



Meeting: **AUDIT & GOVERNANCE COMMITTEE**  
Date: **TUESDAY, 30 JULY 2019**  
Time: **5.00 PM**  
Venue: **COMMITTEE ROOM - CIVIC CENTRE, DONCASTER ROAD, SELBY, YO8 9FT**  
To: **Councillor K Arthur (Chair), Councillor N Reader (Vice-Chair), Councillor J Chilvers, Councillor D Brook, Councillor J Duggan, Councillor K Franks, Councillor E Jordan and Councillor J Mackman**

## Supplementary Agenda

**1. Appendices A & B to the Statement of Accounts 2018-19 (A/19/3) (Pages 1 - 138)**

Attached to this supplementary agenda are appendices A and B to the Statement of Accounts 2018-19

A handwritten signature in black ink that reads 'Janet Waggott'.

**Janet Waggott, Chief Executive**

Enquiries relating to this agenda, please contact Dawn Drury on 01757 292065 [ddrury@selby.gov.uk](mailto:ddrury@selby.gov.uk).

This page is intentionally left blank

# **SELBY DISTRICT COUNCIL**



## **STATEMENT OF ACCOUNTS 2018/2019**

This Page is intentionally blank

**SELBY DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS**

**2018/19**

**CONTENTS**

|  | <u>Pages</u> |
|--|--------------|
| NARRATIVE STATEMENT  | 4 - 13       |
| STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS                                  | 14           |
| INDEPENDENT AUDITOR'S REPORT TO SELBY DISTRICT COUNCIL                                       | 15 - 17      |
| THE CORE FINANCIAL STATEMENTS  |              |
| COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT   | 18           |
| MOVEMENT IN RESERVES STATEMENT   | 19           |
| BALANCE SHEET  | 20           |
| CASH FLOW STATEMENT  | 21           |
| EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS   |              |
| NOTE 1a - Expenditure and Funding Analysis   | 22           |
| NOTE 1b - Accounting Policies  | 23 - 42      |
| NOTE 2 - Accounting Standards that have been issued but not adopted                          | 42 - 43      |
| NOTE 3 - Critical Judgements in Applying Accounting Policies                                 | 43           |
| NOTE 4 - Assumptions made about the Future and other Major Sources of Estimation Uncertainty | 44 - 45      |
| NOTE 5 - Material Items of Income and Expenditure  | 45           |
| NOTE 6 - Events After the Balance Sheet  | 45 - 46      |
| NOTE 7 - Adjustments between Accounting Basis and Funding Basis under Regulations            | 46- 50       |
| NOTE 8 - Transfers to / from Earmarked Reserve   | 51 - 52      |
| NOTE 9 - Other Operating Expenditure   | 53           |
| NOTE 10 - Financing and Investment Income and Expenditure                                    | 53           |
| NOTE 11 - Taxation and Non-Specific Grant Income   | 53           |
| NOTE 12 - Property, Plant and Equipment  | 53 - 55      |
| NOTE 13 - Depreciation Methodologies   | 56           |
| NOTE 14 - Commitments under Capital Contracts  | 56           |
| NOTE 15 - Revaluations   | 57           |
| NOTE 16 - Investment Properties  | 57           |
| NOTE 17 - Intangible Assets  | 58           |
| NOTE 18 - Financial Instrument Balances  | 59 - 60      |
| NOTE 19 - Long Term Debtors  | 60           |
| NOTE 20 - Financial Instruments Gains, Losses and Fair Values                                | 61           |
| NOTE 21 - Inventories  | 61           |
| NOTE 22 - Debtors and Prepayments  | 62           |
| NOTE 23 - Cash and Cash Equivalents  | 62           |
| NOTE 24 - Creditors  | 63           |
| NOTE 25 - Provisions   | 63           |
| NOTE 26 - Usable Reserves  | 64           |
| NOTE 27 - Unusable Reserves  | 65 - 69      |
| NOTE 28 - Cash Flow Statement - Operating Activities   | 69           |
| NOTE 29 - Cash Flow Statement - Investing Activities   | 70           |
| NOTE 30 - Cash Flow Statement - Financing Activities   | 70           |

## CONTENTS continued ....

|   | <u>Pages</u> |
|---|--------------|
| NOTE 31 - Expenditure and Funding Analysis further details              | 71 - 72      |
| NOTE 32 - Officers' Remuneration & Exit Packages                        | 73 - 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 - 79      |
| NOTE 39 - Capital Expenditure and Financing                             | 80 - 81      |
| NOTE 40 - Leases  | 81 - 83      |
| NOTE 41 - Assets Recognised under PFI Arrangements                      | 83           |
| NOTE 42 - Impairment Losses   | 83           |
| NOTE 43 - Retirement Benefits   | 83 - 88      |
| NOTE 44 - Contingent Liabilities  | 88           |
| NOTE 45 - Contingent Assets   | 88           |
| NOTE 46 - Nature and Extent of Risks Arising From Financial Instruments | 88 - 91      |
| NOTE 47 - Council Tax   | 92           |
| NOTE 48 - Non-domestic Rates  | 92           |
| NOTE 49 - Capital Expenditure Financed from Revenue                     | 92           |
| HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT                | 93           |
| MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT                       | 94           |
| NOTES TO THE HOUSING REVENUE ACCOUNT                                    | 95 - 98      |
| THE COLLECTION FUND   | 99           |
| NOTES TO THE COLLECTION FUND  | 100 - 103    |
| GLOSSARY  | 104 - 112    |
| ANNUAL GOVERNANCE STATEMENT   | 113 - 127    |

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

This page is intentionally blank

## **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 2018/19" (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 2018 to 31 March 2019:

**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 2018/19 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 2018/19

Revenue expenditure for 2018/19 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 - Where the money came from - £50.230m**

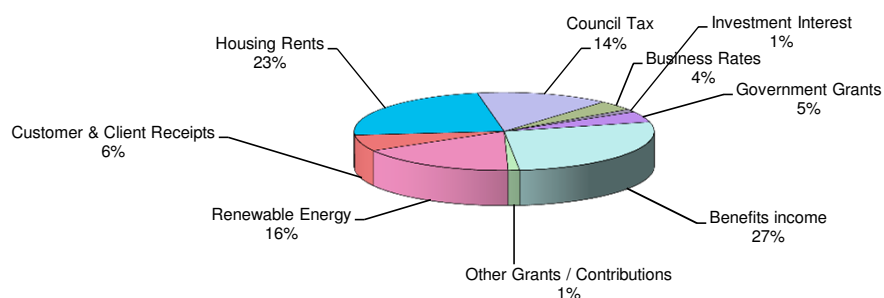


Chart 1 above shows income received in the year of £50.230m. 33% (£16.5m) of this is received from the government as direct grants, mainly to fund benefit payments and formula (or indirect) grants, i.e. grants that are not ring-fenced for specific purposes. Council Tax provides a further £7.2m, which includes £1.8m for Parish Council precepts, and the Council's share of business rates retention contributes £2.0m, with £8.6m in business rates from renewable energy facilities. Housing Rents provide £11.9m.

**Chart 2 - Where the money is used - £50.230m**

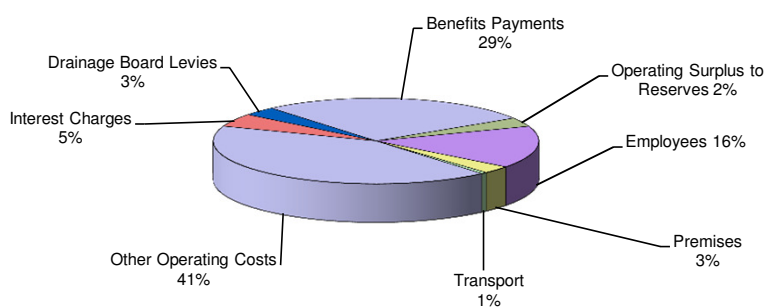


Chart 2 above shows a significant proportion of the Council's money £13.6m is spent on Housing benefit payments. Other operating costs total £21.0m, which include the running costs of services including the HRA and contracts for recycling, refuse collection, street cleansing, grounds maintenance, gas servicing, leisure contracts and financing the capital programme. £8.0m was spent on employee costs. Other costs include drainage board levies at £1.7m, interest payable costs £2.5m and the costs of running & maintaining council non-dwelling property £1.4m. £1.7m has been transferred to reserves for future usage from the surpluses generated on General Fund and HRA services, of which further detail follows.

## NARRATIVE STATEMENT

### Financial Performance in 2018/19 Compared to Agreed Budget

The latest approved budget anticipated a break even position for the General Fund after budgeted transfers to reserves and a transfer to the Housing Revenue Account Major Repairs Reserve (MRR) of £799k. The out-turn position was a General Fund surplus £59k and the Housing Revenue Account surplus was £1.552m. The performance against budgets for General Fund services and the Housing Revenue Account are shown separately in the following paragraphs.

#### General Fund

|   | Latest<br>Approved<br>Budget<br>£'000 | Actual<br>£'000 | Difference<br>£'000 |
|---|---------------------------------------|-----------------|---------------------|
| <b>Income</b>                                   |                                       |                 |                     |
| Investment Income                               | (250)                                 | (454)           | (204)               |
| Recharges                                       | (3,006)                               | (3,042)         | (36)                |
| Customer & Client Receipts                      | (6,720)                               | (6,522)         | 198                 |
| Government and Other Grants                     | (16,181)                              | (16,161)        | 20                  |
|   | <b>(26,157)</b>                       | <b>(26,179)</b> | <b>(22)</b>         |
| <b>Expenditure</b>                              |                                       |                 |                     |
| Employees                                       | 8,370                                 | 8,156           | (214)               |
| Premises  | 709                                   | 744             | 35                  |
| Supplies and Services                           | 8,605                                 | 8,697           | 92                  |
| Transport                                       | 150                                   | 163             | 13                  |
| Benefit Payments                                | 13,714                                | 13,670          | (44)                |
| Third Party Payments                            | (22)                                  | (22)            | -                   |
| Internal Drainage Board Levies                  | 1,685                                 | 1,685           | -                   |
| Interest Payable and Similar Charges            | 75                                    | 82              | 7                   |
| Contingency                                     | 43                                    | -               | (43)                |
| Budget Savings                                  | (225)                                 | -               | 225                 |
| Parishes Precepts                               | 1,869                                 | 1,869           | -                   |
|   | <b>34,973</b>                         | <b>35,044</b>   | <b>71</b>           |
| <b>Net Operating Expenditure</b>                | <b>8,816</b>                          | <b>8,865</b>    | <b>49</b>           |
| Revenue Support Grant                           | (265)                                 | (265)           | -                   |
| Renewables Income                               | (8,343)                               | (8,343)         | -                   |
| Business Rates                                  | (2,187)                               | (2,187)         | -                   |
| Council Tax Precept (including Parish Precepts) | (7,202)                               | (7,202)         | -                   |
| Collection Fund Surplus (Surplus) / Deficit     | 95                                    | 95              | -                   |
| <b>Net (surplus) / deficit</b>                  | <b>(9,086)</b>                        | <b>(9,037)</b>  | <b>49</b>           |
| Other Non Cash Adjustments                      | 174                                   | 285             | 111                 |
| Transfers to / (from) Reserves                  | 8,912                                 | 8,693           | (219)               |
| <b>Year End (Surplus) / Deficit</b>             | <b>-</b>                              | <b>(59)</b>     | <b>(59)</b>         |

## **NARRATIVE STATEMENT**

### **4. Revenue Spending in 2018/19 continued .....**

The previous table shows a saving against the General Fund of £59k. The table below looks at the major variances and gives a brief explanation as to why they have occurred. Councillors and officers continually review budgets to achieve efficiency savings.

| <b>General Fund</b>         |                   |  |
|-----------------------------|-------------------|--|
|                             | Variance<br>£'000 | Reason for Variance  |
| Employees                   | (214)             | Savings on salaries across the Council are due to the natural turnover of staff  |
| Premises                    | 35                | Increased Business Rates on premises due to the latest Rateable Value Review   |
| Planning Specialist Support | 36                | Use of specialist advice to support the volume and complex nature of planning applications   |
| Legal Support costs         | 74                | Additional Legal Support work to support the more complex Planning issues  |
| Procurement Partnership     | (31)              | Dividend received from the North Yorkshire Procurement Partnership   |
| Car Park Income             | (31)              | Income received from the use of Council Car Parks  |
| Benefit Payments            | (44)              | Overall benefits saving generated from lower than anticipated overpayment debtors adjustments and lower case load as Universal Credit rolls out. |
| Budget Savings              | 225               | Shortfall in the planned savings target, mitigated by the overall General Fund surplus.  |
| Contingency                 | (43)              | Unspent in the year - drawdowns for support not required.  |
| Investment Income           | (204)             | Earnings from investments have exceeded budget, this is due to buoyant cash balances.  |
| Planning Fee Income         | 124               | Shortfall due to large applications not being submitted in year as originally anticipated  |
| Property Income             | 126               | Shortfall in Assets Trading Income, Industrial Unit occupancy and Civic Centre rental income.  |
| Lifeline Service            | 31                | Service is in transition to trial new service delivery   |
| Miscellaneous               | (143)             | Numerous smaller and compensating variances contributing towards the final surplus including movements to and from reserves and capital charges. |
| <b>Total</b>                | <b>(59)</b>       |  |

Investment income for the General Fund exceeded budget by £204k due to the level of funds available for investment an average of £63.4m. These funds were available on a temporary basis and the levels of funds available were mainly dependent on the timing of business rates and precept payments. The Council achieved an average return on its investments of 0.81% for the year through pooling arrangements in place with NYCC and investment in property funds.

## NARRATIVE STATEMENT

### 4. Revenue Spending in 2018/19 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 £799k which was budgeted to be transferred to the Major Repairs Reserve (MRR) to support funding of the capital programme, HRA balances and debt repayment. The out-turn position is a surplus of £1.552m, this additional surplus has also been transferred to the Major Repairs Reserve to support future investment in the housing stock.

|   | Latest<br>Approved<br>Budget<br>£'000 | Actual<br>£'000 | Difference<br>£'000 |
|---|---------------------------------------|-----------------|---------------------|
| <b>Income</b>   |                                       |                 |                     |
| Investment Income                                     | (75)                                  | (163)           | (88)                |
| Housing Rents   | (11,940)                              | (11,891)        | 49                  |
| Garage Rents  | (100)                                 | (102)           | (2)                 |
| Other Income  | (183)                                 | (182)           | 1                   |
|   | <b>(12,298)</b>                       | <b>(12,338)</b> | <b>(40)</b>         |
| <b>Expenditure</b>                                    |                                       |                 |                     |
| Employees   | 2                                     | 36              | 34                  |
| Premises  | 806                                   | 684             | (122)               |
| Supplies and Services                                 | 1,060                                 | 1,031           | (29)                |
| Support Services                                      | 2,806                                 | 2,814           | 8                   |
| Transport   | 113                                   | 114             | 1                   |
| Debt Management Expenses                              | 6                                     | 6               | -                   |
| Interest Payable and Similar Charges                  | 2,787                                 | 2,413           | (374)               |
| Contingency   | 75                                    | -               | (75)                |
| Provision for Bad & Doubtful Debts                    | 263                                   | 107             | (156)               |
|   | <b>7,918</b>                          | <b>7,205</b>    | <b>(713)</b>        |
| <b>Net (surplus) / deficit</b>                        | <b>(4,380)</b>                        | <b>(5,133)</b>  | <b>(753)</b>        |
| Capital Expenditure financed from revenue             | 2,271                                 | 2,269           | (2)                 |
| Other Non Cash Adjustments                            | 1,260                                 | 1,262           | 2                   |
| Transfers to / (from) Reserves                        | 50                                    | 50              | -                   |
| <b>(Surplus) / Deficit available for distribution</b> | <b>(799)</b>                          | <b>(1,552)</b>  | <b>(753)</b>        |
| <b>Transfers (to) / from MRR</b>                      | <b>(799)</b>                          | <b>(1,552)</b>  | <b>(753)</b>        |
| <b>Year End (Surplus) / Deficit</b>                   | <b>-</b>                              | <b>-</b>        | <b>-</b>            |

The table shows a difference against the HRA Budget of £753k. The table following looks at the major variances and gives a brief explanation as to why they have occurred. Councillors and officers continually review budgets to achieve efficiency savings.

## **NARRATIVE STATEMENT**

### **4. Revenue Spending in 2018/19 continued .....**

| <b>Housing Revenue Account</b> |                   |   |
|--------------------------------|-------------------|---|
|                                | Variance<br>£'000 | Reason for Variance   |
| Employees                      | 34                | Shortfall due to cleaning costs for the community centres.  |
| Premises Costs                 | (122)             | Savings due to main painting programme delivered through capital programme, solid fuel servicing and hostel utility and running costs.  |
| Supplies & Services            | (29)              | Savings on subcontractors from work managed through capital programme offset by increase materials costs and work to get void property in to lettable condition.                            |
| Provision for Bad Debts        | (156)             | A nominal provision against rents is made in the budget, arrears calculations have not identified increase is required, although the wider roll out of universal credit may have an impact. |
| External Interest Payable      | (374)             | Saving from not taking out additional PWLB borrowing to support Housing Development Schemes, internal borrowing utilised.   |
| Contingency                    | (75)              | Unspent in the year - drawdowns for support not required.   |
| Rent - Dwellings               | 49                | The variance is driven by volume of void properties and one additional right to buy sale (21 in 2018/19) than was assumed in the budget.  |
| Investment Income              | (88)              | Earnings from investments have exceeded budget, this is due to buoyant cash balances.   |
| Other Sundry Costs             | 8                 | Numerous smaller and compensating variances contributing towards the final surplus.   |
| <b>Total</b>                   | <b>(753)</b>      |   |

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 2019 and financial resources are being carried forward to 2019/20 to complete these projects. The total value of carry forwards is £19.794m (£4.227m Housing Revenue Account, £15.567m General Fund).

The detailed Core Financial Statements and accompanying notes are shown on pages 18 to 103.

### **5. Capital Expenditure**

In 2018/19 the Council spent £11.021m (2017/18 £3.492m) on its capital programme (£8.279m General Fund and £2.742m 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<br>£'000 | Proportion<br>% |
|--|-----------------|-----------------|
| Council Dwelling Improvements  | 1,739           | 15.8%           |
| Council dwelling construction  | 860             | 7.8%            |
| Equipment & Vehicles, including Intangible Assets (e.g. computer software) | 293             | 2.7%            |
| Other Land and Buildings, including Community Assets                       | 1,068           | 9.7%            |
| Home Improvement Grants and Loans and Disabled Facilities Grants           | 438             | 4.0%            |
| Property Funds   | 5,000           | 45.4%           |
| Loans to Selby District Housing Trust                                      | 1,623           | 14.7%           |
| <b>Total</b>   | <b>11,021</b>   | <b>100%</b>     |

## **NARRATIVE STATEMENT**

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

| Where the money came from       | Actual<br>£'000 | Proportion<br>% |
|---------------------------------|-----------------|-----------------|
| Government Supported Borrowing  | -               | 0.0%            |
| Prudential / Internal Borrowing | (2,328)         | 21.1%           |
| Capital Receipts                | (303)           | 2.7%            |
| Major Repairs Reserve           | (1,626)         | 14.8%           |
| Grants and Contributions        | (440)           | 4.0%            |
| Revenue and Reserves            | (6,324)         | 57.4%           |
| <b>Total</b>                    | <b>(11,021)</b> | <b>100%</b>     |

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

The Council expected to spend £24.4m on its capital programme in 2018/19, £16.7m on General Fund and £7.7m on its Housing Investment. However there was an underspend of £8.4m on the General Fund and £5.0m on the Housing Revenue Account. The underspend on the General Fund was mainly due to road adoption works not progressing as anticipated, ICT schemes crossing multiple years, demand for Disabled Facilities Grants services although proactive work has seen an upturn in demand, car park improvements profile of works, Portholme Culvert works delays due to licensing issues and slippage in P4G schemes. The HRA underspend was due to timing of the procurement of contracts, multi year contracts are being drawn up to maximise value for money and savings on housing development due to the receipt of government grant. The majority of these budget savings will be carried forward to 2019/20 to complete or progress these schemes.

