housing Trust	2	(110)	446
1	3		Selby & District Rail User Group	-		
2	1,579		Various Selby District Drainage Boards	3	1,635	
1	6	-	Stephenson Estate Agents	1	6	
1	10		Tadcaster & District Rural Interest Company	-		
1	6		Wakefield Groundwork	-		
11	2,281	556	Total	7	1,564	446

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 2016/17 there were no material related party transactions requiring disclosure in relation to officers who have the authority and responsibility for planning, directing and controlling the activities of the Council.

The Chief Finance Officer (S151) is a director of Veritau North Yorkshire Ltd and is fully employed as an Assistant Director in Strategic Resources at North Yorkshire County Council. A Corporate Director of the Council acts as a Managing Director of Selby and District Housing Trust. A member of the Finance Team acts as the Finance Director of Selby & District Housing Trust.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

38. Related Party Transactions continued

Other Public Bodies

During the year the Council made payments to other public bodies, which are 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 2016/17 Selby District Council has paid a management fee of £62k (£60k in 2015/16) 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 2017 as £63k of which £13k belongs to Selby (31 March 2016 reserve of £95k with Selby's share being £19k).

The Council received a net repayment of a loan from Selby & District Housing Trust loans in 2016/17 of £110k. At the end of 2016/17 this loan balance decreased to £446k 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.

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.

2015/16 £'000		2016/17	
		£'000	£'000
58,266	Opening Capital Financing Requirement		58,371
	Capital investment		
3,605	Property Plant & Equipment - Council Owned	2,883	
437	Property Plant & Equipment - Leased	-	
5,033	Assets Under Construction	956	
206	Intangible assets	23	
	Revenue Expenditure Funded from Capital Under Statute (REFCUS) -	409	
151	Grants		
	Long term debtor Loan	(3)	
475			
9,908	Total Capital Investment		4,268
	Sources of finance		
81	Capital receipts	(84)	
(112)	Government grants and other contributions	(45)	
(7,844)	Sums Set Aside from Revenue (Assets/Soft Loans/REFCUS)	(2,981)	
(1,260)	HRA voluntary set aside for debt repayment	(1,260)	
(187)	MRP / Loans Fund Principal	(3,404)	
(481)	MRP - Lease Principal	(95)	
-	Reduction in lease liability re Leisure & Street Scene Vehicles	(370)	(8,239)
58,371	Closing Capital Financing Requirement		54,400
	Explanation of movements in year		
-	Increase in underlying need to borrow (supported by government financial assistance)	-	
1,596	Increase in underlying need to borrow (unsupported by government financial assistance)	1,158	
437	Assets acquired under finance leases	-	
(1,260)	HRA voluntary set aside for debt repayment	(1,260)	
(187)	MRP / Loans Fund Principal	(3,499)	
(481)	MRP - Lease Principal	(370)	
-	Reduction in lease liability re Leisure & Street Scene Vehicles		(3,971)
105	Increase / (decrease) in Capital Financing Requirement		(3,971)

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 2016/17 the Council funded £406.4k (£627k in 2015/16) of capital expenditure through this method, which related to the Disabled Facilities Grants, expenditure on community shared land 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 Inspiring Healthy Lifestyles, 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-16 £'000		31-Mar-17 £'000
235	Vehicles, Plant, Furniture & Equipment (Vehicles)	-
439	Vehicles, Plant, Furniture & Equipment (Equipment)	310
674		310

The Council is committed to making payments in respect of a Street Scene contract with Enterprise and a Leisure Management contract with Inspiring Healthy Lifestyles. 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-16 £'000		31-Mar-17 £'000
373	Finance lease liabilities (net present value of minimum lease payments):	
	Current	91
319	Non-current	229
44	Finance costs payable in future years	15
736		335

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

	Minimum Lease Payments Payments		Finance Lease Liabilities	
	31-Mar-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000
Not Later Than One Year	402	100	373	91
Later than One Year and not later than five years	180	80	319	228
Later than Five years	-	-	-	-
	582	180	692	319

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 2016/17 was £96k (£80k in 2015/16).

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

31-Mar-16 £'000		31-Mar-17 £'000
81	Not later than one year	81
156	Later than one year and not later than five years	131
-	Later than five years	-
237		212

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

31-Mar-16 £'000		31-Mar-17 £'000
80	Minimum lease payments	96
-	Contingent rents	
-	Sub lease payments (receivable)	
80		96

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

31-Mar-16 £'000		31-Mar-17 £'000
20	Central Services to the Public	22
1	Environmental and Regulatory Services	3
59	Local Authority Housing (HRA)	71
80		96

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 £97.4k (£124k in 2015/16).