The major items of capital expenditure in 2018/19 were as follows:

|                                       | Actual<br>£'000 |
|---------------------------------------|-----------------|
| Leisure & Sports Facilities           | 250             |
| IT Hardware & Software                | 299             |
| Central Heating systems               | 238             |
| Rewiring                              | 215             |
| Pointing                              | 571             |
| Void Property Works                   | 183             |
| Damp works                            | 92              |
| Doors, Windows & Other Cyclical Works | 90              |
| Bathrooms                             | 58              |
| Sheltered Homes, Aids & Adaptions     | 222             |
| Car Parks                             | 154             |
| Police Co-location Project            | 188             |
| Disabled Facilities Grants            | 440             |
| Commercial Property Acquisition       | 461             |
| Property Investments                  | 5,000           |
| SDHT Loans                            | 1,622           |
| Other capital initiatives             | (5)             |
| Housing developments                  | 860             |
| Other Housing improvements            | 83              |
| <b>Total</b>                          | <b>11,021</b>   |

## **NARRATIVE STATEMENT**

### **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 2018/19 but used internal borrowing to fund the housing development scheme at Byram. This involves using cash held by the council which generates low returns in the current climate rather than borrowing externally from the Public Works Loan Board (PWLb) at higher rates.

### **7. Collection Fund**

At 31 March 2019 there is a net surplus on the Collection Fund of £348k. The Council Tax element is a surplus of £408k of which £357k is owed to North Yorkshire County Council, North Yorkshire Police and Crimer Commissioner and North Yorkshire Fire and Rescue Authority. There is a deficit of £60k for non-domestic rates. Of the deficit £30k is owed to the central government and £6k to 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 £11.038m at 31 March 2018 to £9.544m at 31 March 2019 based on the assumptions used at the 2016 Triennial Valuation. 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 on an accounting basis. 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. During 2016/17 a substantial payment of £9.4m was made to decrease the pension liability, this was funded by earmarked reserves. The remaining deficit on the scheme will be made good by contributions over the remaining working life of employees as assessed by the scheme actuary. The next triennial valuation due in 2019 will give an updated position on the funding level of the Council and employer contribution rates will be set to reflect this.

### **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 £12.75m to £174.77m. Significant movements on the balance sheet include an increase in non-current assets of £5.7m, primarily due to new investments in Property Funds £4.9m. Other key movements to mention are reduction of £5.9m in short term creditors, of which £5.4m relates to amounts due to Ministry of Housing, Communities and Local Government (MHCLG) for National and Non Domestic Rates (NNDR) and an increase in Usable reserves, the most notable movements being increases in Programme for Growth £2.3m and Affordable Housing Sums £1.97m

In 2018/19 the Council received capital receipts of £1.3m from the sale of council houses and other land and buildings.

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

At the 31 March 2019 the Council's usable reserves stood at £43.648m compared to £36.648m at the end of 2018/19. Included within these figures are £3.9m (£1.7m General Fund and £2.2m HRA) of unallocated revenue reserves. The remaining usable reserves include £27.9m earmarked reserves, £5.9m major repairs reserve and £5.4m capital receipts reserve. The latter two represent sums set aside to meet the cost of future capital programme costs.

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. For 2018/19 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.

## **NARRATIVE STATEMENT**

### **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.

IFRS 15 stipulates the accounting treatment for recognising revenue from contracts with customers. The Council has reviewed its current practice in this area and the authority currently meets the requirements of IFRS 15 so no practical changes in how Selby District Council recognises revenue from contracts with customers is required in the 2018/19 accounts.

Changes have also been reflected in Note 1, paragraph xiii of the Statement of Accounting Policies Financial Instruments to reflect the introduction of IFRS 9 by the CIPFA Code of Practice. IFRS 9 is a complex accounting standard and addresses the accounting treatment for the classification, measurement and impairment of financial instruments. The Council now recognises and measures financial assets at either amortised cost, at fair value through profit and loss or at fair value through other comprehensive income. The accounting policy also explains that the Council now reviews all of its financial assets held at amortised cost to assess the risk of expected future cash flows not being received.

The main changes to the Statement of Accounts are as a result of the CIPFA Code of Practice adopting IFRS 9 Financial Instruments. This has seen significant changes in the way investments are classified which has been reflected in Disclosure Note 18 - Financial Instruments. The Council holds a pooled investment in a property fund, any changes in valuation are also required to be recognised as fair value through profit and loss, which would impact upon the Council's general fund balance and revenue budget. The Ministry of Housing, Communities and Local Government (MHCLG) has permitted a temporary (5 year) statutory override for English local authorities to mitigate the impact of these changes in valuation. The council will utilise the statutory override to account for any changes in the value of this investment.

### **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. In 2019/20, the Council is part of the North and West Yorkshire Business Rates Pool pilot. We are also in receipt of significant cash windfalls from renewable energy facilities which means that the Council's business rates income is well above target. This income remains in doubt as the government considers the future system of 100% business rates retention for local authorities, so the Council has resolved to earmark it for future growth related projects and to generate income and long-term savings in recurring costs. The Council's Programme for Growth aims to use this income to deliver the Council's priorities and to generate a return to help drive self-sustainability.

**Economic Climate:** The economy continues to present challenges for the Council. Low Bank of England base interest rates continue to drive low returns on Council investments with the impacts of the Brexit process creating additional uncertainty in the economy at present. Selby Council along with the Selby District Housing Trust continue to progress their housing development plans for the future which will increase demand on services including the waste and recycling service. This could see increased costs as a consequence of higher collections. In addition, the future of the New Homes Bonus remains uncertain with Councils continuing to seek more clarity on this. In addition, we have seen a reduction in recycling credits from North Yorkshire County Council from 2019/20 which presents a further financial challenge to delivering our services. 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.

2019/20 will be the last of the four years of rent reductions of 1% per year on the housing stock. From 2020/21 we will be able to increase rents by CPI + 1% which will reduce the risk to the surpluses in the Housing Revenue Account which are used to help maintain the housing stock.

## **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 2019.

**Karen L. Iveson**

**CPFA**

**Chief Finance Officer (s151)**

**Dated**

30 May 2019

### **Approval of the Accounts**

This Statement of Accounts was approved by a resolution of the Audit and Governance Committee of Selby District Council on 30 May 2019.

**Councillor K Arthur**

**Chair of Audit Committee**

**Dated**

30 May 2019

# DRAFT AUDITOR'S REPORT

## **Independent auditor's report to the members of Selby District Council Report on the financial statements**

### **Opinion**

We have audited the financial statements of Selby District Council for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Selby District Council as at 31<sup>st</sup> March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of Selby District Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Selby District Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Chief Finance Officer for the financial statements**

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 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance & Corporate Services Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless Selby District Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for Selby District Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- 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 sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

#### **Conclusion on Selby District Council's arrangements for securing economy, efficiency and effectiveness in the 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 in November 2017, we are satisfied that, in all significant respects, Selby District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

##### **Basis for conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether Selby District 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. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether Selby District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Selby District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

##### **Responsibilities of Selby District Council**

Selby District 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.

#### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that Selby District Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of Selby District Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Use of the audit report**

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 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of Selby District Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of Selby District Council , as a body, for our audit work, for this report, or for the opinions we have formed.

**Certificate**

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

[Signature]

Mark Kirkham

For and on behalf of Mazars LLP

5<sup>th</sup> Floor

3 Wellington Place

Leeds

LS1 4AP

30th July 2019

## 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.

| 2017/18       |                 |                 |  | 2018/19       |                 |                 |       |
|---------------|-----------------|-----------------|--|---------------|-----------------|-----------------|-------|
| Expenditure   | Income          | Net Exp.        |  | Expenditure   | Income          | Net Exp.        | Notes |
| £'000         | £'000           | £'000           |  | £'000         | £'000           | £'000           |       |
| 34,473        | (21,796)        | 12,677          | Corporate Services & Commissioning   | 34,322        | (18,389)        | 15,933          |       |
| -             | (12,673)        | (12,673)        | Exceptional Item - Council Dwelling Revaluation  | -             | -               | -               |       |
| 3,339         | (1,212)         | 2,127           | Economic Development, Regeneration and Place   | 2,858         | (1,005)         | 1,853           |       |
| 1,161         | (342)           | 819             | Legal & Democratic   | 1,208         | (356)           | 852             |       |
| 1,559         | (14,723)        | (13,163)        | Finance  | 1,940         | (14,204)        | (12,264)        |       |
| <b>40,532</b> | <b>(50,746)</b> | <b>(10,214)</b> | <b>Cost of Services</b>  | <b>40,328</b> | <b>(33,954)</b> | <b>6,374</b>    |       |
|               |                 | 3,572           | <b>Other Operating Expenditure</b>   |               |                 | 3,894           | 9     |
|               |                 | 2,539           | <b>Financing and Investment Income &amp; Expenditure</b>                                       |               |                 | 2,188           | 10    |
|               |                 | (20,758)        | <b>Taxation and Non-Specific Grant Income</b>  |               |                 | (20,544)        | 11    |
|               |                 | <b>(24,861)</b> | <b>(Surplus) or Deficit on Provision of Services</b>   |               |                 | <b>(8,088)</b>  |       |
|               |                 | (9,687)         | <b>Other Comprehensive Income and Expenditure</b>  |               |                 | (4,331)         | 27.1  |
|               |                 | 154             | Surplus or deficit on Revaluation of Property, Plant and Equipment Assets                      |               |                 | 79              | 27.1  |
|               |                 | -               | Impairment Losses on Non-Current assets charged to the Revaluation Reserve                     |               |                 | -               | 27.2  |
|               |                 | (1,329)         | (Surplus) / Deficit on financial assets measured at Fair Value through Other Comprehensive I&E |               |                 | (2,600)         | 43    |
|               |                 | <b>(10,862)</b> | <b>Total Other Comprehensive Income and Expenditure</b>  |               |                 | <b>(6,852)</b>  |       |
|               |                 | <b>(35,723)</b> | <b>Total Comprehensive Income and Expenditure</b>  |               |                 | <b>(14,939)</b> |       |

|   | General Fund Balance<br>£000 | Earmarked GF Reserves<br>£000 | Housing Revenue Account<br>£000 | Earmarked HRA Reserves<br>£000 | Major Repairs Reserve<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Council Reserves<br>£000 |
|---|------------------------------|-------------------------------|---------------------------------|--------------------------------|-------------------------------|----------------------------------|----------------------------------|-------------------------------|---------------------------------|--------------------------------|
| <b>Balance at 31 March 2017</b>   | <b>(1,139)</b>               | <b>(14,327)</b>               | <b>(2,267)</b>                  | <b>(1,173)</b>                 | <b>(2,411)</b>                | <b>(4,029)</b>                   | <b>(268)</b>                     | <b>(25,613)</b>               | <b>(100,680)</b>                | <b>(126,293)</b>               |
| <b><u>Movement in reserves during 2017/18</u></b>                               |                              |                               |                                 |                                |                               |                                  |                                  |                               |                                 |                                |
| (Surplus) or deficit on provision of services                                   | (8,902)                      | 0                             | (15,960)                        | 0                              | 0                             | 0                                | 0                                | (24,862)                      | 0                               | (24,862)                       |
| Other Comprehensive Expenditure and Income                                      | 0                            | 0                             | 0                               | 0                              | 0                             | 0                                | 0                                | 0                             | (10,862)                        | (10,862)                       |
| <b>Total Comprehensive Expenditure and Income</b>                               | <b>(8,902)</b>               | <b>0</b>                      | <b>(15,960)</b>                 | <b>0</b>                       | <b>0</b>                      | <b>0</b>                         | <b>0</b>                         | <b>(24,862)</b>               | <b>(10,862)</b>                 | <b>(35,724)</b>                |
| Adjustments between accounting basis & funding basis under regulations (note 7) | 1,399                        | 0                             | 15,682                          | 0                              | (1,919)                       | (912)                            | (242)                            | 14,008                        | (14,008)                        | 0                              |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>             | <b>(7,503)</b>               | <b>0</b>                      | <b>(278)</b>                    | <b>0</b>                       | <b>(1,919)</b>                | <b>(912)</b>                     | <b>(242)</b>                     | <b>(10,854)</b>               | <b>(24,870)</b>                 | <b>(35,724)</b>                |
| Transfers to/from Earmarked Reserves (note 8)                                   | 6,990                        | (6,789)                       | 278                             | (479)                          | 0                             | 0                                | 0                                | 0                             | 0                               | 0                              |
| <b>(Increase) /Decrease movement in Year</b>                                    | <b>(514)</b>                 | <b>(6,789)</b>                | <b>0</b>                        | <b>(479)</b>                   | <b>(1,919)</b>                | <b>(912)</b>                     | <b>(242)</b>                     | <b>(10,855)</b>               | <b>(24,870)</b>                 | <b>(35,725)</b>                |
| <b>Balance at 31 March 2018 carried forward</b>                                 | <b>(1,653)</b>               | <b>(21,117)</b>               | <b>(2,267)</b>                  | <b>(1,652)</b>                 | <b>(4,330)</b>                | <b>(4,941)</b>                   | <b>(509)</b>                     | <b>(36,468)</b>               | <b>(125,549)</b>                | <b>(162,017)</b>               |
| <b><u>Movement in reserves during 2018/19</u></b>                               |                              |                               |                                 |                                |                               |                                  |                                  |                               |                                 |                                |
| (Surplus) or deficit on provision of services                                   | (6,882)                      | 0                             | (1,205)                         | 0                              | 0                             | 0                                | 0                                | (8,088)                       | 0                               | (8,088)                        |
| Other Comprehensive Expenditure and Income                                      |                              | 0                             |                                 | 0                              | 0                             | 0                                | 0                                | 0                             | (6,852)                         | (6,852)                        |
| <b>Total Comprehensive Expenditure and Income</b>                               | <b>(6,882)</b>               | <b>0</b>                      | <b>(1,205)</b>                  | <b>0</b>                       | <b>0</b>                      | <b>0</b>                         | <b>0</b>                         | <b>(8,088)</b>                | <b>(6,852)</b>                  | <b>(14,939)</b>                |
| Adjustments between accounting basis & funding basis under regulations (note 7) | 2,347                        | 0                             | 641                             | 0                              | (1,553)                       | (550)                            | 22                               | 906                           | (906)                           | 0                              |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>             | <b>(4,536)</b>               | <b>0</b>                      | <b>(565)</b>                    | <b>0</b>                       | <b>(1,553)</b>                | <b>(550)</b>                     | <b>22</b>                        | <b>(7,181)</b>                | <b>(7,758)</b>                  | <b>(14,939)</b>                |
| Transfers to/from Earmarked Reserves (note 8)                                   | 4,536                        | (4,457)                       | 565                             | (644)                          | 0                             | 0                                | 0                                | 0                             | 0                               | 0                              |
| <b>(Increase) /Decrease movement in Year</b>                                    | <b>1</b>                     | <b>(4,457)</b>                | <b>0</b>                        | <b>(644)</b>                   | <b>(1,553)</b>                | <b>(550)</b>                     | <b>22</b>                        | <b>(7,181)</b>                | <b>(7,758)</b>                  | <b>(14,939)</b>                |
| <b>Balance at 31 March 2019 carried forward</b>                                 | <b>(1,653)</b>               | <b>(25,574)</b>               | <b>(2,266)</b>                  | <b>(2,296)</b>                 | <b>(5,883)</b>                | <b>(5,491)</b>                   | <b>(487)</b>                     | <b>(43,649)</b>               | <b>(133,307)</b>                | <b>(176,957)</b>               |

## MOVEMENT IN RESERVES STATEMENT

# BALANCE SHEET

| 31-Mar-18<br>£'000 |                                    | 31-Mar-19<br>£'000 |                  | Notes    |
|--------------------|------------------------------------|--------------------|------------------|----------|
| 187,004            | Property Plant & Equipment         | 184,330            |                  | 12       |
| 500                | Investment Property                | 4,352              |                  | 16       |
| 410                | Intangible Assets                  | 603                |                  | 17       |
| -                  | Long Term Investments              | 4,906              |                  | 18       |
| 808                | Long Term Debtors                  | 2,422              |                  | 19       |
| <b>188,722</b>     | <b>Total Non-current Assets</b>    | <b>196,613</b>     |                  |          |
| -                  | Short Term Investments             | -                  |                  | 18       |
| -                  | Inventories and Work in Progress   | -                  |                  | 21       |
| 4,475              | Short Term Debtors                 | 6,417              |                  | 18,19,22 |
| 54,003             | Cash and Cash Equivalents          | 51,797             |                  | 23       |
| <b>58,478</b>      | <b>Total Current Assets</b>        | <b>58,215</b>      |                  |          |
| <b>247,200</b>     | <b>Total Assets</b>                |                    | <b>254,827</b>   |          |
| (279)              | Short Term Borrowing               | (281)              |                  | 18       |
| (12,940)           | Short Term Creditors               | (6,748)            |                  | 24       |
| (1,367)            | Provisions                         | (1,808)            |                  | 25       |
| (102)              | Grants Receipts In Advance         | (111)              |                  | 37       |
| <b>(14,688)</b>    | <b>Total Current Liabilities</b>   | <b>(8,947)</b>     |                  |          |
| (59,299)           | Long Term borrowing                | (59,299)           |                  | 18       |
| (11,038)           | Other Long Term Liabilities:       | (9,544)            |                  | 43       |
| (157)              | Defined Benefit Pension Scheme     | (80)               |                  | 40       |
|                    | Finance Leases                     |                    |                  |          |
| <b>(70,494)</b>    | <b>Total Long Term Liabilities</b> | <b>(68,924)</b>    |                  |          |
| <b>(85,183)</b>    | <b>Total Liabilities</b>           |                    | <b>(77,871)</b>  |          |
| <b>162,017</b>     | <b>Net Assets</b>                  |                    | <b>176,957</b>   |          |
| (36,468)           | <b>Usable Reserves</b>             |                    | (43,649)         | 26       |
| (125,549)          | <b>Unusable Reserves</b>           |                    | (133,308)        | 27       |
| <b>(162,017)</b>   | <b>Total Reserves</b>              |                    | <b>(176,957)</b> |          |

Karen Iveson  
CPFA  
Chief Finance Officer (s151)

Dated 30 May 2019

# CASH FLOW STATEMENT

| 2017/18<br>£'000 |  | 2018/19<br>£'000 | Notes |
|------------------|--|------------------|-------|
| (24,862)         | Net (Surplus)/Deficit on the Provision of Services   | (8,088)          |       |
| 8,102            | Adjustments to net (surplus)/deficit on the provision of services for non-cash movements   | (6,829)          | 28    |
| 1,782            | Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities | 1,745            | 28    |
| <b>(14,978)</b>  | <b>Net Cash Flow from Operating Activities</b>   | <b>(13,172)</b>  |       |
| 1,386            | <b>Investing Activities</b>  | 8,905            | 29    |
| (4,600)          | <b>Financing Activities</b>  | 6,474            | 30    |
| <b>(18,192)</b>  | <b>Net increase or decrease in cash and cash equivalents</b>   | <b>2,207</b>     |       |
| <b>(35,812)</b>  | Cash and cash equivalents at the beginning of the reporting period   | <b>(54,004)</b>  |       |
| <b>(54,004)</b>  | <b>Cash and cash equivalents at the end of the reporting period</b>  | <b>(51,797)</b>  | 23    |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 1a. Expenditure & 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 31 to the Core Financial Statements (page 71-72).