The future minimum lease payments receivable under non-cancellable leases in future years are, for 2017/18, determined to be nil as tenants are able to cancel leases with only three months notice:

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. In 2016/17 the authority made payments of £397k (£393k in 2015/16). The contract expires in 2035.

42. Impairment Losses

During 2016/17 the Council has not recognised any impairment losses (as was the case in 2015/16). 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 (i.e.. 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, this includes the early repayment of the pension fund deficit of £9.4m included in £10.9m employers contributions to the scheme.

2015/16 £'000	North Yorkshire Pension Fund	2016/17 £'000
	Comprehensive Income and Expenditure Statement	
	<i>Net Cost of Services:</i>	
1,269	current service cost	1,020
1	past service costs (gains)	208
-	settlement and curtailments	-
21	administration expenses	19
	<i>Financing and Investment Income and Expenditure:</i>	
710	net interest expense	666
2,001	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,913
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
1,231	return on plan assets	(6,474)
(855)	experience (gain) / loss	(5,618)
-	actuarial (gains) / losses arising on changes in demographic assumptions	210
(3,439)	actuarial (gains) / losses arising on changes in financial assumptions	11,825
(3,063)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(57)
	Movement in Reserves Statement	
(2,001)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,913)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
1,365	employers' contributions payable to the scheme	10,941

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:

2015/16 £'000		2016/17 £'000
60,383	Present value of the defined benefit obligation	67,879
(39,941)	Fair value of plan assets	(56,522)
20,442	Net liability arising from defined benefit obligation	11,357

Reconciliation of the Movements in the Fair Value of Scheme Assets

2015/16 £'000		2016/17 £'000
40,353	Opening Fair Value of Scheme Assets	39,941
1,284	Interest income	1,351
(1,231)	Remeasurement gain/(loss) - the return on plan assets, excluding the amount included in the net interest expense	6,474
1,365	Contributions from employer	10,941
335	Contributions from employees into the scheme	307
(2,144)	Benefits Paid	(2,473)
(21)	Other	(19)
39,941	Closing Fair Value of Scheme Assets	56,522

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

2015/16 £'000		2016/17 £'000
(63,222)	Opening Balance at 1 April	(60,383)
(1,269)	Current Service Cost	(1,020)
(1,994)	Interest Cost	(2,017)
(335)	Contributions from Scheme Participants	(307)
855	Remeasurement gain / (loss) - Experience Gains / (Losses)	5,618
-	- Actuarial Gains / (Losses) arising from changes in demographic assumptions	(210)
3,439	- Actuarial Gains / (Losses) arising from changes in financial assumptions	(11,825)
(1)	Past Service Costs	(208)
-	Curtailments	-
2,144	Benefits Paid	2,473
(60,383)	Closing Balance at 31 March	(67,879)

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:

2015/16 £'000		2016/17 £'000
320	Cash and Cash Equivalents	57
24,842	Equity Instruments	36,965
	Bonds	
2,157	- Corporate	1,752
5,632	- Government	8,026
7,789	Sub-total Bonds	9,778
2,916	Property	4,804
4,074	Other	4,918
39,941	Total Assets	56,522

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 AON Hewitt Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

43. Retirement Benefits continued

The main assumptions used in their calculations have been:

At 31-Mar-16		At 31-Mar-17
	<i>Longevity at 65 for current pensioners (in years):</i>	
23.3	Men	22.8
25.8	Women	26.3
	<i>Longevity at 65 for future pensioners (in years):</i>	
25.6	Men	25.0
28.1	Women	28.6
1.80%	Rate of CPI inflation	2.00%
3.30%	Rate of increase in salaries	3.25%
1.80%	Rate of increase in pensions	2.00%
3.40%	Rate for discounting scheme liabilities	2.60%

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)	1,967	1,977
Rate of inflation (increase or decrease by 0.1%)	1,047	1,029
Rate of increase in salaries (increase by 0.1%)	198	196
Rate of increase in pensions (increase by 0.1%)	1,047	1,029
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,224	1,246

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 (65.4% of scheme assets) and fixed income (17.3%) 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 25 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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 £0.809m expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 18.2 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

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

45. Contingent Assets

There are no contingent assets relating to the Council as at 31 March 2017.

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 2017 in relation to its investments in banks and building societies is determined to be nil, and 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 2017 that this was likely to crystallise.

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-16 £'000		At 31-Mar-17 £'000
1,026	Less than 30 days	1,072
6	30 - 60 days	25
273	60 - 90 days	277
2	90 - 120 days	-
493	over 120 days	438
1,800		1,811

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-16 £'000		At 31-Mar-17 £'000
RESTATED		
-	Less than one year	1,000
1,000	Between one and two years	
6,500	Between two and five years	6,500
52,833	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-16 £'000		At 31-Mar-17 £'000
-	Increase in interest payable on variable rate borrowings	-
-	Increase in interest receivable on variable rate investments	-
-	Increase in government grant receivable for financing costs	-
-	Impact on Surplus of Deficit on the Provision of Services	-
-	Share of overall impact debited to the HRA	-
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on Other Comprehensive Income & Expenditure	-
11,077	Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Statement)	12,632

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.

2015/16 £'000		2016/17 £'000
(6,256) (84)	Council Tax precept for year (District & Parish) (Surplus)/Deficit payable/repayable in year	(6,603) (129)
(6,340)	Total Council Tax payable to Council in year	(6,732)
23	Movement in Collection Fund Adjustment Account in year	203
(6,317)	Council Tax due to Council	(6,529)

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.

2015/16 £'000		2016/17 £'000
(16,907) 2,575	Non-domestic rates due for year (Surplus)/Deficit payable/repayable in year	(13,045) (717)
(14,332)	Non-domestic rates due to Council	(13,762)

49. Capital Expenditure Financed from Revenue

The capital programme can be financed from a variety of sources, one of which is revenue. In 2016/17 £2,980k of capital expenditure was funded from revenue (£7,844k in 2015/16), £2,150k of which was from the Housing Revenue Account (£81k in 2015/16), £232k (nil in 2015/16) from the General Fund and £598k from various General Fund and HRA reserves (£7,763k in 2015/16).

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.

2015/16 £'000		2016/17 £'000	Notes
	<u>Expenditure</u>		
2,497	Repairs & Maintenance	2,438	
2,118	Supervision & Management	2,381	
57	Rents, rates, taxes and other charges	52	
2,067	Depreciation and Impairment of non-current assets	(33,645)	2
5	Debt Management costs	6	
47	Movement in the allowance for bad debts	74	3
6,791	Total Expenditure	(28,694)	
	<u>Income</u>		
(12,524)	Dwelling rents	(12,319)	
(104)	Non-dwelling rents	(100)	
(230)	Charges for Services and Facilities	(194)	
(19)	Contributions towards expenditure	(21)	
(12,877)	Total Income	(12,634)	
(6,086)	Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement	(41,328)	
102	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	71	
(5,977)	Net Expenditure / (Income) for HRA Services	(41,155)	
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(175)	(Gain) or loss on sale of HRA non-current assets	-	
2,406	Interest payable and similar charges	2,414	11
(45)	Interest and investment income	(38)	
230	Net interest on the net defined benefit liability	208	
-	Capital grants and contributions receivable	-	
(3,561)	(Surplus) / Deficit for the year on HRA services	(38,571)	

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2015/16 £'000		2016/17 £'000	Notes
(2,256)	Balance on the HRA at the end of the previous year	(2,267)	
(3,561)	(Surplus) / Deficit for year on the HRA Income and Expenditure Statement.	(38,571)	
2,915	Adjustments between accounting basis and funding under statute	38,865	
(646)	Net (Increase) / Decrease before transfers to or from reserves	294	
635	Transfers to / (from) earmarked reserves	(322)	
(11)	(Increase) / Decrease in year on the HRA	(28)	
(2,267)	Balance on the HRA at the end of the current year	(2,295)	

NOTE TO THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2015/16 £'000		2016/17 £'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.	-	
175	Gain / (loss) on sale of HRA non-current assets.	(266)	
665	Capital expenditure funded by the Housing Revenue Account	2,501	
-	Capital expenditure funded by Earmarked Reserves	-	
(50)	HRA share of contributions to / (from) the Pensions Reserve	2,267	
2,927	Transfer to / (from) Major Repairs Reserve	(519)	4
(802)	Transfer to / (from) the Capital Adjustment Account	34,882	
2,915	<u>Total Adjustments between accounting basis and funding under statute</u>	38,865	
	<u>Transfers to or (from) earmarked reserves</u>		
585	Transfer to / (from) Housing Carry Forward Budget Reserve	(21)	
-	Transfer to / (from) Other Reserves	(351)	
50	Transfer to / (from) ICT Reserve	50	
635	<u>Total Transfers to / (from) reserves</u>	(322)	

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:

2015/16 £'000		2016/17 £'000
1,196	Council Dwellings	(36,003)
113	Other Land, Buildings & Assets	97
1,309	Total	(35,906)

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

2015/16 £'000		2016/17 £'000
1,303	Operational	(35,910)
6	Non-operational	4
1,309	Total	(35,906)

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:

2015/16 £'000		2016/17 £'000
758	Dwellings	2,289
-	Garages	-
-	Ousegate Hostel	-
-	Edgerton Lodge Hostel	-
-	Community Centres	-
-	Non-operational Land	-
-	Other Operational Buildings	-
758	Total	2,289

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. An adjustment of £20k was made during the year in respect of rent arrears in 2016/17 (£10k in 2015/16). The total rent arrears provision at 31 March 2017 amounted to £229k (£190k 2015/16). In addition, a further provision has been created for general non rent HRA debtors totalling £55k (£57k in 2015/16).