#### EXPENDITURE & FUNDING ANALYSIS FOR 2018/19

| Directorate                    | Net Expenditure<br>Chargeable to the<br>General Fund and<br>HRA Balances | Adjustments between<br>Funding &<br>Accounting Basis | Net Expenditure in the<br>Comprehensive Income<br>and Expenditure Statement |
|--------------------------------|--|--|---|
| Corporate Svcs & Commissioning | 10,974   | 4,958  | 15,932  |
| Economic Regeneration & Place  | 2,031  | (178)  | 1,853   |
| Legal & Democratic Services    | 893  | (42)   | 852   |
| Finance                        | (2,157)  | (10,106)   | (12,264)  |
| <b>Cost Of Services</b>        | <b>11,741</b>  | <b>(5,367)</b>                                       | <b>6,374</b>  |
| Other Income & Expenditure     | (16,842)   | 2,380  | (14,462)  |
| <b>(Surplus) or Deficit</b>    | <b>(5,101)</b>   | <b>(2,987)</b>                                       | <b>(8,088)</b>  |

|  |                 |
|--|-----------------|
|  | <b>£'000</b>    |
| <b>Opening General Fund &amp; HRA Balance</b>                  | <b>(26,688)</b> |
| (Surplus) or Deficit   | (5,101)         |
| <b>Closing General Fund and HRA Balance at 31st March 2019</b> | <b>(31,790)</b> |

|                              |                |
|------------------------------|----------------|
| General Fund Working Balance | 0              |
| HRA Balance                  | (0)            |
| Earmarked Reserves           | (5,101)        |
|                              | <b>(5,101)</b> |

#### EXPENDITURE & FUNDING ANALYSIS FOR 2017/18

| Directorate                    | Net Expenditure<br>Chargeable to the<br>General Fund and<br>HRA Balances | Adjustments between<br>Funding &<br>Accounting Basis | Net Expenditure in the<br>Comprehensive Income<br>and Expenditure Statement |
|--------------------------------|--|--|---|
| Corporate Svcs & Commissioning | 9,926  | (9,922)  | 4   |
| Economic Regeneration & Place  | 2,264  | (138)  | 2,127   |
| Legal & Democratic Services    | 880  | (61)   | 819   |
| Finance                        | (4,244)  | (8,919)  | (13,163)  |
| <b>Cost Of Services</b>        | <b>8,827</b>   | <b>(19,040)</b>                                      | <b>(10,214)</b>   |
| Other Income & Expenditure     | (16,609)   | 1,961  | (14,648)  |
| <b>(Surplus) or Deficit</b>    | <b>(7,782)</b>   | <b>(17,079)</b>                                      | <b>(24,862)</b>   |

|  |                 |
|--|-----------------|
|  | <b>£'000</b>    |
| <b>Opening General Fund &amp; HRA Balance</b>                  | <b>(18,906)</b> |
| (Surplus) or Deficit   | (7,782)         |
| Transfers Capital Grants Unapplied                             | 0               |
| <b>Closing General Fund and HRA Balance at 31st March 2018</b> | <b>(26,688)</b> |

|                              |                |
|------------------------------|----------------|
| General Fund Working Balance | (514)          |
| HRA Balance                  | 0              |
| Capital Grants Unapplied     | 0              |
| Earmarked Reserves           | (7,268)        |
|                              | <b>(7,782)</b> |

## **1b. Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19, (known as "the Code of Practice") (which is issued by the Chartered Institute of Public Finance and Accountancy), 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**

### **1b. 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**

### **1b. 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 and Crime Commissioner 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 Movement in Reserves Statement.

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**

### **1b. 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**

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

#### **ix. 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.
- 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**

### **1b. 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**

### **1b. 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.

As reflected in The Code, the accounting standard on Financial Instruments, IFRS 9 covers the concepts of recognition, measurement, presentation and disclosure. A financial asset or liability should be recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provision of the instrument.

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.

#### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

#### **Financial Assets Measured at Fair Value through Profit or Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The council's current investments that fall under FVPL are in property funds and are measured at market price, as quoted market prices exist for this type of investment. As these gains or losses impact on the General Fund balance, a statutory override has been agreed with the Ministry of Housing, Communities and Local Government, so any loss or gain is reversed and recorded in the Financial Instruments Revaluation Reserve, unless funded from capital in which case through the Capital Adjustments Account. Any gain or loss will only be realised when the investments are sold.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment that falls in to this category on an individual basis and assign an IFRS 9 category (amortised cost, FVPL or Fair Value through other comprehensive income). The assessment will be based on the underlying purpose for holding the financial instrument.

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

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

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

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement. Gains and losses (discounts and premiums) on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES. If the County Council decides to write off these gains or losses on early repurchase / settlement then this can be done over 10 years or over the life of the new loan or over a shorter more prudent time scale. The CIES is charged with one year related costs with the rest being taken to the Financial Instruments Adjustment Account in the Balance Sheet via the Movement in Reserves Statement - General Working Balance. The accounting policy is to charge gains and losses to Net Operating Expenditure in the year of repurchase / settlement.

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.

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.

#### **Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised Cost, where material.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses

#### **Soft Loans**

The Council has the power to advance loans to Voluntary Organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement, charged to the relevant 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 at a marginally higher effective rate of interest than the rate receivable from the Voluntary Organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provision requires that the impact of soft loans on the General Working 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 Working Balance is managed by a transfer to or from the Financial Instruments Revaluation Reserve in the Movement in Reserves Statement.

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

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

#### **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**

### **1b. 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 of Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### **xviii. Investment Property**

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

Investment properties are measured 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**

### **1b. 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 also formed a partnership to jointly procure goods and services but this was disbanded in March 2019. 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**

### **1b. 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**

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

#### **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 Movement in Reserves Statement.

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.

**1b. 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.

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 fall short of current levels of expenditure, annual deficits are drawn from an earmarked reserve created to fund contract expenditure.

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

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

#### **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**

### **1b. 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**

### **1b. 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**

### **1b. 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**

### **1b. 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**

### **1b. 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 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 reclassified 5 existing properties to investment property in addition to the land held at Bondgate in Selby. The Council also acquired two further properties in year, ex-bank buildings in Central Tadcaster and 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 2019 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 £1,827k, while a 0.1% increase in salary inflation assumptions would result in an increase in the pension liability of £220k.

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 2019, the Council had a sundry debtors balance of £7.64m, and applied an expected credit loss allowance totalling £1.22m.

The provision for bad and doubtful Council Tax debts is 24.6% 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 50.2% 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 any cost 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. The 2010 rating list has been closed for appeals for some time so allowances are now only made for outstanding cases. The estimate for the 2017 rating list is based on intelligence from the Valuation Office Agency and information about appeals from the previous list.

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

The Council paid out a total of £13.650m in housing benefits in 2018/19 (£15.216m in 2017/18), and this was funded by government subsidy.

The Valuation Office has determined that part of the rating income collected is due to renewable energy. This element is 100% allocated to this Council and is not part of the usual split of Business Rates Income. The Council received £8.344m in income in relation to this in 2018/19 (£7.596m in 2017/18).

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

The draft Statement of Accounts were authorised by the Chief Finance Officer s151 on 30 May 2019. 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 2019, 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 2019 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 .....

| 2018/19   | General Fund Balances<br>£'000 | Housing Revenue Account<br>£'000 | Major Repairs Reserve<br>£'000 | Capital Receipts Reserve<br>£'000 | Capital Grants Unapplied<br>£'000 | Movement in Unusable Reserves<br>£'000 |
|---|--------------------------------|----------------------------------|--------------------------------|-----------------------------------|-----------------------------------|--|
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>  |                                |                                  |                                |                                   |                                   |  |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>   |                                |                                  |                                |                                   |                                   |  |
| Charges for depreciation and impairment of non-current assets   | (1,140)                        | (3,585)                          |                                |                                   |                                   | 4,726                                  |
| Revaluation losses on Property, Plant and Equipment   | (405)                          | (485)                            |                                |                                   |                                   | 891                                    |
| Amortisation of intangible assets   | (62)                           | -                                |                                |                                   |                                   | 62                                     |
| Capital grants and contributions applied  |                                |                                  |                                |                                   |                                   | -                                      |
| Revenue expenditure funded from capital under statute   | (481)                          |                                  |                                |                                   | 481                               | -                                      |
| Soft Loans  | -                              |                                  |                                | (22)                              |                                   | 22                                     |
| 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 | (151)                          | (1,010)                          |                                |                                   |                                   | 1,160                                  |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>  |                                |                                  |                                |                                   |                                   |  |
| Statutory provision for the financing of capital investment   | 383                            | 1,260                            |                                |                                   |                                   | (1,643)                                |
| Capital expenditure charged against the General Fund and HRA Balances   | 6,137                          | 130                              |                                |                                   |                                   | (6,266)                                |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>  |                                |                                  |                                |                                   |                                   |  |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement   | 459                            |                                  |                                |                                   | (459)                             |  |
| Application of grants to capital financing transferred to the Capital Adjustment Account  |                                |                                  |                                |                                   |                                   |  |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>  |                                |                                  |                                |                                   |                                   |  |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                        | 22                             | 1,264                            |                                | (1,286)                           |                                   |  |
| Use of the Capital Receipts Reserve to finance new capital expenditure  |                                |                                  |                                | 293                               |                                   | (293)                                  |
| 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  | (465)                          |                                  |                                | 465                               |                                   |  |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

| 2018/19  | General Fund Balances<br>£'000 | Housing Revenue Account<br>£'000 | Major Repairs Reserve<br>£'000 | Capital Receipts Reserve<br>£'000 | Capital Grants Unapplied<br>£'000 | Movement in Unusable Reserves<br>£'000 |
|--|--------------------------------|----------------------------------|--------------------------------|-----------------------------------|-----------------------------------|--|
| <b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b><br>Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  |                                |                                  |                                |                                   |                                   |  |
| <b>Adjustments primarily involving the Major Repairs Reserve:</b><br>Transfer from the HRA to meet future capital and debt redemption costs  |                                | 3,178                            | (3,178)                        |                                   |                                   |  |
| Use of the Major Repairs Reserve to finance pension deficit payment  |                                |                                  |                                |                                   |                                   |  |
| Use of the Major Repairs Reserve to finance new capital expenditure  |                                |                                  | 1,626                          |                                   |                                   | (1,626)                                |
| <b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b><br>Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements  | 2                              |                                  |                                |                                   |                                   | (2)                                    |
| <b>Adjustments primarily involving the Financial Instrument Revaluation Reserve</b><br>Fair Value revaluations - Financial Instruments held at Fair Value through Profit & Loss  | (34)                           |                                  |                                |                                   |                                   | 34                                     |
| <b>Adjustments primarily involving the Pensions Reserve:</b><br>Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)  | (1,918)                        | (118)                            |                                |                                   |                                   | 2,036                                  |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 924                            | 6                                |                                |                                   |                                   | (930)                                  |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account:</b><br>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 | (923)                          |                                  |                                |                                   |                                   | 923                                    |
| <b>Cost of Services</b>  | <b>2,347</b>                   | <b>641</b>                       | <b>(1,553)</b>                 | <b>(550)</b>                      | <b>22</b>                         | <b>(906)</b>                           |
|  |                                |                                  |                                |                                   |                                   |  |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

| 2017/18   | General Fund Balances<br>£'000 | Housing Revenue Account<br>£'000 | Major Repairs Reserve<br>£'000 | Capital Receipts Reserve<br>£'000 | Capital Grants Unapplied<br>£'000 | Movement in Unusable Reserves<br>£'000 |
|---|--------------------------------|----------------------------------|--------------------------------|-----------------------------------|-----------------------------------|--|
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>  |                                |                                  |                                |                                   |                                   |  |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>   |                                |                                  |                                |                                   |                                   |  |
| Charges for depreciation and impairment of non-current assets   | (1,190)                        | (2,054)                          |                                |                                   |                                   | 3,244                                  |
| Revaluation losses on Property, Plant and Equipment   | (31)                           | 12,670                           |                                |                                   |                                   | (12,639)                               |
| Amortisation of intangible assets   | (62)                           | -                                |                                |                                   |                                   | 62                                     |
| Capital grants and contributions applied  | 2                              |                                  |                                |                                   |                                   | (2)                                    |
| Revenue expenditure funded from capital under statute   |                                | 32                               |                                |                                   |                                   | (32)                                   |
| Soft Loans  | -                              |                                  |                                | (10)                              |                                   | 10                                     |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement |                                | (1,194)                          |                                |                                   |                                   | 1,194                                  |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>  |                                |                                  |                                |                                   |                                   |  |
| Statutory provision for the financing of capital investment   | 272                            | 1,260                            |                                |                                   |                                   | (1,532)                                |
| Capital expenditure charged against the General Fund and HRA Balances   | 505                            | 250                              |                                |                                   |                                   | (755)                                  |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>  |                                |                                  |                                |                                   |                                   |  |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement   | 241                            |                                  |                                |                                   | (241)                             |  |
| Application of grants to capital financing transferred to the Capital Adjustment Account  |                                |                                  |                                |                                   |                                   |  |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>  |                                |                                  |                                |                                   |                                   |  |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                        |                                | 1,576                            |                                | (1,576)                           |                                   |  |
| Use of the Capital Receipts Reserve to finance new capital expenditure  |                                |                                  |                                | 159                               |                                   | (159)                                  |
| 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  | (514)                          |                                  |                                | 514                               |                                   |  |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

| 2017/18  | General Fund Balances<br>£'000 | Housing Revenue Account<br>£'000 | Major Repairs Reserve<br>£'000 | Capital Receipts Reserve<br>£'000 | Capital Grants Unapplied<br>£'000 | Movement in Unusable Reserves<br>£'000 |
|--|--------------------------------|----------------------------------|--------------------------------|-----------------------------------|-----------------------------------|--|
| <b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b><br>Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  |                                |                                  |                                |                                   |                                   |  |
| <b>Adjustments primarily involving the Major Repairs Reserve:</b><br>Transfer from the HRA to meet future capital and debt redemption costs  |                                | 3,283                            | (3,283)                        |                                   |                                   |  |
| Use of the Major Repairs Reserve to finance pension deficit payment  |                                |                                  |                                |                                   |                                   |  |
| Use of the Major Repairs Reserve to finance new capital expenditure  |                                | (32)                             | 1,364                          |                                   |                                   | (1,332)                                |
| <b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b><br>Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements  | 2                              |                                  |                                |                                   |                                   | (2)                                    |
| <b>Adjustments primarily involving the Pensions Reserve:</b><br>Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)  | (1,764)                        | (113)                            |                                |                                   |                                   | 1,877                                  |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 862                            | 5                                |                                |                                   |                                   | (867)                                  |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account:</b><br>Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements | 3,075                          |                                  |                                |                                   |                                   | (3,075)                                |
| Cost of Services   | 1,399                          | 15,682                           | (1,919)                        | (913)                             | (241)                             | (14,008)                               |
|  |                                |                                  |                                |                                   |                                   |  |

## **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<br>31-Mar-17<br>£'000 | Transfers<br>Out<br>£'000 | Transfers<br>In<br>£'000 | Balance at<br>31-Mar-18<br>£'000 | Transfers<br>Out<br>£'000 | Transfers<br>In<br>£'000 | Balance at<br>31-Mar-19<br>£'000 | See<br>Notes<br>Below |
|----------------------------------|----------------------------------|---------------------------|--------------------------|----------------------------------|---------------------------|--------------------------|----------------------------------|-----------------------|
| <b>General Fund</b>              |                                  |                           |                          |                                  |                           |                          |                                  |                       |
| Asset Management                 | (897)                            | 197                       | (182)                    | (882)                            | 221                       | (200)                    | (861)                            | 8.1                   |
| Business Rates Equalisation      | (1,651)                          | 2,814                     | (2,767)                  | (1,604)                          | 846                       | (1,685)                  | (2,443)                          | 8.2                   |
| Car Loan Bonds                   | (5)                              |                           |                          | (5)                              |                           |                          | (5)                              | 8.3                   |
| Carried Fw'd Budgets             | (1,546)                          | 1,546                     | (766)                    | (766)                            | 766                       | (458)                    | (458)                            | 8.4                   |
| Contingency                      | -                                |                           | (498)                    | (498)                            | 61                        | (205)                    | (642)                            | 8.5                   |
| Discretionary Rate Relief Fund   | (268)                            |                           |                          | (268)                            | 28                        |                          | (240)                            | 8.6                   |
| District Election                | (80)                             |                           | (34)                     | (114)                            |                           | (34)                     | (148)                            | 8.7                   |
| ICT Replacement                  | (864)                            | 481                       | (191)                    | (574)                            | 386                       | (191)                    | (379)                            | 8.8                   |
| NYCC Collaboration               | (50)                             |                           |                          | (50)                             |                           |                          | (50)                             | 8.90                  |
| Pensions Reserve                 | -                                |                           | (742)                    | (742)                            |                           | (100)                    | (842)                            | 8.10                  |
| PFI Scheme                       | (3,758)                          | 406                       | (291)                    | (3,643)                          | 422                       | (307)                    | (3,528)                          | 8.11                  |
| Programme for Growth             | (3,037)                          | 1,837                     | (6,107)                  | (7,307)                          | 6,900                     | (9,224)                  | (9,631)                          | 8.12                  |
| ROS Maintenance                  | (80)                             |                           | (42)                     | (122)                            |                           | (12)                     | (134)                            | 8.13                  |
| Spend to Save                    | (500)                            |                           |                          | (500)                            | 188                       |                          | (312)                            | 8.14                  |
| Affordable Housing<br>Local Plan | (1,091)                          | 162                       | (2,562)                  | (3,491)                          |                           | (1,970)                  | (5,461)                          | 8.15                  |
|                                  | (500)                            |                           | (50)                     | (550)                            | 161                       | (50)                     | (439)                            | 8.16                  |
| <b>Total</b>                     | (14,327)                         | 7,443                     | (14,232)                 | (21,117)                         | 9,979                     | (14,436)                 | (25,574)                         |                       |
| <b>Housing Revenue Account</b>   |                                  |                           |                          |                                  |                           |                          |                                  |                       |
| Carried Fw'd                     | (1,172)                          | 1,334                     | (1,813)                  | (1,651)                          | 1,651                     | (2,295)                  | (2,295)                          | 8.4                   |
| <b>Total</b>                     | (1,172)                          | 1,334                     | (1,813)                  | (1,651)                          | 1,651                     | (2,295)                  | (2,295)                          |                       |