4. Major Repairs Reserve

The following is a statement of the movements in this reserve during the financial year 2016/17:

2015/16 £'000		2016/17 £'000
(1,092)	Opening Balance	(2,928)
	Amount transferred to the reserve from the Capital Adjustment Account	
(3,592)	Amount transferred to / (from) the reserve to the Housing Revenue Account:	(3,980)
-	- non-current assets	2,348
-	- Pension Deficit	
	Debits to the reserve in respect of HRA capital expenditure on:	
1,756	- houses	2,150
(2,928)	Closing Balance	(2,410)

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-15 £'000	31-Mar-16 £'000		01-Apr-16 £'000	31-Mar-17 £'000
1,532	963	Land	963	963
98,290	97,912	Council Dwellings	97,912	134,949
1,265	867	Other Buildings	867	1,427
101,087	99,742	Total	99,742	137,339

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-15 £'000	31-Mar-16 £'000		01-Apr-16 £'000	31-Mar-17 £'000
		Operational		
98,290	97,912	Dwellings	97,912	134,949
2,193	1,554	Other Land & Buildings	1,554	1,996
604	276	Non-operational	276	394
101,087	99,742	Total	99,742	137,339

Vacant Possession Value

The vacant possession value of the houses within the Housing Revenue Account as at 1 April 2016 was £336.296m (£319.007m at April 2015). The substantial difference between the vacant possession value and the balance sheet value of dwellings demonstrates the economic cost to Government of providing council housing at less than open market value.

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Capital Receipts

Capital Receipts totalling £1,147k (£678k 2015/16) were received by the Housing Revenue Account in 2016/17. The total can be broken down as follows:

2015/16 £'000		2016/17 £'000
	Disposal of Assets:	
78	Other HRA Property & Assets	
593	Houses	1,147
7	Land	
678		1,147
-	Principal Repaid on Housing Advances	-
-	Repayment of discount received on Right to Buy sales	-
678	Total	1,147

7. Capital Expenditure

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

2015/16 £'000		2016/17 £'000
	Capital expenditure	
-	Vehicles, Plant & Equipment	-
-	Housing Development Schemes	956
-	Intangible Assets	-
37	Land and Infrastructure	132
1,862	Improvements to Council Dwellings	2,019
1,899	Total	3,107
	Sources of finance	
-	Other Reserves	(351)
-	Prudential Borrowing	(519)
-	Capital Receipts	(87)
(807)	Revenue contributions	(2,150)
(1,092)	Major Repairs Reserve	-
(1,899)	Total	(3,107)

8. Rent Arrears

During the year 2016/17 rent arrears as a proportion of gross rent income have increased to 3.28% (£407k) from 3.10% (£391k) in 2015/16.

31-Mar-16 £'000		31-Mar-17 £'000
391	Rent Arrears at 31 March	407
6	Hostel Arrears	9
(251)	Rent Credits	(262)
(1)	Hostel Credits	(1)
145	Total	153

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 2016/17.

10. Housing Stock

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

31-Mar-16 (number)			31-Mar-17 (number)
528	Houses and Bungalows	- 1 Bedroom	528
887		- 2 Bedroom	886
1,032		- 3 Bedroom	1,015
37		- 4 Bedroom	37
2		- 5 Bedroom	2
223	Flats, Bedsits and Maisonettes	- 1 Bedroom	223
375		- 2 Bedroom	371
1		- 3 Bedroom	1
2	Multi Occupied Dwellings (Hostels)		2
3,087	Total		3,065

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.

2015/16 £'000		2016/17 £'000
2,406	Interest Payable on the HRA average Capital Financing Requirement (CFR) for the year at the Consolidated Rate of Interest (CRI) calculated in accordance with the determination	2,414
2,406	Total	2,414

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

The costs of impairment are included as charges to the HRA Income and Expenditure Account. The effect of the capital asset charges accounting adjustment is that the impairment cost is reversed out of the HRA in the Movement on the HRA Statement as this is not a cost to be borne by HRA Tenants. For 2016/17 the impairment charge is £2.289m (£1.564k in 2015/16).

THE COLLECTION FUND

2015/16			2016/17		
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000	Notes
		Income			
(46,914)	-	Income from Council Tax (net of benefits and transitional relief)	(49,487)		2
-	(44,882)	Income from NNDR (net of discretionary and mandatory reliefs)		(40,923)	3
-	-	Transitional protection payments			
(46,914)	(44,882)	Total Income	(49,487)	(40,923)	
		Expenditure			
46,360	26,501	Precepts and demands	49,626	22,728	4
-	21,134	Payment to central government		16,306	
1	223	Transitional protection payments		106	
		Bad and doubtful debts			5
218	484	- Write offs	271	243	
(74)	(155)	- Movement in bad debts provision	105	(115)	
		Provision for appeals			6
-	3,016	- Movement in appeals provision		(256)	
-	118	Transfers to General Fund		118	
		- Costs of collection			
		Contributions			
614	219	- Towards previous year's Collection Fund Surplus	1,002	(7,417)	
47,119	51,540	Total Expenditure	51,004	31,713	
205	6,658	(Surplus) / Deficit for the year	1,517	(9,210)	
		COLLECTION FUND BALANCE			
(1,616)	4,037	Balance Brought Forward	(1,411)	10,695	
205	6,658	(Surplus) / Deficit for the year	1,517	(9,210)	
(1,411)	10,695	Balance Carried Forward	106	1,485	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	26	5/9	14	914.29
A	7,487	6/9	4,991	1,097.15
B	7,056	7/9	5,488	1,280.01
C	7,169	8/9	6,372	1,462.87
D	5,232	1	5,232	1,645.73
E	4,131	11/9	5,049	2,011.45
F	2,270	13/9	3,279	2,377.17
G	862	15/9	1,437	2,742.88
H	51	18/9	102	3,291.46
Total	34,284		31,964	
Impact of anticipated changes to council tax base			-	
Reduction due to the council tax reduction scheme			(1,410)	
Less allowance for non-collection			(400)	
COUNCIL TAX BASE			30,154	

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 2017 was 96.601m (100.073m in 2015/16). The national non-domestic multiplier for the year was 49.7p (49.3p in 2015/16), with a reduction to 48.4p (48.0p in 2014/15) for small businesses. This gives a total sum collectible of £48.010m (£48.035m in 2015/16) before taking into account reliefs and allowances.

4. Precepts and Demands

2015/16			2016/17	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
32,028	3,804	North Yorkshire County Council	34,492	2,935
6,195	-	North Yorkshire Police Authority	6,544	
1,881	423	North Yorkshire Fire & Rescue Authority	1,987	326
6,256	22,274	Selby District Council (including parishes)	6,603	19,467
46,360	26,501	Total	49,626	22,728
-	21,134	Central Government	-	16,306
46,360	47,635	Total	49,626	39,034

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.

2015/16			2016/17	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
218	484	Write-offs during the year	271	243
(144)	(329)	Contributions to provisions during the year	(376)	(128)
74	155	Net (increase)/decrease in provision in year	(105)	115
(585)	(697)	Balance at 1 April	(511)	(542)
(511)	(542)	Balance at 31 March	(616)	(427)

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.

2015/16			2016/17	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
30	195	Write-offs during the year	36	97
(20)	(132)	Contributions to provisions during the year	(50)	(51)
10	63	Net (increase)/decrease in provision in year	(14)	46
(78)	(280)	Balance at 1 April	(68)	(217)
(68)	(217)	Balance at 31 March	(82)	(171)

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.

2015/16			2016/17	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
-	150	Amounts charged to provision	-	1,761
-	(3,166)	Contributions to provision during the year	-	(1,505)
-	-	Unused amounts reversed during the year	-	-
-	(3,016)	Net (increase)/decrease in provision in year	-	256
-	(1,055)	Balance at 1 April	-	(4,071)
-	(4,071)	Balance at 31 March	-	(3,815)

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-16 £'000	Movement in 2016/17 £'000	Balance at 31-Mar-17 £'000
Council Tax Debtors	2,541	9	2,550
Council Tax Prepayments	(980)	(173)	(1,153)
Non Domestic Rates Debtors	1,411	(450)	961
Non Domestic Rates Prepayments	(312)	(283)	(595)
Net	2,660	(897)	1,763

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.

2015/16			2016/17	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
		<u>Debtors</u>		
341	832	Balance at 1 April	338	544
(3)	(288)	Movement in year	1	(160)
338	544	Balance at 31 March	339	384
		<u>Prepayment</u>		
(133)	(97)	Balance at 1 April	(132)	(125)
1	(28)	Movement in year	(21)	(113)
(132)	(125)	Balance at 31 March	(153)	(238)

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.