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

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

- 8.1. The Asset Management reserve has been created to fund repairs and improvements to the Corporate Land & Buildings, Depots and Leisure Centres.
- 8.2. 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.
- 8.3. The Car Loans Bond reserve exists to cover the potential event that an employee defaults on the repayment of their car loan.
- 8.4. A reserve to provide resources to fund budgets carried forward into 2019/20 for schemes which have been delayed from 2018/19.
- 8.5. To fund contingency items throughout the year.
- 8.6. The Discretionary Rate Relief Fund has been created to meet the costs of the new policy.
- 8.7. To spread the cost of funding expenditure on the District Elections every 4 years.
- 8.8. The ICT Replacement reserve is to fund the purchase new computer equipment and upgrade of systems.
- 8.9. The NYCC Collaboration reserve has been created to meet implementation costs of the project.
- 8.10. To dampen the impact of future years' employers pensions costs increases.
- 8.11. To hold government grant and SDC contributions to pay for the housing PFI project .
- 8.12. The Programme for Growth reserve provides funds for capital or 'one-off' revenue projects to support delivery of the Council's Corporate Plan.
- 8.13. The Recreation and Outdoor Space (ROS) Maintenance reserve holds funds received through S106 agreements for recreation and open spaces maintenance.
- 8.14. The Spend to Save reserve provides 'up front' investment for initiatives that generate revenue budget savings.
- 8.15. Developers contributions received towards provision of affordable housing.
- 8.16. To fund delivery of the District wide Local Plan.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. Other Operating Expenditure

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| 1,777            | Payments of Precepts to Parishes                            | 1,869            |
| 1,663            | Levies payable (Drainage Boards)                            | 1,685            |
| 514              | Contribution of Housing Capital Receipts to Government Pool | 465              |
| (382)            | (Gain) / Loss on Disposal of Non-Current Assets             | (125)            |
| -                | (Gain) / Loss on Disposal of Intangible Assets              | -                |
| 3,572            | <b>Total</b>  | 3,894            |

### 10. Financing and Investment Income and Expenditure

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| 2,504            | Interest Payable on Debt  | 2,488            |
| 9                | Interest Element of Finance Leases  | 6                |
| 284              | Net interest on the net defined benefit liability   | 275              |
| 13               | Income and Expenditure in relation to investment properties and changes in their fair value | 4                |
| -                | Financial Assets held at FVPL, changes in Fair Value  | 34               |
| (271)            | Investment Interest Income  | (620)            |
| 2,539            | <b>Total</b>  | 2,188            |

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

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| (6,882)          | Council Tax                                 | (7,276)          |
| (11,601)         | Non-domestic Rates                          | (11,124)         |
| 9,578            | NDR top-ups/tariffs and safety net income   | 10,567           |
| (593)            | Revenue Support Grant                       | (265)            |
| -                | Small Business Empty Property Rate Relief   | -                |
| (8,591)          | Business Rates - Renewable Energy           | (9,133)          |
| (2,669)          | Non Service Related Government Grants       | (3,313)          |
| -                | Recognised Capital Grants and Contributions | -                |
| (20,758)         | <b>Total</b>                                | (20,544)         |

### 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.

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

| 2018/19  | Council<br>Dwellings<br>£'000 | Other<br>Land and<br>Buildings<br>£'000 | Assets under<br>Construction<br>£'000 | Surplus<br>Assets<br>£'000 | Infra-<br>structure<br>£'000 | Community<br>Assets<br>£'000 | Vehicles<br>Plant &<br>Equipment<br>£'000 | Total<br>Valued<br>Assets<br>£'000 | Leased<br>Vehicles &<br>Equipment<br>£'000 | Total<br>£'000 |
|--|-------------------------------|---|---------------------------------------|----------------------------|------------------------------|------------------------------|---|------------------------------------|--|----------------|
| <b>Cost or Valuation</b><br>at 31 March 2018   | 158,619                       | 29,005                                  | 192                                   | -                          | 415                          | 269                          | 3,814                                     | 192,314                            | 3,072                                      | 195,386        |
| Adjustment to opening balance  |                               |   |                                       |                            |                              |                              | (5)                                       | (5)                                | -  | (5)            |
| <b>Movement in 2018/19</b>   |                               |   |                                       |                            |                              |                              |   |                                    |  |                |
| Additions  | 1,735                         | 496                                     | 859                                   |                            | (48)                         |                              | 196                                       | 3,239                              | -  | 3,239          |
| Transfers  | 1,052                         | (4,017)                                 | (1,052)                               | 621                        |                              |                              |   | (3,396)                            | -  | (3,396)        |
| Revaluation increases/<br>(decreases) recognised in<br>the Revaluation Reserve                               | (2,223)                       | 4,615                                   |                                       |                            |                              |                              |   | 2,391                              | -  | 2,391          |
| Revaluation increases/<br>(decreases) recognised in<br>the (Surplus)/Deficit on the<br>Provision of Services | (2,197)                       | (1,133)                                 |                                       |                            |                              |                              |   | (3,329)                            | -  | (3,329)        |
| Derecognition - disposals  | (1,083)                       |   |                                       |                            |                              |                              | (151)                                     | (1,234)                            | -  | (1,234)        |
| <b>Value as at 31 March 2019</b>   | <b>155,903</b>                | <b>28,967</b>                           | <b>(1)</b>                            | <b>621</b>                 | <b>367</b>                   | <b>269</b>                   | <b>3,854</b>                              | <b>189,980</b>                     | <b>3,072</b>                               | <b>193,052</b> |
| <b>Accumulated Depreciation<br/>and Impairment</b><br>at 31 March 2018                                       | (1,945)                       | (1,016)                                 | -                                     | -                          | (195)                        | (46)                         | (2,329)                                   | (5,530)                            | (2,853)                                    | (8,383)        |
| Adjustment to opening balance  | -                             | -                                       | -                                     | -                          |                              |                              | 5   | 5                                  | -  | 5              |
| <b>Movement in 2018/19</b>   |                               |   |                                       |                            |                              |                              |   |                                    |  |                |
| Transfers  |                               |   |                                       |                            |                              |                              |   | -                                  | -  | -              |
| Depreciation for the Year  | (1,912)                       | (815)                                   |                                       |                            | (23)                         | (2)                          | (298)                                     | (3,049)                            | (73)                                       | (3,122)        |
| Depreciation written out to<br>the (Surplus)/Deficit on the<br>Provision of Services                         | 1,802                         | 700                                     |                                       |                            |                              |                              |   | 2,501                              | -  | 2,501          |
| Depreciation written out to<br>the Revaluation Reserve   | 141                           | 148                                     |                                       |                            |                              |                              |   | 289                                | -  | 289            |
| Impairment losses/(reversals)<br>recognised in the Revaluation<br>Reserve                                    |                               |   |                                       |                            |                              |                              |   | -                                  | -  | -              |
| Impairment losses/(reversals)<br>recognised in the (Surplus)/<br>Deficit on the Provision of<br>Services     |                               |   |                                       |                            |                              |                              |   | -                                  | -  | -              |
| Derecognition - disposals  |                               |   |                                       |                            |                              |                              |   | -                                  | -  | -              |
| Other movements in<br>Depreciation and Impairment  |                               |   |                                       |                            |                              |                              |   | -                                  | -  | -              |
| <b>Value as at 31 March 2019</b>   | <b>(1,914)</b>                | <b>(982)</b>                            | <b>-</b>                              | <b>-</b>                   | <b>(218)</b>                 | <b>(48)</b>                  | <b>(2,621)</b>                            | <b>(5,783)</b>                     | <b>(2,926)</b>                             | <b>(8,709)</b> |
| <b>Net Book Value</b>  |                               |   |                                       |                            |                              |                              |   |                                    |  |                |
| <b>at 31 March 2019</b>  | 153,989                       | 27,985                                  | (1)                                   | 621                        | 149                          | 221                          | 1,233                                     | 184,197                            | 146  | 184,343        |
| <b>at 31 March 2018</b>  | 156,675                       | 27,990                                  | 192                                   | -                          | 220                          | 223                          | 1,485                                     | 186,784                            | 219  | 187,003        |

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

| 2017/18  | Council<br>Dwellings<br>£'000 | Other<br>Land and<br>Buildings<br>£'000 | Assets under<br>Construction<br>£'000 | Surplus<br>Assets<br>£'000 | Infra-<br>structure<br>£'000 | Community<br>Assets<br>£'000 | Vehicles<br>Plant &<br>Equipment<br>£'000 | Total<br>Valued<br>Assets<br>£'000 | Leased<br>Vehicles &<br>Equipment<br>£'000 | Total<br>£'000 |
|--|-------------------------------|---|---------------------------------------|----------------------------|------------------------------|------------------------------|---|------------------------------------|--|----------------|
| <b>Cost or Valuation</b><br>at 31 March 2017   | 136,588                       | 29,066                                  | 991                                   | -                          | 291                          | 245                          | 3,712                                     | 170,893                            | 3,072                                      | 173,965        |
| Adjustment to opening balance  |                               |   |                                       |                            |                              |                              |   |                                    | -  | -              |
| <b>Movement in 2017/18</b>   |                               |   |                                       |                            |                              |                              |   |                                    |  |                |
| Additions  | 1,294                         | 151                                     | 1,142                                 |                            | 124                          | 24                           | 102                                       | 2,837                              | -  | 2,837          |
| Transfers  | 1,941                         | -                                       | (1,941)                               |                            |                              |                              |   | -                                  | -  | -              |
| Revaluation increases/<br>(decreases) recognised in<br>the Revaluation Reserve                               | 8,757                         | 635                                     |                                       |                            |                              |                              |   | 9,392                              | -  | 9,392          |
| Revaluation increases/<br>(decreases) recognised in<br>the (Surplus)/Deficit on the<br>Provision of Services | 11,314                        | (771)                                   |                                       |                            |                              |                              |   | 10,543                             | -  | 10,543         |
| Derecognition - disposals  | (1,275)                       | (76)                                    |                                       |                            |                              |                              |   | (1,351)                            | -  | (1,351)        |
| <b>Value as at 31 March 2018</b>   | <b>158,619</b>                | <b>29,005</b>                           | <b>192</b>                            | <b>-</b>                   | <b>415</b>                   | <b>269</b>                   | <b>3,814</b>                              | <b>192,314</b>                     | <b>3,072</b>                               | <b>195,386</b> |
| <b>Accumulated Depreciation<br/>and Impairment</b><br>at 31 March 2017                                       | (1,656)                       | (882)                                   | -                                     | -                          | (167)                        | (44)                         | (2,036)                                   | (4,785)                            | (2,761)                                    | (7,546)        |
| Adjustment to opening balance  | -                             | -                                       | -                                     | -                          |                              |                              |   | -                                  | -  | -              |
| <b>Movement in 2017/18</b>   |                               |   |                                       |                            |                              |                              |   |                                    |  |                |
| Transfers  |                               |   |                                       |                            |                              |                              |   | -                                  | -  | -              |
| Depreciation for the Year  | (1,943)                       | (887)                                   |                                       |                            | (28)                         | (2)                          | (293)                                     | (3,153)                            | (92)                                       | (3,245)        |
| Depreciation written out to<br>the (Surplus)/Deficit on the<br>Provision of Services                         | 1,501                         | 594                                     |                                       |                            |                              |                              |   | 2,095                              | -  | 2,095          |
| Depreciation written out to<br>the Revaluation Reserve   | 153                           | 156                                     |                                       |                            |                              |                              |   | 309                                | -  | 309            |
| Impairment losses/(reversals)<br>recognised in the Revaluation<br>Reserve                                    |                               |   |                                       |                            |                              |                              |   | -                                  | -  | -              |
| Impairment losses/(reversals)<br>recognised in the (Surplus)/<br>Deficit on the Provision of<br>Services     |                               |   |                                       |                            |                              |                              |   | -                                  | -  | -              |
| Derecognition - disposals  |                               |   |                                       |                            |                              |                              |   | -                                  | -  | -              |
| Other movements in<br>Depreciation and Impairment  |                               | 3                                       |                                       |                            |                              |                              |   | 3                                  | -  | 3              |
| <b>Value as at 31 March 2018</b>   | <b>(1,945)</b>                | <b>(1,016)</b>                          | <b>-</b>                              | <b>-</b>                   | <b>(195)</b>                 | <b>(46)</b>                  | <b>(2,329)</b>                            | <b>(5,530)</b>                     | <b>(2,853)</b>                             | <b>(8,383)</b> |
| <b>Net Book Value</b>  |                               |   |                                       |                            |                              |                              |   |                                    |  |                |
| <b>at 31 March 2018</b>  | 156,675                       | 27,990                                  | 192                                   | -                          | 220                          | 223                          | 1,485                                     | 186,784                            | 219  | 187,003        |
| <b>at 31 March 2017</b>  | 134,932                       | 28,184                                  | 991                                   | -                          | 124                          | 201                          | 1,676                                     | 166,108                            | 311  | 166,419        |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. Depreciation Methodologies

Depreciation is generally provided on all non-current assets other than freehold land, and is charged from the date of purchase up to the date of disposal. Enhancements to the Council housing stock are assumed to take place at the start of the year. The Council depreciates its assets on a straight line basis over the expected life of the asset after allowing for a residual value. An external valuer has assessed the useful life of all Council owned buildings, which have been determined as follows:

|  | Estimated Useful Life (years) |
|--|-------------------------------|
| <b>Buildings</b>                                 |                               |
| Council Dwellings - Traditional Construction     | 60                            |
| Council Dwellings - Non-Traditional Construction | 20 - 40                       |
| Garages  | 10                            |
| Operational Buildings                            | 10 - 36                       |
| Non-Operational Buildings                        | 20 - 25                       |
| <b>Other Assets</b>                              |                               |
| Vehicles, Plant & Equipment                      | 3 - 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 2019, 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 £24.606m, of which £3.308m was contractually committed at 31 March 2019. The table below analyses this sum into the individual programmes.

| Expenditure approved and contracted at 31-Mar-18 £'000 |  | Expenditure approved and contracted at 31-Mar-19 £'000 | Period of Investment |
|--|--|--|----------------------|
| 1,453  | Modernisations to HRA land & buildings       | 2,892  | 1-2 years            |
| -  | Enhancement of Car Parks                     | 300  | 1 Year               |
| -  | Asset Management Plan Leisure Centres & Park | 19   | 1 Year               |
| -  | Transforming Customer Services               | 97   | 1 Year               |
| <b>1,453</b>   | <b>Total</b>                                 | <b>3,308</b>   |                      |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. Revaluations

The following statement shows the progress of the Council's programme for the revaluation of assets. The valuation of Council assets is undertaken by external valuers, carried out by G Tyerman BSc, MRICS of Align Property Partners. 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<br>Dwellings<br>£'000 | Other<br>Land and<br>Buildings<br>£'000 | Total<br>£'000 |
|----------------------------------|-------------------------------|---|----------------|
| <b>Valued at current value :</b> | 153,989                       | 28,975                                  | 182,964        |

### 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.

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| <b>513</b>       | <b>Opening Balance</b>                            | <b>500</b>       |
| -                | Investment Property Acquisitions                  | 461              |
| -                | Transfers (to)/from Property, Plant and Equipment | 3,396            |
| (13)             | Net gains/(losses) from fair value adjustments    | (4)              |
| <b>500</b>       | <b>Closing Balance</b>                            | <b>4,352</b>     |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. Intangible Assets

| 2017/18                    |                           |                |   | 2018/19                    |                           |                |
|----------------------------|---------------------------|----------------|---|----------------------------|---------------------------|----------------|
| Software Licenses<br>£'000 | Other Intangible<br>£'000 | Total<br>£'000 |   | Software Licenses<br>£'000 | Other Intangible<br>£'000 | Total<br>£'000 |
| 477<br>(389)               | 192<br>(137)              | 669<br>(526)   | <b>Balance at start of year</b>             | 807<br>(441)               | 192<br>(147)              | 999<br>(588)   |
|                            |                           |                | Original Cost                               |                            |                           |                |
|                            |                           |                | Accumulated amortisation                    |                            |                           |                |
| <b>88</b>                  | <b>55</b>                 | <b>143</b>     | <b>Net carrying amount at start of year</b> | <b>366</b>                 | <b>45</b>                 | <b>411</b>     |
| 330                        | -                         | 330            | Expenditure in Year                         | 255                        | -                         | 255            |
| -                          | -                         | -              | Disposals in Year                           | -                          | -                         | -              |
| (52)                       | (10)                      | (62)           | Amortisation for the year                   | (52)                       | (10)                      | (62)           |
| -                          | -                         | -              | Amortisation derecognised on disposal       | -                          | -                         | -              |
| <b>366</b>                 | <b>45</b>                 | <b>411</b>     | <b>Net carrying amount at end of year</b>   | <b>569</b>                 | <b>35</b>                 | <b>603</b>     |
| 807<br>(441)               | 192<br>(147)              | 999<br>(588)   | Comprising:                                 | 1,062<br>(493)             | 192<br>(157)              | 1,254<br>(650) |
|                            |                           |                | Gross carrying amounts                      |                            |                           |                |
|                            |                           |                | Accumulated amortisation                    |                            |                           |                |
| <b>366</b>                 | <b>45</b>                 | <b>411</b>     |   | <b>569</b>                 | <b>35</b>                 | <b>603</b>     |

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

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. Financial Instrument Balances

#### Changes as a result of the adoption of IFRS 9 - Financial Instruments

Following the CIPFA Code adoption of IFRS 9, the Council now recognises and measures financial assets at either amortised cost, at fair value through profit and loss or at fair value through other comprehensive income. Financial assets have therefore been reclassified into these new categories.

#### Reclassification and Remeasurement of Financial Assets at 1st April 2018

|  | Carrying Amount<br>B/Fwd 01-<br>Apr-18<br>£'000 | New classification 1 April 2018 |   |  |
|--|---|---------------------------------|---|--|
|  |   | Amortised Cost<br>£'000         | Fair Value through Profit & Loss<br>£'000 | Fair Value through Other Comprehensive Income<br>£'000 |
| Previous Classification:                 |   |                                 |   |  |
| <b>Investments</b>                       |   |                                 |   |  |
| Loans & Receivables                      | -   | -                               | -   | -  |
| <b>Debtors</b>                           |   |                                 |   |  |
| Loans & Receivables                      | 828   | 828                             | -   | -  |
| Other Debtors                            | 1,686   | 1,686                           | -   | -  |
| <b>Reclassified amounts 1 April 2018</b> | <b>2,514</b>                                    | <b>2,514</b>                    | <b>-</b>                                  | <b>-</b>   |

#### Effect of Asset Reclassification and Remeasurement on the Balance Sheet

|  | Amortised Cost<br>£'000 | Fair Value through Profit & Loss<br>£'000 | Fair Value through Other Comprehensive Income<br>£'000 | Total Balance Sheet Carrying Value<br>£'000 |
|--|-------------------------|---|--|---|
| <b>Remeasured carrying amounts at 1 April 2018</b> | <b>2,514</b>            | <b>-</b>                                  | <b>-</b>   | <b>2,514</b>                                |
| Reclassified Amounts:-                             |                         |   |  |   |
| Long Term Debtors                                  | 808                     | -   | -  | 808   |
|  | 808                     | -   | -  | 808   |
| Current Debtors                                    | 1706                    |   |  | 1,706                                       |
|  | <b>2,514</b>            | <b>-</b>                                  | <b>-</b>   | <b>2,514</b>                                |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. Financial Instrument Balances continued....