2015/16			2016/17	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
(976)	963	North Yorkshire County Council	75	134
(188)	-	North Yorkshire Police Authority	13	
(57)	107	North Yorkshire Fire & Rescue Authority	4	15
-	5,347	Central Government		742
(190)	4,278	Selby District Council (including parishes)	14	594
(1,411)	10,695	Total	106	1,485

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

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.

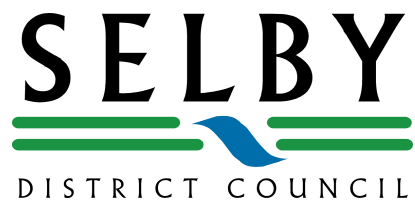
Vested Rights

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.

This Page is intentionally blank



Annual Governance Statement 2016/17



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 key priorities are reflected in its Corporate Plan. The current plan, which was approved by Full Council on 21st April 2015 and covers the period 2015-2020.
- The formal Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are lawful, efficient, transparent and accountable to local people. This incorporates the Members' Code of Conduct and a number of other locally agreed codes and protocols.
- The Council's budget and policy framework is set by the full Council. The Executive has delegated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.
- In addition to the Executive there are two specific regulatory committees for Licensing and Planning. These have independent powers within their legislative framework. Each of these acts within defined terms of reference agreed by the full Council.
- The Standards Committee was abolished at the end of June 2012 when the Localism Act 2011 removed the statutory requirement to establish and maintain a Standards Committee. The Council adopted a set of arrangements for dealing with allegations of failure to comply with the Code of Conduct. These arrangements were adopted on 24 April 2012 and came into effect on 1 July 2012. A review of Standards Arrangements has been undertaken by a working group consisting of members of the Audit and Governance Committee. Recommendations were made to full Council on 16 May 2017 regarding the future arrangements including the establishment of a Standards Sub-Committee as a sub-committee of the Audit and Governance Committee..
- 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.
- A revised counter fraud strategy along with a counter fraud and corruption policy was agreed by Executive on 6 April 2017 and will be reviewed periodically. The Council also has a separate whistleblowing and anti money laundering policy. The Council also now employs Veritau to provide a counter fraud service.
- The Chief Executive post (currently filled on an interim basis) is also a Deputy Chief Executive at North Yorkshire County Council (NYCC). As part of The Better Together programme, the two councils are working together to improve access to services across both councils in order to help customers and to achieve better value for money.
- The Council has recently undergone a significant re-structure, resulting in a number of senior management changes. The new structure was implemented in April 2016 and phase two of the restructure has continued into 2017.
- 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 & 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.
- 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 Leadership Team 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 Corporate Risk Register (CRR) comprising 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 CRR;
 - 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.
- As a result of previously identified weaknesses in relation to managing information governance and data protection breaches, work has been carried out in order 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 systems were audited;
 - The overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council is that it provides **Reasonable Assurance**. There are no qualifications to that opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion. Although a reasonable assurance opinion can be given, we are aware of some significant weaknesses in the control environment which have been identified in relation to specific audits. We have recommended one issue (relating to creditor payments) to be considered for inclusion in the Annual Governance Statement;
 - 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 and the Audit and Governance Committee. The Audit and Governance Committee has approved a revised Risk Management Strategy;
 - In addition, Veritau has provided risk management training to key officers and circulated risk management guidance, designed to complement the Risk Management Strategy;

- Monitoring information on key areas of performance has been provided to Strategic Management and Members on a regular basis with attention focused on those areas that are considered by the Council to be vulnerable;
- The external auditor's annual letter confirmed that the Council had satisfactory arrangements to secure Value for Money. In respect of the Council's Statement of Accounts, an unqualified opinion was issued;
- The external auditor did not identify any significant weaknesses in our internal control arrangements.

5 Significant Governance issues

5.1 No system of governance or internal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance. In concluding this review of the Council's Governance Framework and Internal Control arrangements, two new issues (relating to creditors and payroll) have been identified that need to be monitored. A detailed plan to address existing weaknesses and ensure continuous improvement in the system of internal control has been produced in response and this will be subject to regular monitoring by the Council's Leadership Team and the Audit and Governance Committee, where appropriate. The aim is to address these weaknesses during the 2017/18 financial year.

Appendix A

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
Information Governance and breaches in Data Protection are not adequately managed.	Internal Audit Report	<p>Plans are now in place to:</p> <ul style="list-style-type: none"> • 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. <p>Internal Audit to assist/advise.</p>	Solicitor to the Council 31 December 2017 Amended deadline	<p>A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit and Governance Committee in January 2016.</p> <p>In October 2016 Veritau reported in relation to Information Governance and Freedom of Information and gave an opinion of reasonable assurance, finding that the Council has made significant progress since previous audit but some weaknesses remain. On-going actions will be monitored through 2017/18 by the Audit and Governance Committee.</p>

Appendix A

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
<p>Non-compliance with the Payment Card Industry Data Security Standard (PCI DSS)</p>	<p>Internal Audit report</p>	<p>Agreed actions:</p> <ul style="list-style-type: none"> • 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 <p>Internal Audit to assist/advise.</p> <p>Regular updates will be brought to the Audit and Governance Committee during 2017/18.</p>	<p>Lead Officer Data and Systems</p> <p>30 September 2017</p> <p>Amended deadline</p>	<p>A follow-up audit of the agreed actions has been undertaken in 2016/17. This has identified some progress but a number of actions remain.</p> <p>A compliance procedure document is being produced as an appendix to the Data Protection Policy. This will clearly identify the responsible officers for PCI DSS at the council (August 2017)</p> <p>Data & Systems are investigating the opportunity to introduce a 'hosted payment page' on the website from a payment provider. This would eliminate card processing and storage on the council's network. (August 2017)</p> <p>Discussions are taking place with Craven DC to identify further ways of de-scoping our network and ensure PCI-DSS (September 2017)</p>

Appendix A

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
<p>A further review of ICT disaster recovery arrangements has been undertaken in 2015/16 – further actions have been identified:</p> <p>A new ICT Disaster recovery Plan will be developed which will include responsible officers), invocations procedures and responsibilities for actions. The new ICT Disaster Recovery Plan will include provision for a number of system restoration tests over the period of agreement.</p> <p>A programme of back-up tests will be put in place and encryption of tapes will be investigated. New arrangements for data and systems replication will be put in place with NYCC.</p>	<p>Internal Audit report</p>	<p>Arrangements for Disaster Recovery transferred from Craven DC to North Yorkshire CC at the end of April 2017.</p> <p>An overarching disaster recovery plan has been approved. The plan details roles and responsibilities across SDC, NYCC and other partners.</p> <p>A plan to secure even greater resilience is being developed in conjunction with NYCC. Implementation of this will run through 2017/18 and beyond.</p> <p>Plans are in place to test DR arrangements throughout the year. A framework for prioritising which systems are restored first has been developed. A review of Business Continuity Planning in late summer/early autumn will re-affirm details of replacement premises, equipment etc. this will then support more detailed testing.</p>	<p>Head of Business Development. All actions will be completed by 31 December 2017. Amended deadline</p>	<p>An action plan is in place to address the issues identified and a further follow-up is included in the internal audit plan for 2017/18. Regular updates have been provided to the members of the Audit and Governance Committee during 2016/17 and will continue in 2017/18.</p>

Appendix A

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
Creditors (Raised 2016/17)	Internal Audit report	<p>A number of duplicate invoices and payments were identified during the audit. In addition, a high number of orders were found to be raised outside of the e-procurement system.</p> <p>An action plan was agreed and good progress has been made towards this with an update provided to the Audit and Governance Committee in April 2017.</p>	Head of Operational Services 30 June 2017	Actions have been implemented. Creditors has been included in the audit plan for 2017/18 and a follow-up of the issues identified will be carried out.
Payroll reconciliation (Raised 2016/17)	Internal and External Audit reports	Delays to and errors within with the payroll costing file	Head of Finance 30 June 2017	Ongoing issues have been escalated within NYCC and the issues have now been fully resolved.

Janet Waggott
Chief Executive

Councillor Mark Crane
Leader of the Council

Statement of Accounts 2016/17 – 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.
- 1.2 The purpose of the Statement of Accounts is to give stakeholders 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 2016/17" (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2 Narrative Statement

- 2.1 The Narrative Statement seeks 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 Council's 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.

Description	2015/16 £'000	2016/17 £'000	Variance £'000	Comment
(Surplus) / Deficit on Provision of Services	(7,902)	(44,705)	36,803	See paragraph 5.2.
Other Comprehensive Income & Expenditure	(3,666)	(3,642)	24	A significant element of the £3,642k relates to the upward revaluation of fixed assets, primarily Council Dwellings £3,585k. This revaluation does 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	(77,948)	(126,294)	(48,346)	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, 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 credit of £33,870k).
- 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 £44,705k)
- Net surplus on revaluation of Non-Current Assets of £3,642k (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £48,347k).