#### Categories of Financial Instruments

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-18<br>£'000 | 31-Mar-19<br>£'000 | 31-Mar-18<br>£'000 | 31-Mar-19<br>£'000 |
| Fair Value the Profit or Loss   | -                  | 4,906              | -                  | -                  |
| Amortised Cost:   |                    |                    |                    |                    |
| Loans   | 808                | 2,421              | 20                 | 22                 |
| Other Debtors   | -                  | -                  | 1,686              | 4,149              |
|   | <b>808</b>         | <b>7,327</b>       | <b>1,706</b>       | <b>4,171</b>       |
| Fair Value through other comprehensive income - designated equity instruments | -                  | -                  | -                  | -                  |
| Fair Value through other comprehensive income - Other                         | -                  | -                  | -                  | -                  |
| <b>Total Financial Assets</b>   | <b>808</b>         | <b>7,327</b>       | <b>1,706</b>       | <b>4,171</b>       |
| Non-Financial Assets  | -                  | -                  | -                  | -                  |
| <b>Total Financial Assets</b>   | <b>808</b>         | <b>7,327</b>       | <b>1,706</b>       | <b>4,171</b>       |
| <b>Financial Liabilities</b>  |                    |                    |                    |                    |
| Fair Value through Profit or Loss   | -                  | -                  | -                  | -                  |
| Amortised Cost:   |                    |                    |                    |                    |
| PWLB & LGS Stock Loans  | (59,299)           | (59,299)           | (207)              | (207)              |
| Finance lease liabilities   | (157)              | (80)               | (72)               | (74)               |
| <b>Total Financial Liabilities</b>  | <b>(59,456)</b>    | <b>(59,379)</b>    | <b>(279)</b>       | <b>(281)</b>       |
| Non-Financial Liabilities:  |                    |                    |                    |                    |
| Creditors   | -                  | -                  | (2,886)            | (2,980)            |
| Borrowings  | -                  | -                  | -                  | -                  |
| <b>Total Financial Liabilities</b>  | <b>(59,456)</b>    | <b>(59,379)</b>    | <b>(3,165)</b>     | <b>(3,261)</b>     |
| <b>Cash and Cash Equivalents</b>  |                    |                    |                    |                    |
| Financial assets carried at contract amounts                                  | -                  | -                  | 54,517             | 52,615             |
| Financial liabilities carried at contract amounts                             | -                  | -                  | (514)              | (818)              |
| <b>Total Cash and Cash Equivalents</b>  | <b>-</b>           | <b>-</b>           | <b>54,003</b>      | <b>51,797</b>      |

### 19. Long Term Debtors

|                                | Long-Term          |                    | Current            |                    |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                | 31-Mar-18<br>£'000 | 31-Mar-19<br>£'000 | 31-Mar-18<br>£'000 | 31-Mar-19<br>£'000 |
| Soft Loans                     | 46                 | 39                 | 8                  | 7                  |
| Employee Loans                 | 16                 | 23                 | 10                 | 13                 |
| Mortgages - Ex Council Houses  | -                  | -                  | 2                  | 2                  |
| Repair Assistance Loans        | 188                | 188                | -                  | -                  |
| Loan to Selby Housing Trust    | 558                | 2,171              | -                  | -                  |
| Other Loans                    | -                  | -                  | -                  | -                  |
| <b>Total Long Term Debtors</b> | <b>808</b>         | <b>2,421</b>       | <b>20</b>          | <b>22</b>          |

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

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

|  | 2017/18<br>Surplus /<br>the<br>Provision of<br>Services<br>£'000 | Other<br>Comprehensive<br>Income &<br>Expenditure<br>£'000 | 2018/19<br>Surplus /<br>Deficit on the<br>Provision of<br>Services<br>£'000 | Other<br>Comprehensive<br>Income &<br>Expenditure<br>£'000 |
|--|--|--|---|--|
| Net Gains / Losses on<br>Investment in equity instruments designated at Fair<br>Value through Other comprehensive Income | -  | -  | 34  | -  |
| Interest Revenue<br>Financial Assets measured at amortised cost  | (271)  |  | (620)   |  |
| Interest Expense   | 2,513  |  | 2,494   |  |
| <b>Net (gain) / loss for the year</b>  | <b>2,242</b>   | <b>-</b>   | <b>1,909</b>  | <b>-</b>   |

The fair values of Selby District Council have been calculated using Link's method as follows:

|                       | 31 March 2018<br>Carrying<br>Amount<br>£'000 | Fair<br>Value<br>£'000 | 31 March 2019<br>Carrying<br>Amount<br>£'000 | Fair<br>Value<br>£'000 |
|-----------------------|--|------------------------|--|------------------------|
| PWLB                  | 52,833                                       | 67,058                 | 52,833                                       | 83,486                 |
| Other Market Debt     | 6,500  | 7,708                  | 6,500  | 7,322                  |
| Financial Liabilities | 59,333                                       | 74,766                 | 59,333                                       | 90,808                 |

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 £52.8m would be valued at £83m. 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-18<br>£'000   |                                    | 31-Mar-19<br>£'000   |
|----------------------|------------------------------------|----------------------|
| -                    | <b>Opening Balance</b>             | -                    |
| <b>303<br/>(303)</b> | Purchases in Year<br>Usage in Year | <b>312<br/>(312)</b> |
| -                    | <b>Closing Balance</b>             | -                    |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. Debtors & Prepayments

| 31-Mar-18<br>£'000 |  | 31-Mar-19<br>£'000 |
|--------------------|--|--------------------|
| 749                | Amounts falling due in one year:         | 3,189              |
| 1,836              | Central Government Bodies                | 1,039              |
| 3,088              | Other Local Authorities                  | 3,410              |
|                    | Other Entities and Individuals           |                    |
| <b>5,673</b>       |  | <b>7,638</b>       |
| (1,198)            | Less Provisions and Impairment Allowance | (1,220)            |
| <b>4,475</b>       | <b>Total</b>                             | <b>6,418</b>       |

#### 22.1 Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follow:

| 31-Mar-18<br>£'000 |                    | 31-Mar-19<br>£'000 |
|--------------------|--------------------|--------------------|
| 319                | Less than one year | 368                |
| 530                | More than one year | 660                |
| <b>849</b>         | <b>Total</b>       | <b>1,028</b>       |

### 23. Cash and Cash Equivalents

|                  | Balance at<br>31-Mar-18<br>£'000 | Balance at<br>31-Mar-19<br>£'000 | Cash<br>Movement<br>£'000 |
|------------------|----------------------------------|----------------------------------|---------------------------|
| Cash in hand     | 1                                | 1                                | (0)                       |
| Cash at bank     | (514)                            | (818)                            | (304)                     |
| Cash Equivalents | 54,516                           | 52,615                           | (1,901)                   |
| <b>Total</b>     | <b>54,003</b>                    | <b>51,797</b>                    | <b>(2,206)</b>            |

The value of cash and cash equivalents has reduced mainly due to large balances held at the end of 2017/18 for items relating to Business Rates collection being settled, and new investments in Property Funds. This was partly offset by Renewable Business Rates income for 2018/19

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 £39.59k in election bank accounts which are to be used to cover costs associated with the European, North Yorkshire County and Parliamentary Elections. 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-18<br>£'000 |                                      | 31-Mar-19<br>£'000 |
|--------------------|--------------------------------------|--------------------|
| (7,774)            | Central Government Bodies            | (2,248)            |
| (964)              | Other Local Authorities              | (498)              |
| (3,294)            | Other Entities and Individuals       | (3,459)            |
| (908)              | Section 106 Receipts (see note 24.1) | (542)              |
| <b>(12,940)</b>    | <b>Total</b>                         | <b>(6,747)</b>     |

### 24.1. Section 106 Receipts

Section 106 receipts are monies paid to the Council by Developers as a result of the grant of planning permission, where works are required to be carried out or new facilities provided as a condition of that permission (e.g. creation of a play area). The sums are restricted to being spent only in accordance with the agreement concluded with the Developer. The balances of Section 106 receipts held by the Council during the year were as shown in the following table.

|                            | Balance at<br>31-Mar-18<br>£'000 | Income<br>£'000 | Expenditure<br>£'000 | Balance at<br>31-Mar-19<br>£'000 |
|----------------------------|----------------------------------|-----------------|----------------------|----------------------------------|
| Open Space Schemes         | (398)                            | (92)            | 74                   | (416)                            |
| Health Care Facilities     | (14)                             | (39)            | 53                   | -                                |
| Education                  | (309)                            | (1,872)         | 2,181                | -                                |
| Public Transport / Traffic | (177)                            | (38)            | 118                  | (97)                             |
| Waste & Recycling          | (10)                             | (40)            | 23                   | (27)                             |
| <b>Total</b>               | <b>(908)</b>                     | <b>(2,081)</b>  | <b>2,449</b>         | <b>(540)</b>                     |

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, which are allocated to Council Earmarked reserves for future housing development schemes. The balance held at 31 March 2019 was £5.461m.

## 25. Provisions

|                                       | Industrial<br>Units<br>£'000 | Redundancy<br>& Retirement<br>£'000 | Property<br>Searches<br>£'000 | NNDR<br>Appeals<br>£'000 | Total<br>£'000 |
|---------------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------|----------------|
| <b>Balance at 1 April 2017</b>        | -                            | (23)                                | (33)                          | (1,525)                  | (1,581)        |
| Additional provisions made in 2017/18 | -                            | -                                   | -                             | (334)                    | (334)          |
| Amounts used in 2017/18               | -                            | 23                                  | -                             | 525                      | 548            |
| Unused amounts reversed in 2017/18    | -                            | -                                   | -                             | -                        | -              |
| <b>Balance at 31 March 2018</b>       | -                            | -                                   | (33)                          | (1,334)                  | (1,367)        |
| Additional provisions made in 2018/19 | (13)                         | -                                   | -                             | (1,025)                  | (1,038)        |
| Amounts used in 2018/19               | -                            | -                                   | -                             | 597                      | 597            |
| Unused amounts reversed in 2018/19    | -                            | -                                   | -                             | -                        | -              |
| <b>Balance at 31 March 2019</b>       | <b>(13)</b>                  | <b>-</b>                            | <b>(33)</b>                   | <b>(1,762)</b>           | <b>(1,808)</b> |

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

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

The provision for Redundancy and Retirement relates to the pension strain and costs associated with the corporate restructure and other projects.

## **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.

| 2017/18<br>£'000 |                          | 2018/19<br>£'000 | Note |
|------------------|--------------------------|------------------|------|
|                  | <b>Usable Reserves</b>   |                  |      |
| (1,653)          | General Fund             | (1,653)          | 26.1 |
| (22,768)         | Earmarked Reserves       | (27,869)         | 26.2 |
| (2,267)          | Housing Revenue Account  | (2,266)          | 26.3 |
| (4,330)          | Major Repairs Reserve    | (5,883)          | 26.4 |
| (4,941)          | Capital Receipts Reserve | (5,491)          | 26.5 |
| (509)            | Capital Grants Unapplied | (487)            | 26.6 |
| <b>(36,468)</b>  | <b>Total</b>             | <b>(43,650)</b>  |      |

#### **26.1. General Fund**

This is a non-earmarked balance which is set aside to cover unforeseen events and the risk of inflation increases. The Council has a minimum level for this balance set at £1.5m. Any amounts above this may be used to support the budget and future council tax levels within the context of the Council's financial strategy.

#### **26.2. Earmarked Reserves**

The Council has reserves which have been set up voluntarily to earmark resources for future spending plans. The details of these reserves are set out in note 8.

#### **26.3. Housing Revenue Account**

These are non-earmarked balances which are set aside to cover unforeseen events and the risk of inflation increases within the Housing Revenue Account. The Council has a minimum level for these balances set at £1.5m. 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.

| 2017/18<br>£'000 |   | 2018/19<br>£'000 | Note |
|------------------|---|------------------|------|
|                  | <b>Unusable Reserves</b>                                    |                  |      |
| (15,705)         | Revaluation Balances  | (19,666)         | 27.1 |
| 4                | Revaluation Reserve   | 38               | 27.2 |
|                  | Held at Fair Value through P&L Financial Instrument Reserve |                  |      |
| (119,420)        | Adjustment Accounts   | (122,679)        | 27.3 |
| 7                | Capital Adjustment Account                                  | 5                | 27.4 |
| -                | Financial Instruments Adjustment Account                    | -                | 27.5 |
| 11,038           | Deferred Capital Receipts Reserve                           | 9,544            | 27.6 |
| (1,473)          | Pensions Reserve  | (550)            | 27.7 |
|                  | Collection Fund Adjustment Account                          |                  |      |
| <b>(125,549)</b> | <b>Total</b>  | <b>(133,308)</b> |      |

#### 27.1. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| <b>(6,481)</b>   | <b>Balance brought forward at 1 April</b>   | <b>(15,705)</b>  |
| (9,961)          | Upwards revaluation of assets   | (8,140)          |
| 274              | Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services    | 3,809            |
| <b>(9,687)</b>   | Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services | <b>(4,331)</b>   |
| 309              | Difference between fair value depreciation and historical cost depreciation   | 291              |
| 154              | Accumulated losses on assets sold or scrapped   | 79               |
| <b>463</b>       | Amount written off to the Capital Adjustment Account  | <b>370</b>       |
| <b>(15,705)</b>  | <b>Balance carried forward at 31 March</b>  | <b>(19,666)</b>  |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

#### 27.2. Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are held at Fair Value through Profit or Loss. 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.

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| <b>4</b>         | <b>Balance brought forward at 1 April</b>   | <b>4</b>         |
| -                | Upward revaluation of investments   | 34               |
| -                | Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services | -                |
| -                | <b>Total movement on the reserve in Year</b>  | <b>34</b>        |
| <b>4</b>         | <b>Balance carried forward at 31 March</b>  | <b>38</b>        |

#### 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.

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| <b>(107,171)</b> | <b>Balance brought forward at 1 April</b>   | <b>(119,421)</b> |
|                  | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                              |                  |
| 3,244            | Charges for depreciation and impairment of non-current assets   | 4,726            |
| (12,652)         | Revaluation to reverse historic impairment of Property, Plant & Equipment previously charged to Income and Expenditure Account                            | 891              |
| 62               | Amortisation of intangible assets   | 62               |
| (32)             | Revenue expenditure funded from capital under statute   | 481              |
| 1,194            | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement | 1,239            |
| (8,184)          |   | 7,398            |
| (309)            | Adjusting amounts written out of the Revaluation Reserve  | (370)            |
| <b>(8,493)</b>   | <b>Net written out amount of the cost of non-current assets consumed in the year</b>  | <b>7,028</b>     |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| <b>(8,493)</b>   | <b>Net written out amount of the cost of non-current assets consumed in the year</b>  | <b>7,028</b>     |
|                  | Capital financing applied in the year:  |                  |
| (158)            | Use of the Capital Receipts Reserve to finance new capital expenditure  | (293)            |
| (1,332)          | Use of the Major Repairs Reserve to finance new capital expenditure   | (1,624)          |
| (2)              | 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  | (481)            |
| (1,260)          | HRA voluntary set aside for debt repayment  | (1,260)          |
| (181)            | Minimum Revenue Provision - Borrowing   | (309)            |
| (91)             | Minimum Revenue Provision - Leases  | (74)             |
| (755)            | Capital expenditure financed from revenue   | (6,268)          |
| <b>(3,780)</b>   | <b>Total capital financing applied in the year</b>  | <b>(10,309)</b>  |
| <b>10</b>        | Loan Adjustments  | <b>22</b>        |
| <b>13</b>        | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement            | <b>-</b>         |
| <b>(119,421)</b> | <b>Balance carried forward at 31 March</b>  | <b>(122,679)</b> |

#### 27.4. Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council has used the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| <b>9</b>         | <b>Balance brought forward at 1 April</b>    | <b>7</b>         |
| (2)              | Soft Loan adjustment                         | (2)              |
| <b>(2)</b>       | <b>Total movement on the account in Year</b> | <b>(2)</b>       |
| <b>7</b>         | <b>Balance carried forward at 31 March</b>   | <b>5</b>         |

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

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

#### 27.5. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal on non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| -                | <b>Balance brought forward at 1 April</b>                                | -                |
| -                | Principal Repayments in year transferred to the Capital Receipts Reserve | -                |
| -                | <b>Balance carried forward at 31 March</b>                               | -                |

#### 27.6. Pensions Reserve

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

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| <b>11,357</b>    | <b>Balance brought forward at 1 April</b>   | <b>11,038</b>    |
| (1,329)          | Remeasurement of the net defined benefit liability  | (2,600)          |
| 1,877            | Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 2,036            |
| (867)            | Employer's pensions contributions and direct payments to pensioners payable in the year   | (930)            |
| <b>11,038</b>    | <b>Balance carried forward at 31 March</b>  | <b>9,544</b>     |

#### 27.7. Collection Fund Adjustment Account

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

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

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

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| <b>1,602</b>     | <b>Balance brought forward at 1 April</b>  | <b>(1,473)</b>   |
| (3,075)          | 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 | 923              |
| <b>(1,473)</b>   | <b>Balance carried forward at 31 March</b>   | <b>(550)</b>     |

### **28. Cash Flow Statement - Operating Activities**

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

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| 9,322            | Depreciation, amortisation, impairment and revaluations   | (6,870)          |
| 197              | Movement in creditors                                     | 195              |
| 583              | Movement in debtors                                       | 1,343            |
| 68               | Movement in provision for bad debts                       | 32               |
| -                | Movement in inventories                                   | -                |
| 213              | Movement in provisions                                    | (441)            |
| 548              | Movement in pensions liability                            | (564)            |
| (1,351)          | Carrying amount of non-current assets sold                | (1,234)          |
| (1,478)          | Other non-cash items charged to the provision of services | 710              |
| <b>8,102</b>     |   | <b>(6,829)</b>   |

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

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| 1,603            | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 1,286            |
| 179              | Capital grants credited to the (surplus)/deficit on the provision of services                      | 459              |
| -                | Any other items for which the cash effects are investing or financing cash flows                   | -                |
| <b>1,782</b>     |  | <b>1,745</b>     |

The cash flow for operating activities include the following items:

| 2017/18<br>£'000 |                   | 2018/19<br>£'000 |
|------------------|-------------------|------------------|
| (271)            | Interest received | (620)            |
| 2,504            | Interest paid     | 2,488            |
| <b>2,233</b>     |                   | <b>1,869</b>     |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 29. Cash Flow Statement - Investing Activities

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| 3,067            | Purchase of property, plant and equipment, investment property and intangible assets               | 4,095            |
| -                | Purchase of short-term and long-term investments   | 4,942            |
| 127              | Other payments for investing activities  | 1,638            |
| (1,626)          | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (1,303)          |
| (3)              | Proceeds from short-term and long-term investments   | (8)              |
| (179)            | Other receipts from investing activities   | (459)            |
| <b>1,386</b>     | <b>Net cash flow from investing activities</b>   | <b>8,905</b>     |

### 30. Cash Flow Statement - Financing Activities

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| -                | Cash receipts of short and long-term borrowing  | -                |
| -                | Other receipts from financing activities  | -                |
| 19               | Cash payments for the reduction of the outstanding liabilities relating to finance leases | 72               |
| 1,001            | Repayment of short and long-term borrowing  | -                |
| (5,620)          | Other payments for financing activities   | 6,402            |
| <b>(4,600)</b>   | <b>Net cash flow from financing activities</b>  | <b>6,474</b>     |

## 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**

| 2018/19  | Adj for Capital Purposes | Net change for the Pensions Adj | Other Differences | Total Adjustments |
|--|--------------------------|---------------------------------|-------------------|-------------------|
| Corporate Services & Commissioning   | 5,533                    | (574)                           | -                 | 4,958             |
| Economic Regeneration & Place  | 11                       | (189)                           | -                 | (178)             |
| Legal & Democratic Services  | -                        | (42)                            | -                 | (42)              |
| Finance  | (10,904)                 | (125)                           | 923               | (10,106)          |
| <b>Net Cost of Services</b>  | <b>(5,360)</b>           | <b>(930)</b>                    | <b>923</b>        | <b>(5,367)</b>    |
| Other Operating Expenditure  | 344                      | 2,036                           | -                 | 2,380             |
| <b>Difference between General Fund Surplus or Deficit and Expenditure Statement Surplus or Deficit</b> | <b>(5,015)</b>           | <b>1,106</b>                    | <b>923</b>        | <b>(2,987)</b>    |

### 2018/19 Expenditure and Income Analysed by Nature

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

#### Expenditure/Income

|   | £'000           |
|---|-----------------|
| <b>Income</b>   |                 |
| Fees, charges and other service income                  | (7,033)         |
| Interest and investment income                          | (2,172)         |
| Income from NDR & Council Tax                           | (18,400)        |
| Benefits Subsidy  | (13,457)        |
| Government Grants                                       | (2,990)         |
| HRA Property Rent                                       | (12,296)        |
| <b>Total Income</b>                                     | <b>(56,349)</b> |
| <b>Expenditure</b>                                      |                 |
| Employee Benefits Expenses                              | 8,810           |
| Premises  | 1,415           |
| Supplies & Services                                     | 9,735           |
| Transport   | 292             |
| Benefit Payments  | 13,650          |
| Interest Payments                                       | 4,323           |
| Third Party Payments                                    | 431             |
| Depreciation, amortisation, Impairment and Revaluations | 5,587           |
| Precepts & Levies                                       | 3,553           |
| Capital Receipts Pool Payment                           | 465             |
| <b>Total Expenditure</b>                                | <b>48,262</b>   |
| <b>(Surplus) / or Deficit on Provision of Services</b>  | <b>(8,087)</b>  |

## 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**

| 2017/18  | Adj for Capital Purposes | Net change for the Pensions Adj | Other Differences | Total Adjustments |
|--|--------------------------|---------------------------------|-------------------|-------------------|
| Corporate Services & Commissioning   | (9,313)                  | (553)                           | -                 | (9,866)           |
| Economic Regeneration & Place  | 11                       | (149)                           | -                 | (138)             |
| Legal & Democratic Services  | 3                        | (63)                            | -                 | (60)              |
| Finance  | (5,742)                  | (102)                           | (3,075)           | (8,919)           |
| <b>Net Cost of Services</b>  | <b>(15,041)</b>          | <b>(867)</b>                    | <b>(3,075)</b>    | <b>(18,983)</b>   |
| Other Operating Expenditure  | 24                       | 1,877                           | -                 | 1,901             |
| <b>Difference between General Fund Surplus or Deficit and Expenditure Statement Surplus or Deficit</b> | <b>(15,017)</b>          | <b>1,010</b>                    | <b>(3,075)</b>    | <b>(17,082)</b>   |

### 2017/18 Expenditure and Income Analysed by Nature

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

#### Expenditure/Income

|   | £'000           |
|---|-----------------|
| <b>Income</b>   |                 |
| Fees, charges and other service income                  | (7,942)         |
| Interest and investment income                          | (1,731)         |
| Income from NDR & Council Tax                           | (17,951)        |
| Benefits Subsidy  | (15,001)        |
| Government Grants                                       | (3,850)         |
| HRA Property Rent                                       | (12,400)        |
| <b>Total Income</b>                                     | <b>(58,875)</b> |
| <b>Expenditure</b>                                      |                 |
| Employee Benefits Expenses                              | 8,554           |
| Premises  | 1,405           |
| Supplies & Services                                     | 9,757           |
| Transport   | 276             |
| Benefit Payments  | 15,216          |
| Interest Payments                                       | 4,257           |
| Third Party Payments                                    | 306             |
| Depreciation, amortisation, Impairment and Revaluations | (9,712)         |
| Precepts & Levies                                       | 3,440           |
| Capital Receipts Pool Payment                           | 514             |
| <b>Total Expenditure</b>                                | <b>34,013</b>   |
| <b>(Surplus) / or Deficit on Provision of Services</b>  | <b>(24,862)</b> |

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

### **32. Officers' Remuneration**

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150k but equal to or more than £50k per year. This covers all Posts held where remuneration packages exceed £50k and therefore no further disclosure required in relation to employee remuneration over £50k.

| <b>2018/19</b>                                  |   |   |   |   |   |
|---|---|---|---|---|---|
| <b>Post<br/>Title</b>                           | <b>Salary<br/>(including<br/>fees &amp;<br/>allowances)<br/>£'000</b> | <b>Benefits<br/>in Kind<br/>(car<br/>allowance)<br/>£'000</b> | <b>Total<br/>Remuneration<br/>excluding<br/>pension<br/>contributions<br/>2018/19<br/>£'000</b> | <b>Employer's<br/>pension<br/>contributions<br/>£'000</b> | <b>Total<br/>Remuneration<br/>including<br/>pension<br/>contributions<br/>2018/19<br/>£'000</b> |
| Chief Executive                                 | 86  | 5   | 91  | 18  | 109   |
| Director of Corporate Services & Commissioning  | 81  | 1   | 82  | 13  | 95  |
| Director of Economic Regeneration & Place       | 81  | 1   | 82  | 14  | 96  |
| Head of Business Development & Improvement      | 57  | 1   | 58  | 10  | 68  |
| Head of Commissioning, Contracts & Procurement  | 56  | 1   | 57  | 9   | 66  |
| Head of Community, Partnerships & Customers     | 56  | 1   | 57  | 9   | 66  |
| Head of Operational Services                    | 60  | 1   | 61  | 10  | 71  |
| Head of Planning                                | 56  | 1   | 57  | 9   | 66  |
| Solicitor to the Council to 1st January 2019    | 56  | 1   | 57  | 9   | 66  |
| Solicitor to the Council wef 12th February 2019 | 3   | -   | 3   | 1   | 4   |
|   | 592   | 13  | 605   | 102   | 707   |

The Chief Executive post was created in partnership with North Yorkshire County Council from October 2013. The salary included above represents 80% of the Partnership costs, of an annual salary of £107,615 for SDC. The Chief Finance Officer S151 is employed directly by North Yorkshire County Council and is contracted as part of a wider finance function to deliver services to Selby District Council. The Solicitor to the Council role became vacant during January 2019 and is currently covered on an interim part time basis.

| 2017/18<br><br>Post<br>Title                                 |   |   | Total<br>Remuneration<br>excluding<br>pension<br>contributions | Employer's<br>pension<br>contributions | Total<br>Remuneration<br>including<br>pension<br>contributions |
|--|---|---|--|--|--|
|  | Salary<br>(including<br>fees &<br>allowances) | Benefits<br>in Kind<br>(car<br>allowance) | 2018/19<br>£'000   | £'000                                  | 2018/19<br>£'000   |
|  | £'000   | £'000                                     | £'000  | £'000                                  | £'000  |
| Chief Executive - Ryedale District Council<br>to 17 Sep 2017 | 22  | -   | 22   | -                                      | 22   |
| Chief Executive WEF 18 Sep 2017                              | 57  | 3   | 60   | 9                                      | 69   |
| Director of Corporate Services &<br>Commissioning            | 80  | 1   | 81   | 13                                     | 94   |
| Director of Economic Regeneration &<br>Place                 | 80  | 1   | 81   | 13                                     | 94   |
| Head of Business Development &<br>Improvement                | 55  | 1   | 56   | 9                                      | 65   |
| Head of Commissioning, Contracts &<br>Procurement            | 55  | 1   | 56   | 9                                      | 65   |
| Head of Community, Partnerships &<br>Customers               | 55  | 1   | 56   | 9                                      | 65   |
| Head of Operational Services                                 | 55  | 1   | 56   | 9                                      | 65   |
| Head of Planning to 2 Feb 2018                               | 46  | 1   | 47   | 8                                      | 55   |
| Head of Planning   | 10  | -   | 10   | 2                                      | 12   |
| Planning Consultant / Interim Head of<br>Planning            | 115   | -   | 115  | -                                      | 115  |
| Solicitor to the Council                                     | 61  | 1   | 62   | 10                                     | 72   |
|  | 691   | 11  | 702  | 91                                     | 793  |

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 2 employees in 2018/19 (2 in 2017/18), incurring liabilities of £8k (£18k in 2017/18). 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<br>(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 |         |
|--|---|---------|-----------------------------------|---------|-----------------------------------|---------|--|---------|--|---------|
|  |   |         | 2017/18                           | 2018/19 | 2017/18                           | 2018/19 | 2017/18                                    | 2018/19 | 2017/18                                  | 2018/19 |
| £'000  |   |         | £'000                             |         |                                   |         |  |         | £'000                                    |         |
| 0  | - | 20,000  | -                                 | -       | 2                                 | 2       | 2  | 2       | 18                                       | 8       |
| 20,001   | - | 40,000  | -                                 | -       | -                                 | -       | -  | -       | -  | -       |
| 40,001   | - | 60,000  | -                                 | -       | -                                 | -       | -  | -       | -  | -       |
| 60,001   | - | 80,000  | -                                 | -       | -                                 | -       | -  | -       | -  | -       |
| 80,001   | - | 100,000 | -                                 | -       | -                                 | -       | -  | -       | -  | -       |
| 100,001  | - | 150,000 | -                                 | -       | -                                 | -       | -  | -       | -  | -       |
| Total  |   |         | -                                 | -       | 2                                 | 2       | 2  | 2       | 18                                       | 8       |

## **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 and Crimer Commissioner 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 Legal & Democratic costs and in 2018/19 amounted to £211k (£198k in 2017/18). The 2018/19 figures include a £500 allowance paid to the vice chair (2017/18 £500 Vice Chair). The payments can be allocated as follows:

| 2017/18<br>£'000 |                        | 2018/19<br>£'000 |
|------------------|------------------------|------------------|
| 190<br>8         | Allowances<br>Expenses | 204<br>7         |
| <b>198</b>       | <b>Total</b>           | <b>211</b>       |

### **36. External Audit Costs**

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

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| 45               | Fees due to the External Auditors with regard to external audit services carried out by the appointed auditor. | 34               |
| 13               | Fees payable to the External Auditors for the certification of grant claims and returns.                       | 12               |
| <b>58</b>        | <b>Total</b>   | <b>46</b>        |

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

### **37. Grant Income**

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

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
|                  | <b><u>Credited to Taxation and Non-specific Grant Income</u></b>         |                  |
| (593)            | Revenue Support Grant  | (265)            |
|                  | Council Tax Freeze Grant   |                  |
| (8,591)          | Small Business Empty Property Rate Relief                                | (9,133)          |
|                  | Renewable Energy Business Rates  |                  |
| (1,976)          | Non-Service Related Government Grants                                    |                  |
|                  | New Homes Bonus  | (1,541)          |
| (161)            | Council Tax Reduction Grant  |                  |
|                  | New Burdens Grants   | (248)            |
| (446)            | Transformation Challenge Reward Grant                                    |                  |
| (85)             | Sect. 31 NNDR Relief Grants  | (1,434)          |
|                  | Other Small Grants   | (90)             |
|                  | Capital Grants and Contributions   |                  |
|                  | Grant receipt for Hardware for Register of Electors                      |                  |
| <b>(11,852)</b>  | <b>Total</b>   | <b>(12,711)</b>  |
|                  | <b><u>Credited to Services</u></b>                                       |                  |
|                  | Other Government Grants:-  |                  |
| (8,778)          | Rent Allowances  | (7,743)          |
| (6,036)          | Rent Rebates   | (5,499)          |
| (179)            | Private Sector/Disabled Facilities Home Improvement Works (General Fund) | (459)            |
| (44)             | Supporting People  | (22)             |
| (218)            | Housing Benefits Admin & Counter Fraud Grant                             | (229)            |
| (278)            | Private Finance Initiative   | (278)            |
| (118)            | Discretionary Housing Payments Grant                                     | (118)            |
| (31)             | Other Small Grants   | (14)             |
| <b>(15,682)</b>  | <b>Total</b>   | <b>(14,362)</b>  |

The Council has previously received a number of grants, contributions and donations that were not recognised as income as they had conditions attached to them at the balance sheet date that required the monies or property to be returned to the giver if they are not utilised for the intended purpose. Capital grant receipts in advance are sums of money received from the Government and other organisations to contribute towards the costs of non-current assets and other capital expenditure such as grants to other organisations. When the conditions for the grant are met it is transferred to the Comprehensive Income and Expenditure Statement. Should the conditions not be met then the grant is repaid. There are no new revenue receipts in advance with conditions attached, and all capital grants received in year have been fully utilised. The balances at the year-end are as follows:

|  | Long-Term          |                    | Current            |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 31-Mar-18<br>£'000 | 31-Mar-19<br>£'000 | 31-Mar-18<br>£'000 | 31-Mar-19<br>£'000 |
| <b><u>Grants Receipts in Advance</u></b> |                    |                    |                    |                    |
| Individual Electoral Registration        | -                  | -                  | (10)               | (10)               |
| Better Care Fund                         | -                  | -                  | (69)               | (69)               |
| Transformation Challenge Award           | -                  | -                  | (23)               | (31)               |
| <b>Total</b>                             | <b>-</b>           | <b>-</b>           | <b>(102)</b>       | <b>(110)</b>       |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. Related Party Transactions

The Council is required to disclose all material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits, council tax bills). Grants received from Government Departments and recognised as income in the year are disclosed in Note 37, together with receipts in advance not yet recognised as income.

#### Members

Members of the Council have direct control over the council's financial and operating policies. The total of member allowances paid in 2018/19 is shown in Note 35.

Some Members are directors and/or trustees of various entities in their own private capacity. During 2018/19 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 | 2017/18 Transactions<br>£'000 | 2017/18 Balance Owed<br>£'000 |  | No. of Members With an Interest | 2018/19 Transactions<br>£'000 | 2018/19 Balances Owed<br>£'000 |
|---------------------------------|-------------------------------|-------------------------------|--|---------------------------------|-------------------------------|--------------------------------|
| -                               | -                             | -                             | Sherburn and Elmet Community Trust     | 1                               | -                             | -                              |
| -                               | -                             | -                             | Escrick and Deighton Charity           | 1                               | -                             | -                              |
| 1                               | 1                             | -                             | Selby District Vision                  | 1                               | -                             | -                              |
| 2                               | 290                           | 528                           | Selby Housing Trust                    | 2                               | 1,423                         | -                              |
| 1                               | 1                             | -                             | Selby & District Rail User Group       | 1                               | 1                             | -                              |
| 2                               | 1,663                         | -                             | Various Selby District Drainage Boards | 4                               | 1,685                         | -                              |
| 1                               | 6                             | -                             | Stephenson Estate Agents               | 1                               | -                             | -                              |
| 1                               | 37                            | -                             | Groundwork North Yorkshire CEF's       | -                               | 35                            | -                              |
|                                 |                               |                               |  | 1                               | -                             | -                              |
| <b>8</b>                        | <b>1,998</b>                  | <b>528</b>                    | <b>Total</b>                           | <b>12</b>                       | <b>3,144</b>                  | <b>-</b>                       |

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

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

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

#### **Officers**

In 2018/19 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 Executive is fully employed as Assistant Chief Executive at North Yorkshire County 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 Data and Systems team acts as the Company Secretary of Selby and District Housing Trust. A member of the Finance Team acted as the Finance Director of Selby & District Housing Trust but resigned from the post in December 2018.

#### **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 and Crime Commissioner 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 £250,000. The Partnership produce their own set of accounts and these can be requested from Ryedale District Council.

During 2018/19 Selby District Council has paid a management fee of £64k (£61k in 2017/18) 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 2019 as £250k of which £50k belongs to Selby (31 March 2018 reserve of £178k with Selby's share being £36k).

The Council made net payment of loan principal to Selby & District Housing Trust loans in 2018/19 of £1.616m. At the end of 2018/19 the loans balances increased to £2.174m and are repayable over a 30 year period at an interest rate of between 3.55% to 4.87%. 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 Managing Director, Company Secretary and Accountant duties. The Housing 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.

| 2017/18<br>£'000 |  | 2018/19 |               |
|------------------|--|---------|---------------|
|                  |  | £'000   | £'000         |
| <b>54,400</b>    | <b>Opening Capital Financing Requirement</b>   |         | <b>53,790</b> |
|                  | <b>Capital investment</b>  |         |               |
| 1,695            | Property Plant & Equipment - Council Owned   | 2,844   |               |
| -                | Property Plant & Equipment - Leased  | -       |               |
| 1,142            | Assets Under Construction  | 860     |               |
| 331              | Intangible assets  | 255     |               |
|                  | Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grants                | 440     |               |
| 214              | Property Fund Investment   | 4,942   |               |
| -                | Long term debtor Loan  |         |               |
| 110              |  | 1,624   |               |
| <b>3,492</b>     | <b>Total Capital Investment</b>  |         | <b>10,965</b> |
|                  | <b>Sources of finance</b>  |         |               |
| (342)            | Capital receipts   | (303)   |               |
| (134)            | Government grants and other contributions  | (440)   |               |
| (2,093)          | Sums Set Aside from Revenue (Assets/Soft Loans/REFCUS)                                 | (7,893) |               |
| (1,260)          | HRA voluntary set aside for debt repayment   | (1,260) |               |
| (181)            | MRP / Loans Fund Principal   | (301)   |               |
| (91)             | MRP - Lease Principal  | (74)    |               |
| -                | Reduction in lease liability re Leisure & Street Scene Vehicles                        | -       | (10,271)      |
| <b>53,790</b>    | <b>Closing Capital Financing Requirement</b>   |         | <b>54,484</b> |
|                  | <b>Explanation of movements in year</b>  |         |               |
| -                | Increase in underlying need to borrow (supported by government financial assistance)   | -       |               |
| 922              | Increase in underlying need to borrow (unsupported by government financial assistance) | 922     |               |
| -                | Assets acquired under finance leases   | -       |               |
| (1,260)          | HRA voluntary set aside for debt repayment   | (1,260) |               |
| (181)            | MRP / Loans Fund Principal   | (301)   |               |
| (91)             | MRP - Lease Principal  | (74)    |               |
| -                |  |         | (713)         |
| <b>(610)</b>     | <b>Increase / (decrease) in Capital Financing Requirement</b>                          |         | <b>694</b>    |

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. Capital Expenditure and Financing continued.....