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

5.2 The Comprehensive Income and Expenditure of the Council has moved from a surplus of £11,568k at the end of 2015/16 to a surplus of £48,347k at the end of 2016/17, a net increase in surplus of £36,779k - the variances identified above make up the majority of this movement. This significant increase is primarily due to a substantial revaluation of the Council dwelling stock. A substantial element of this revaluation has been credited to the Income and Expenditure account as an exceptional one off item.

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 2015/16 and 2016/17 are set out in the table following.

Description	2015/16 £'000	2016/17 £'000	Variance £'000	Comment
Property Plant & Equipment.	129,135	166,420	37,285	<p>The main cause of this increase in valuation is due to a net revaluations of £42.876 relating primarily to Council dwelling stock, less depreciation (- £3.106m) and the disposal of council assets sold during the year at a value of (- £2.486m).</p> <p>The value of assets has also been increased by capital expenditure of £3.838m. The main areas of acquisition and enhancement related to the construction of the new Leisure Village (£0.6m), improvements to housing infrastructure (2.2m) and the</p>

APPENDIX B

				commencement of the construction of Council Dwellings in Byram and Eggborough (£1.0m).
Long Term Debtors	814	701	(113)	Movement mainly attributable to the repayment of Loans by Selby District Housing Trust. The Council also awarded Repair Assistance Loans of £86k.
Short Term Debtors	9,426	3,438	(5,988)	A reduction primarily due to the significant and exceptional debtor made in 2015/16 for amounts owed by DCLG for the Council's share in NNDR balances which was not replicated in 2016/17.
Cash and Cash Equivalents	25,509	35,812	10,303	Increase in cash balances due to the receipt of a significantly increased level of Business Rates.
Provisions	(2,040)	(1,580)	460	Decrease in provisions due to reduced provision for NNDR appeals and a reduction in the provision made for exit packages.
Defined Benefit Pension Scheme	(20,443)	(11,357)	9,086	The year-end actuarial valuation of the Council's pension liabilities reduced, primarily due to the in-year contribution of £9.4m to bridge the pension fund shortfall as part of the recent triennial valuation.

APPENDIX B

Description	2015/16 £'000	2016/17 £'000	Variance £'000	Comment
Usable Reserves	(24,787)	(25,614)	(827)	Net increase in earmarked reserves during 2016/17 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.
Unusable Reserves	(53,161)	(100,680)	(47,519)	Significant movements in Unusable Reserves include adjustments to the Capital Adjustment Account & Revaluation Reserve for the revaluation of Council Dwellings (£41.3m), offset by movements in the pensions reserve (£9.1m) following the annual year-end actuarial valuation of the Council's Pension Fund assets and liabilities, offset by movements in and the collection fund adjustment account (2.9m) 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 2015/16.

Description	2015/16 £'000	2016/17 £'000	Variance £'000	Comment
Net (Surplus)/ Deficit on the provision of services	(7,902)	(44,705)	(36,803)	See paragraph 5.2.
Adjustments to net (surplus)/deficit on the provision of services for non- cash movements	(6,635)	(38,613)	(31,978)	Comprises a number of non-cash movements including depreciation, revaluations for Council Dwellings. The adjustment also includes various movements in balance sheet headings such as creditors, debtors, inventories, provisions and pension fund liability changes. The main variance is due to a significant revaluation upwards of the Council's Council Dwelling Stock.
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1,090	2,316	1,226	Includes the movement in capital grants, capital receipts and contributions used to fund capital expenditure. The increase is due primarily to the sale of Hurricane Close as well as other Council Dwellings under the right to buy scheme.
Investing Activities	(1,148)	1,305	2,453	Relates to activities such as the purchase of fixed assets, proceeds from sale of assets and other investment activity proceeds. The main variances relate to reduced capital expenditure on fixed assets during the year (£4.8m), proceeds from disposals (£1.4m), and reduction in proceeds from Short term

				investments £9m as all cash balances are now included in the sweeping arrangement with NYCC.
Financing Activities	4,113	(7,832)	11,945	Reflects movement in net debtors/creditors on council tax and NNDR. The main variance relates to the receipt of 15/16 and 16/17 renewables income during the year.

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.

9 Collection Fund

- 9.1 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 Glossary

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

11 Annual Governance Statement

- 11.1 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.

12 Conclusions

- 12.1 The Council budgeted to make a surplus of £117k on General Fund services in 2016/17. The actual position for the year shows that a surplus of £518k was achieved. The main reasons for the saving are covered in page 8 of the Narrative Statement.
- 12.2 The budget for the Housing Revenue Account (HRA) was set to contribute £1.520m to the Major Repairs Reserve (MRR). The actual out-turn was a surplus of £1.964m. The surplus was wholly allocated to the MRR. 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.
- 12.3 Capital expenditure for the General Fund and HRA totalled £4.268m.