#### Revenue Expenditure Funded from Capital Under Statute

This is expenditure which is classified as capital but which does not result in a tangible asset for the Council. Examples are where capital grants are given to third parties e.g. improvement grants or expenditure on property not owned by the Council. During 2018/19 the Council funded £2.063m (£324k in 2017/18) 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. Those vehicles have been fully depreciated over the term of the original contract, any additional vehicles used for the provision of services are supplied on a temporary hire basis. 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-18<br>£'000 |  | 31-Mar-19<br>£'000 |
|--------------------|--|--------------------|
| -                  | Vehicles, Plant, Furniture & Equipment (Vehicles)  | -                  |
| 219                | Vehicles, Plant, Furniture & Equipment (Equipment) | 146                |
| <b>219</b>         |  | <b>146</b>         |

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. In 2016/17 the original contract period for Street Scene expired, and was extended with the existing fleet, any additional vehicles are used on a short term hire basis. The table below therefore only includes Leisure Management costs from 18/19

| 31-Mar-18<br>£'000 |  | 31-Mar-19<br>£'000 |
|--------------------|--|--------------------|
| (72)               | Finance lease liabilities (net present value of minimum lease payments): | (76)               |
| (157)              | Current  | (78)               |
| (13)               | Non-current  | (6)                |
|                    | Finance costs payable in future years                                    |                    |
| <b>(241)</b>       |  | <b>(161)</b>       |

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

|   | Minimum Lease Payments<br>Payments |                    | Finance Lease<br>Liabilities |                    |
|---|------------------------------------|--------------------|------------------------------|--------------------|
|   | 31-Mar-18<br>£'000                 | 31-Mar-19<br>£'000 | 31-Mar-18<br>£'000           | 31-Mar-19<br>£'000 |
| Not Later Than One Year                           | 80                                 | 80                 | 74                           | 76                 |
| Later than One Year and not later than five years | 161                                | 80                 | 154                          | 78                 |
| Later than Five years                             | -                                  | -                  | -                            | -                  |
|   | <b>241</b>                         | <b>160</b>         | <b>228</b>                   | <b>154</b>         |

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

### **40. Leases continued .....**

#### **Operating Leases**

Vehicles, Plant, Furniture and Equipment - the authority uses photocopiers and vehicles, financed under terms of an operating lease. The amount paid under these arrangements in 2018/19 was £84k (£86k in 2017/18).

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

| 31-Mar-18<br>£'000 |   | 31-Mar-19<br>£'000 |
|--------------------|---|--------------------|
| 81                 | Not later than one year                           | 50                 |
| 50                 | Later than one year and not later than five years | -                  |
| -                  | Later than five years                             | -                  |
| <b>131</b>         |   | <b>50</b>          |

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

| 31-Mar-18<br>£'000 |                                 | 31-Mar-19<br>£'000 |
|--------------------|---------------------------------|--------------------|
| 86                 | Minimum lease payments          | 84                 |
| -                  | Contingent rents                | -                  |
| -                  | Sub lease payments (receivable) | -                  |
| <b>86</b>          |                                 | <b>84</b>          |

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

| 31-Mar-18<br>£'000 |                                       | 31-Mar-19<br>£'000 |
|--------------------|---------------------------------------|--------------------|
| 24                 | Central Services to the Public        | 22                 |
| 3                  | Environmental and Regulatory Services | 3                  |
| 60                 | Local Authority Housing (HRA)         | 59                 |
| <b>87</b>          |                                       | <b>84</b>          |

#### **Authority as a Lessor**

#### **Finance Leases**

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

**40. Leases continued .....**

**Operating Leases**

The Council acts as a lessor for a number of industrial units. These units are intended to be used as set-up premises for fledging businesses, and long-term tenants are not expected. The income received from these tenants during the year was £110.8k (£92.2k in 2017/18).

The future minimum lease payments receivable under non-cancellable leases in future years are, for 2019/20, 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 2018/19 the authority made payments of £422k (£406k in 2017/18). The contract expires in 2035.

**42. Impairment Losses**

During 2018/19 the Council has not recognised any impairment losses (as was the case in 2017/18). 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.

| 2017/18<br>£'000 | North Yorkshire Pension Fund  | 2018/19<br>£'000 |
|------------------|---|------------------|
|                  | <b>Comprehensive Income and Expenditure Statement</b>   |                  |
|                  | <i>Net Cost of Services:</i>  |                  |
| 1,572            | current service cost  | 1,739            |
| -                | past service costs (gains)  | -                |
| -                | settlement and curtailments   | -                |
| 21               | administration expenses   | 22               |
|                  | <i>Financing and Investment Income and Expenditure:</i>   |                  |
| 284              | net interest expense  | 275              |
| <b>1,877</b>     | <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>   | <b>2,036</b>     |
|                  | <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>  |                  |
| (2,930)          | return on plan assets   | (3,646)          |
| 432              | experience (gain) / loss  | 135              |
| -                | actuarial (gains) / losses arising on changes in demographic assumptions  | (3,059)          |
| 1,169            | actuarial (gains) / losses arising on changes in financial assumptions  | 3,970            |
| <b>(1,329)</b>   | <b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>  | <b>(2,600)</b>   |
|                  | <b>Movement in Reserves Statement</b>   |                  |
| (1,877)          | reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (2,036)          |
|                  | <b>Actual Amount charged against the General Fund Balance for pensions in the year:</b>   |                  |
| 867              | employers' contributions payable to the scheme  | 930              |

## 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:

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| 71,165           | Present value of the defined benefit obligation              | 74,029           |
| (60,127)         | Fair value of plan assets                                    | (64,485)         |
| <b>11,038</b>    | <b>Net liability arising from defined benefit obligation</b> | <b>9,544</b>     |

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

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| <b>56,522</b>    | <b>Opening Fair Value of Scheme Assets</b>   | <b>60,127</b>    |
| 1,460            | Interest income  | 1,553            |
|                  | Remeasurement gain/(loss)  |                  |
|                  | - the return on plan assets, excluding the amount included in the net interest expense |                  |
| 2,930            |  | 3,646            |
| 867              | Contributions from employer  | 930              |
| 339              | Contributions from employees into the scheme   | 367              |
| (1,970)          | Benefits Paid  | (2,116)          |
| (21)             | Other  | (22)             |
| <b>60,127</b>    | <b>Closing Fair Value of Scheme Assets</b>   | <b>64,485</b>    |

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

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| <b>(67,879)</b>  | <b>Opening Balance at 1 April</b>  | <b>(71,165)</b>  |
| (1,572)          | Current Service Cost   | (1,739)          |
| (1,744)          | Interest Cost  | (1,828)          |
| (339)            | Contributions from Scheme Participants                                       | (367)            |
|                  | Remeasurement gain / (loss)  |                  |
| (432)            | - Experience Gains / (Losses)  | (135)            |
| -                | - Actuarial Gains / (Losses) arising from changes in demographic assumptions | 3,059            |
| (1,169)          | - Actuarial Gains / (Losses) arising from changes in financial assumptions   | (3,970)          |
| -                | Past Service Costs   | -                |
| -                | Curtailments   | -                |
| 1,970            | Benefits Paid  | 2,116            |
| <b>(71,165)</b>  | <b>Closing Balance at 31 March</b>   | <b>(74,029)</b>  |

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

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

#### **Local Government Pension Scheme Assets**

The fair value of scheme assets are as follows:

| 2017/18<br>£'000 |                           | 2018/19<br>£'000 |
|------------------|---------------------------|------------------|
| 120              | Cash and Cash Equivalents | 3,160            |
| 38,963           | Equity Instruments        | 36,369           |
| -                | Bonds                     | -                |
| -                | - Corporate               | -                |
| 9,921            | - Government              | 12,252           |
| 9,921            | Sub-total Bonds           | 12,252           |
| 4,810            | Property                  | 5,417            |
| 6,313            | Other                     | 7,287            |
| <b>60,127</b>    | <b>Total Assets</b>       | <b>64,485</b>    |

#### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. North Yorkshire Pension Fund liabilities have been assessed by 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<br>31-Mar-18 |   | At<br>31-Mar-19 |
|-----------------|---|-----------------|
|                 | <i>Longevity at 65 for current pensioners (in years):</i> |                 |
| 22.9            | Men   | 22.2            |
| 26.4            | Women   | 25.3            |
|                 | <i>Longevity at 65 for future pensioners (in years):</i>  |                 |
| 25.1            | Men   | 23.9            |
| 28.7            | Women   | 27.2            |
| 2.10%           | Rate of CPI inflation                                     | 2.20%           |
| 3.35%           | Rate of increase in salaries                              | 3.45%           |
| 2.10%           | Rate of increase in pensions                              | 2.20%           |
| 2.60%           | Rate for discounting scheme liabilities                   | 2.40%           |

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

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

|  | Increase in<br>Assumption<br>£'000 | Decrease in<br>Assumption<br>£'000 |
|--|------------------------------------|------------------------------------|
| Longevity (increase or decrease in 1 year)                             | 1,814                              | 1,958                              |
| Rate of inflation (increase or decrease by 0.1%)                       | 1,947                              | 1,827                              |
| Rate of increase in salaries (increase by 0.1%)                        | 220                                | 218                                |
| Rate of increase in pensions (increase by 0.1%)                        | 1,947                              | 1,827                              |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 1,827                              | 1,947                              |

### 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 (56.4% of scheme assets) and fixed income (19.0%) with investments also in property and alternatives, the proportions being not materially dissimilar to the comparative year. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

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

##### **Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 23 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019 will be undertaken over 2019/20.

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 £0.962m expected contributions to the scheme in 2019/20.

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 December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated. The Government has applied to the Supreme Court for permission to appeal this judgement.

The impact of an unsuccessful appeal on public sector schemes and employer contributions cannot yet be determined as this will depend on a range of factors including Government approach, scheme membership profile and assumptions used to report pensions costs.

In addition to the McCloud/Sargeant judgement, there is a further on-going national matter in relation to pensions

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to April 1997 – all public service schemes including the LGPS were contracted out. Prior to April 2016 the Government ensured that both state and scheme pensions, when combined, kept pace with inflation through top up payments.

Reforms to the State Pension system in 2016 removed the Government top up payments to members with GMP who reached State Pension Age (SPA) from 5 April 2016 and introduced an 'interim solution' making the LGPS responsible for paying the full increases on GMPs for those individuals. This cost was accounted for in 2017.

In 2018 the Government extended the 'interim solution' to further individuals, while a High Court separately ruled that equalisation for the effect of unequal GMPs is required and that schemes have a duty to equalise benefits for men and women in relation to GMPs. HM Treasury have subsequently confirmed that the 'interim solution' provides a method to equalise GMP benefits.

The NYPF is a funded arrangement with NYCC and other employers paying contributions based on the results of regular valuations, with the next valuation due as at 31 March 2019. The 2019 valuation of the fund is expected to include the liability of the extended 'interim solution' and as such could potentially result in increased employer contribution rates in the future. However, due to a number of unknown factors the impact cannot yet be determined.

#### **45. Contingent Assets**

There are no contingent assets relating to the Council as at 31 March 2019.

#### **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 2019 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 2019 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<br>31-Mar-18<br>£'000 |                   | At<br>31-Mar-19<br>£'000 |
|--------------------------|-------------------|--------------------------|
| 1,071                    | Less than 30 days | 3,819                    |
| 40                       | 30 - 60 days      | 38                       |
| 266                      | 60 - 90 days      | 290                      |
| 11                       | 90 - 365 days     | 105                      |
| 298                      | over 365 days     | 166                      |
| 1,686                    |                   | 4,419                    |

#### **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<br>31-Mar-18<br>£'000 |                            | At<br>31-Mar-19<br>£'000 |
|--------------------------|----------------------------|--------------------------|
| -                        | Less than one year         | -                        |
| -                        | Between one and two years  | 6,500                    |
| 6,500                    | Between two and five years | -                        |
| 52,833                   | More than five years       | 52,833                   |
| 59,333                   |                            | 59,333                   |

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<br>31-Mar-18<br>£'000 |  | At<br>31-Mar-19<br>£'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   | -                        |
| 12,383                   | Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Statement) | 16,173                   |

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.

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| (6,903)<br>(84)  | Council Tax precept for year (District & Parish)<br>(Surplus)/Deficit payable/repayable in year        | (7,202)<br>95    |
| (6,987)<br>105   | Total Council Tax payable to Council in year<br>Movement in Collection Fund Adjustment Account in year | (7,107)<br>(169) |
| <b>(6,882)</b>   | Council Tax due to Council   | <b>(7,276)</b>   |

### **48. Non-domestic Rates**

The non-domestic rates due to the Council as shown on the Comprehensive Income & Expenditure Statement is the amount due to the Council on an accruals basis for the year. It includes the actual surplus/deficit that will be distributed/recovered from the Council in the future. The table below analyses the amount of non-domestic rates actually paid to the Council on a cash basis in the year adjusted for the accrual.

| 2017/18<br>£'000    |  | 2018/19<br>£'000 |
|---------------------|--|------------------|
| (10,385)<br>(1,216) | Non-domestic rates due for year<br>(Surplus)/Deficit payable/repayable in year | (11,373)<br>249  |
| <b>(11,601)</b>     | Non-domestic rates due to Council  | <b>(11,124)</b>  |

### **49. Capital Expenditure Financed from Revenue**

The capital programme can be financed from a variety of sources, one of which is revenue. In 2018/19 £1,626k of capital expenditure was funded from revenue (£2,092k in 2017/18), £1,626k of which was from the Housing Revenue Account (£1,363k in 2017/18), £0k (-£25K in 2017/18) from the General Fund and £6,325k from various General Fund and HRA reserves (£754k in 2017/18).

**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.

| 2017/18<br>£'000 |  | 2018/19<br>£'000 | Notes |
|------------------|--|------------------|-------|
|                  | <u>Expenditure</u>   |                  |       |
| 1,286            | Repairs & Maintenance  | 1,167            |       |
| 2,932            | Supervision & Management   | 3,311            |       |
| 61               | Rents, rates, taxes and other charges  | 95               |       |
| (10,616)         | Depreciation and Impairment of non-current assets  | 4,070            | 2     |
| 6                | Debt Management costs  | 6                |       |
| 69               | Movement in the allowance for bad debts  | 88               | 3     |
| <b>(6,262)</b>   | <b>Total Expenditure</b>   | <b>8,737</b>     |       |
|                  | <u>Income</u>  |                  |       |
| (12,025)         | Dwelling rents   | (11,891)         |       |
| (98)             | Non-dwelling rents   | (102)            |       |
| (187)            | Charges for Services and Facilities  | (191)            |       |
| -                | Contributions towards expenditure  | -                |       |
| <b>(12,310)</b>  | <b>Total Income</b>  | <b>(12,184)</b>  |       |
| <b>(18,572)</b>  | <b>Net Cost of HRA Services as included in the Comprehensive Income &amp; Expenditure Statement</b>                | <b>(3,447)</b>   |       |
| 157              | HRA services share of Corporate & Democratic Core  | 141              |       |
| 7                | HRA Share of other amounts included in the whole authority Cost of Services but not allocated to specific services | 8                |       |
| <b>(18,408)</b>  | <b>Net Expenditure / (Income) for HRA Services</b>   | <b>(3,298)</b>   |       |
|                  | HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:      |                  |       |
| -                | (Gain) or loss on sale of HRA non-current assets   | (254)            |       |
| 2,413            | Interest payable and similar charges   | 2,413            | 11    |
| (62)             | Interest and investment income   | (163)            |       |
| 97               | Net interest on the net defined benefit liability  | 98               |       |
| -                | Capital grants and contributions receivable  | -                |       |
| <b>(15,960)</b>  | <b>(Surplus) / Deficit for the year on HRA services</b>  | <b>(1,204)</b>   |       |

**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

| 2017/18<br>£'000 |   | 2018/19<br>£'000 | Notes |
|------------------|---|------------------|-------|
| <b>(2,267)</b>   | <b>Balance on the HRA at the end of the previous year</b>                 | <b>(2,267)</b>   |       |
| (15,960)         | (Surplus) / Deficit for year on the HRA Income and Expenditure Statement. | (1,204)          |       |
| 15,681           | Adjustments between accounting basis and funding under statute            | 640              |       |
| (279)            | Net (Increase) / Decrease before transfers to or from reserves            | (564)            |       |
| 279              | Transfers to / (from) earmarked reserves                                  | 564              |       |
| -                | <b>(Increase) / Decrease in year on the HRA</b>                           | <b>(0)</b>       |       |
| <b>(2,267)</b>   | <b>Balance on the HRA at the end of the current year</b>                  | <b>(2,267)</b>   |       |

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

| 2017/18<br>£'000 |  | 2018/19<br>£'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.                                 | -                |       |
| 381              | Gain / (loss) on sale of HRA non-current assets.   | 254              |       |
| 1,613            | Capital expenditure funded by the Housing Revenue Account  | 1,755            |       |
| -                | Capital expenditure funded by Earmarked Reserves   | -                |       |
|                  | <i>Reversal net charges post employment benefits</i>   |                  |       |
|                  | <i>Actual charge in year</i>   |                  |       |
| (108)            | HRA share of contributions to / (from) the Pensions Reserve  | (111)            |       |
| 1,919            | Transfer to / (from) Major Repairs Reserve   | 1,552            | 4     |
| 11,876           | Transfer to / (from) the Capital Adjustment Account  | (2,810)          |       |
| <b>15,681</b>    | <b><u>Total Adjustments between accounting basis and funding under</u></b>   | <b>640</b>       |       |
|                  | <u>Transfers to or (from) earmarked reserves</u>   |                  |       |
| 479              | Transfer to / (from) Housing Carry Forward Budget Reserve  | 643              |       |
| (250)            | Transfer to / (from) Other Reserves  | (129)            |       |
| 50               | Transfer to / (from) ICT Reserve   | 50               |       |
| <b>279</b>       | <b><u>Total Transfers to / (from) reserves</u></b>   | <b>564</b>       |       |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Housing Revenue Account (HRA) Self Financing

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

### 2. Depreciation & Impairments

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

| 2017/18<br>£'000 |                                | 2018/19<br>£'000 |
|------------------|--------------------------------|------------------|
| (11,922)         | Council Dwellings              | 2,364            |
| 115              | Other Land, Buildings & Assets | 102              |
| <b>(11,807)</b>  | <b>Total</b>                   | <b>2,466</b>     |

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

| 2017/18<br>£'000 |                 | 2018/19<br>£'000 |
|------------------|-----------------|------------------|
| (11,813)         | Operational     | 2,466            |
| 6                | Non-operational | -                |
| <b>(11,807)</b>  | <b>Total</b>    | <b>2,466</b>     |

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

| 2017/18<br>£'000 |                             | 2018/19<br>£'000 |
|------------------|-----------------------------|------------------|
| 1,191            | Dwellings                   | 1,604            |
| -                | Garages                     | -                |
| -                | Ousegate Hostel             | -                |
| -                | Edgerton Lodge Hostel       | -                |
| -                | Community Centres           | -                |
| -                | Non-operational Land        | -                |
| -                | Other Operational Buildings | -                |
| <b>1,191</b>     | <b>Total</b>                | <b>1,604</b>     |

Impairment occurs because something has happened either to the non-current assets, or to the economic environment in which they are used. A review for impairment of a non-current asset whether carried at historical cost or valuation should be carried out if events or changes in circumstances indicate that the carrying amount of the non-current asset may not be recoverable. The Statement of Accounting Policies gives further information.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 3. Provision For Bad Debts

The account is charged with the 'top up' required for provision towards bad debts in respect of rent arrears. An adjustment of £88k was made during the year in respect of rent arrears in 2018/19 (£48k in 2017/18). The total rent arrears provision at 31 March 2019 amounted to £155k (£155k 2017/18). In addition, a further provision has been created for general non rent HRA debtors totalling £18k (£21k in 2017/18).

### 4. Major Repairs Reserve

The following is a statement of the movements in this reserve during the financial year 2018/19:

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
| <b>(2,410)</b>   | <b>Opening Balance</b>   | <b>(4,329)</b>   |
|                  | Amount transferred to the reserve from the Capital Adjustment Account      |                  |
| (3,283)          | Amount transferred to / (from) the reserve to the Housing Revenue Account: | (3,178)          |
|                  | - non-current assets   |                  |
| 1,364            | Debits to the reserve in respect of HRA capital expenditure on:            | 1,626            |
|                  | - houses   |                  |
| <b>(4,329)</b>   | <b>Closing Balance</b>   | <b>(5,881)</b>   |

### 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-17<br>£'000 | 31-Mar-18<br>£'000 |                   | 01-Apr-18<br>£'000 | 31-Mar-19<br>£'000 |
|--------------------|--------------------|-------------------|--------------------|--------------------|
| 963                | 1,152              | Land              | 1,152              | 773                |
| 134,949            | 156,676            | Council Dwellings | 156,676            | 151,805            |
| 1,427              | 1,274              | Other Buildings   | 1,274              | 2,303              |
| <b>137,339</b>     | <b>159,102</b>     | <b>Total</b>      | <b>159,102</b>     | <b>154,881</b>     |

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

| 01-Apr-17<br>£'000 | 31-Mar-18<br>£'000 |                        | 01-Apr-18<br>£'000 | 31-Mar-19<br>£'000 |
|--------------------|--------------------|------------------------|--------------------|--------------------|
| 134,949            | 156,676            | Operational            |                    |                    |
| 1,996              | 2,039              | Dwellings              | 156,676            | 151,805            |
| 394                | 387                | Other Land & Buildings | 2,039              | 2,831              |
|                    |                    | Non-operational        | 387                | 245                |
| <b>137,339</b>     | <b>159,102</b>     | <b>Total</b>           | <b>159,102</b>     | <b>154,881</b>     |

### Vacant Possession Value

The vacant possession value of the houses within the Housing Revenue Account as at 1 April 2018 was £379.810m (£389.228m at April 2017). 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 £1,290k (£1,604k 2017/18) were received by the Housing Revenue Account in 2018/19. The total can be broken down as follows:

| 2017/18<br>£'000 |  | 2018/19<br>£'000 |
|------------------|--|------------------|
|                  | <b>Disposal of Assets:</b>                           |                  |
| 1,381            | Other HRA Property & Assets                          | 1,249            |
| 223              | Houses   | 21               |
|                  | Land   |                  |
| <b>1,604</b>     |  | <b>1,270</b>     |
| -                | Principal Repaid on Housing Advances                 | -                |
| -                | Repayment of discount received on Right to Buy sales | 20               |
| <b>1,604</b>     | <b>Total</b>   | <b>1,290</b>     |

### 7. Capital Expenditure

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

| 2017/18<br>£'000 |                                   | 2018/19<br>£'000 |
|------------------|-----------------------------------|------------------|
|                  | <b>Capital expenditure</b>        |                  |
| -                | Vehicles, Plant & Equipment       | -                |
| 1,107            | Housing Development Schemes       | 860              |
| 250              | Intangible Assets                 | 130              |
| 128              | Land and Infrastructure           | 131              |
| 1,236            | Improvements to Council Dwellings | 1,621            |
| <b>2,721</b>     | <b>Total</b>                      | <b>2,742</b>     |
|                  | <b>Sources of finance</b>         |                  |
| (250)            | Other Reserves                    | (130)            |
| (949)            | Prudential Borrowing              | (703)            |
| (158)            | Capital Receipts                  | (283)            |
| (1,364)          | Revenue contributions             | (1,626)          |
| -                | Major Repairs Reserve             | -                |
| <b>(2,721)</b>   | <b>Total</b>                      | <b>(2,742)</b>   |

### 8. Rent Arrears

During the year 2018/19 rent arrears as a proportion of gross rent income have reduced to 1.91% (£227k) from 2.39% (£287k) in 2017/18.

| 31-Mar-18<br>£'000 |                          | 31-Mar-19<br>£'000 |
|--------------------|--------------------------|--------------------|
| 287                | Rent Arrears at 31 March | 227                |
| 8                  | Hostel Arrears           | 8                  |
| (259)              | Rent Credits             | (284)              |
| (2)                | Hostel Credits           | (2)                |
| <b>34</b>          | <b>Total</b>             | <b>(51)</b>        |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 9. Revenue Expenditure Financed From Capital Under Statute (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in an asset being carried on the Balance Sheet. The purpose of this is to enable it to be funded from capital resources rather than being charged to the Housing Revenue Account. £2k has been incurred during 2018/19 on estate management projects.

### 10. Housing Stock

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

| 31-Mar-18<br>(number) |  | 31-Mar-19<br>(number) |
|-----------------------|--|-----------------------|
| 529                   | Houses and Bungalows - 1 Bedroom           | 529                   |
| 899                   | - 2 Bedroom                                | 906                   |
| 998                   | - 3 Bedroom                                | 984                   |
| 36                    | - 4 Bedroom                                | 37                    |
| 2                     | - 5 Bedroom                                | 2                     |
| 214                   | Flats, Bedsits and Maisonettes - 1 Bedroom | 214                   |
| 363                   | - 2 Bedroom                                | 361                   |
| 1                     | - 3 Bedroom                                | 1                     |
| 2                     | Multi Occupied Dwellings (Hostels)         | 2                     |
| <b>3,044</b>          | <b>Total</b>                               | <b>3,036</b>          |

### 11. Capital Asset Charges Accounting Adjustment

The Code of Practice requires an explanation of the capital assets accounting adjustment, calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination for the year.

| 2017/18<br>£'000 |   | 2018/19<br>£'000 |
|------------------|---|------------------|
| 2,413            | 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 | 2,413            |
| <b>2,413</b>     | <b>Total</b>  | <b>2,413</b>     |

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

The costs of impairment are included as charges to the HRA Income and Expenditure Account. The effect of the capital asset charges accounting adjustment is that the impairment cost is reversed out of the HRA in the Movement on the HRA Statement as this is not a cost to be borne by HRA Tenants. For 2018/19 the impairment charge is £1.604m (£1.191m in 2017/18).

**THE COLLECTION FUND**

| 2017/18              |                 |   | 2018/19              |                 | Notes |
|----------------------|-----------------|---|----------------------|-----------------|-------|
| Council Tax<br>£'000 | NNDR<br>£'000   |   | Council Tax<br>£'000 | NNDR<br>£'000   |       |
|                      |                 | <b>Income</b>   |                      |                 |       |
| (52,106)             | -               | Income from Council Tax (net of benefits and transitional relief) | (55,734)             | -               | 2     |
| -                    | (41,408)        | Income from NNDR (net of discretionary and mandatory reliefs)     | -                    | (39,491)        | 3     |
| -                    | -               | Transitional protection payments                                  | -                    | -               |       |
| <b>(52,106)</b>      | <b>(41,408)</b> | <b>Total Income</b>   | <b>(55,734)</b>      | <b>(39,491)</b> |       |
|                      |                 | <b>Expenditure</b>  |                      |                 |       |
| 52,083               | 20,539          | Precepts and demands  | 55,026               | 22,560          | 4     |
| -                    | 12,943          | Payment to central government                                     | -                    | 14,217          |       |
| -                    | 5,163           | Transitional protection payments                                  | -                    | 2,082           |       |
|                      |                 | Bad and doubtful debts  |                      |                 | 5     |
| 156                  | 54              | - Write offs  | 64                   | 32              |       |
| 44                   | 33              | - Movement in bad debts provision                                 | 59                   | 42              |       |
|                      |                 | Provision for appeals   |                      |                 | 6     |
| -                    | (476)           | - Movement in appeals provision                                   | -                    | 1,069           |       |
|                      |                 | Transfers to General Fund   |                      |                 |       |
| -                    | 112             | - Costs of collection   | -                    | 111             |       |
|                      |                 | Contributions   |                      |                 |       |
|                      |                 | - Towards previous year's Collection Fund Surplus                 |                      |                 |       |
| 614                  | (3,088)         |   | (720)                | 4,081           |       |
| <b>52,897</b>        | <b>35,280</b>   | <b>Total Expenditure</b>  | <b>54,429</b>        | <b>44,194</b>   |       |
| <b>791</b>           | <b>(6,128)</b>  | <b>(Surplus) / Deficit for the year</b>                           | <b>(1,305)</b>       | <b>4,703</b>    |       |
|                      |                 | <b>COLLECTION FUND BALANCE</b>                                    |                      |                 |       |
| <b>106</b>           | <b>1,485</b>    | <b>Balance Brought Forward</b>                                    | <b>897</b>           | <b>(4,643)</b>  |       |
| 791                  | (6,128)         | (Surplus) / Deficit for the year                                  | (1,305)              | 4,703           |       |
| <b>897</b>           | <b>(4,643)</b>  | <b>Balance Carried Forward</b>                                    | <b>(408)</b>         | <b>60</b>       | 8     |

## NOTES TO THE COLLECTION FUND

### 1. General

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

The year-end surplus or deficit on the Council Tax Collection Fund is to be distributed between billing and precepting authorities on the basis of estimates made by 15 January each year of the year-end balance. That for the National Non-Domestic Rating element is to be distributed between billing, precepting and central government on the basis of estimates made by 31 January each year.

### 2. Council Tax

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

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

| Band  | Council Tax Setting   |       |                             | Average Charge in year £ |
|---|---|-------|-----------------------------|--------------------------|
|   | Estimated number of chargeable Properties after effect of discounts | Ratio | Band D equivalent dwellings |                          |
| -A  | 24  | 5/9   | 13                          | 991.34                   |
| A   | 7,507   | 6/9   | 5,005                       | 1,189.61                 |
| B   | 7,181   | 7/9   | 5,585                       | 1,387.88                 |
| C   | 7,382   | 8/9   | 6,562                       | 1,586.15                 |
| D   | 5,457   | 1     | 5,457                       | 1,784.42                 |
| E   | 4,329   | 11/9  | 5,291                       | 2,180.96                 |
| F   | 2,348   | 13/9  | 3,392                       | 2,577.50                 |
| G   | 872   | 15/9  | 1,453                       | 2,974.03                 |
| H   | 51  | 18/9  | 102                         | 3,568.84                 |
| <b>Total</b>                                      | <b>35,151</b>   |       | <b>32,860</b>               |                          |
| Impact of anticipated changes to council tax base |   |       |                             |                          |
| Reduction due to the council tax reduction scheme |   |       | (1,614)                     |                          |
| Less allowance for non-collection                 |   |       | (409)                       |                          |
| <b>COUNCIL TAX BASE</b>                           |   |       | <b>30,837</b>               |                          |

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

The basic amount of Council Tax, including the average parish charge, for a Band D property (£1,703.84 for 2017/18) 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 2019 was £89.051m (90.656m in 2017/18). The national non-domestic multiplier for the year was 49.3p (47.9p in 2017/18), with a reduction to 48.0p (46.6p in 2017/18) for small businesses. This gives a total sum collectible of £43.902m (£43.424m in 2017/18) before taking into account reliefs and allowances.

### 4. Precepts and Demands

| 2017/18              |               |   | 2018/19              |               |
|----------------------|---------------|---|----------------------|---------------|
| Council Tax<br>£'000 | NNDR<br>£'000 |   | Council Tax<br>£'000 | NNDR<br>£'000 |
| 36,360               | 2,330         | North Yorkshire County Council              | 38,511               | 2,559         |
| 6,765                | -             | North Yorkshire Police & Crime Commissioner | 7,179                | -             |
| 2,054                | 259           | North Yorkshire Fire & Rescue Authority     | 2,134                | 284           |
| 6,904                | 17,950        | Selby District Council (including parishes) | 7,202                | 19,717        |
| <b>52,083</b>        | <b>20,539</b> | <b>Total</b>                                | <b>55,026</b>        | <b>22,560</b> |
| -                    | 12,943        | Central Government                          | -                    | 14,217        |
| <b>52,083</b>        | <b>33,482</b> | <b>Total</b>                                | <b>55,026</b>        | <b>36,777</b> |

### 5. Bad and Doubtful Debts

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

| 2017/18              |               |   | 2018/19              |               |
|----------------------|---------------|---|----------------------|---------------|
| Council Tax<br>£'000 | NNDR<br>£'000 |   | Council Tax<br>£'000 | NNDR<br>£'000 |
| 156                  | 54            | Write-offs during the year                          | 64                   | 32            |
| (200)                | (87)          | Contributions to provisions during the year         | (123)                | (74)          |
| <b>(44)</b>          | <b>(33)</b>   | <b>Net (increase)/decrease in provision in year</b> | <b>(59)</b>          | <b>(42)</b>   |
| (616)                | (427)         | Balance at 1 April                                  | (660)                | (460)         |
| <b>(660)</b>         | <b>(460)</b>  | <b>Balance at 31 March</b>                          | <b>(719)</b>         | <b>(502)</b>  |

## NOTES TO THE COLLECTION FUND

### 5. Bad and Doubtful Debts continued .....

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

| 2017/18                 |               |   | 2018/19                 |               |
|-------------------------|---------------|---|-------------------------|---------------|
| Council<br>Tax<br>£'000 | NNDR<br>£'000 |   | Council<br>Tax<br>£'000 | NNDR<br>£'000 |
| 21<br>(26)              | 22<br>(35)    | Write-offs during the year                          | 8<br>(15)               | 13<br>(30)    |
| (5)                     | (13)          | Contributions to provisions during the year         | (7)                     | (17)          |
| (82)                    | (171)         | <b>Net (increase)/decrease in provision in year</b> | (87)                    | (184)         |
| (87)                    | (184)         | Balance at 1 April                                  | (94)                    | (201)         |
|                         |               | <b>Balance at 31 March</b>                          |                         |               |

### 6. Appeals

The Council acts as an agent on behalf of North Yorkshire County Council, North Yorkshire Fire and Rescue Authority and Central Government for Non-Domestic Rates. Provision is made for Appeals based on prior years' experience, and guidance from MHCLG. The York NHS Trust along with 20 others has issued proceedings against this Council and other Local Authorities for backdated rates due to the decision not to grant mandatory charitable rates relief. However, there is significant doubt over the certainty of success, and therefore no provision for this claim has been included in the accounts. The following table shows the movement in the year.

| 2017/18                 |               |   | 2018/19                 |               |
|-------------------------|---------------|---|-------------------------|---------------|
| Council<br>Tax<br>£'000 | NNDR<br>£'000 |   | Council<br>Tax<br>£'000 | NNDR<br>£'000 |
| -                       | 1,312         | Amounts charged to provision                        | -                       | 1,493         |
| -                       | (836)         | Contributions to provision during the year          | -                       | (2,562)       |
| -                       | -             | Unused amounts reversed during the year             | -                       | -             |
| -                       | 476           | <b>Net (increase)/decrease in provision in year</b> | -                       | (1,069)       |
| -                       | (3,815)       | Balance at 1 April                                  | -                       | (3,339)       |
| -                       | (3,339)       | <b>Balance at 31 March</b>                          | -                       | (4,408)       |

## 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<br>31-Mar-18<br>£'000 | Movement<br>in 2018/19<br>£'000 | Balance at<br>31-Mar-19<br>£'000 |
|--------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Council Tax Debtors            | 2,664                            | 248                             | 2,912                            |
| Council Tax Prepayments        | (1,072)                          | 9                               | (1,063)                          |
| Non Domestic Rates Debtors     | 671                              | 329                             | 1,000                            |
| Non Domestic Rates Prepayments | (605)                            | 185                             | (420)                            |
| <b>Net</b>                     | <b>1,658</b>                     | <b>771</b>                      | <b>2,429</b>                     |

The Council's proportion of the Council Tax and Non-Domestic Rate debtors and prepayments are included within notes 22 and 24 of the Core Financial Statements and the movement analysis is shown below.

| 2017/18                 |               |                            | 2018/19                 |               |
|-------------------------|---------------|----------------------------|-------------------------|---------------|
| Council<br>Tax<br>£'000 | NNDR<br>£'000 |                            | Council<br>Tax<br>£'000 | NNDR<br>£'000 |
| 339                     | 384           | <u>Debtors</u>             | 349                     | 268           |
| 10                      | (116)         | Balance at 1 April         | 32                      | 132           |
|                         |               | Movement in year           |                         |               |
| <b>349</b>              | <b>268</b>    | <b>Balance at 31 March</b> | <b>381</b>              | <b>400</b>    |
|                         |               | <u>Prepayment</u>          |                         |               |
| (153)                   | (238)         | Balance at 1 April         | (140)                   | (242)         |
| 13                      | (4)           | Movement in year           | 1                       | 74            |
| <b>(140)</b>            | <b>(242)</b>  | <b>Balance at 31 March</b> | <b>(139)</b>            | <b>(168)</b>  |

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

As set out in note 1 the Council Tax year-end (surplus)/deficit is distributed to North Yorkshire County Council, North Yorkshire Police and Crimer Commissioner, 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.

| 2017/18                 |                |   | 2018/19                 |               |
|-------------------------|----------------|---|-------------------------|---------------|
| Council<br>Tax<br>£'000 | NNDR<br>£'000  |   | Council<br>Tax<br>£'000 | NNDR<br>£'000 |
| 626                     | (418)          | North Yorkshire County Council              | (285)                   | 5             |
| 117                     | -              | North Yorkshire Police & Crime Commissioner | (57)                    | -             |
| 35                      | (46)           | North Yorkshire Fire & Rescue Authority     | (15)                    | 1             |
| -                       | (2,322)        | Central Government                          | -                       | 30            |
| 119                     | (1,857)        | Selby District Council (including parishes) | (51)                    | 24            |
| <b>897</b>              | <b>(4,643)</b> | <b>Total</b>                                | <b>(408)</b>            | <b>60</b>     |

## **GLOSSARY OF TERMS**

### **Accounting Concepts**

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

### **Accounting Period**

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

### **Accounting Policies**

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

### **Accounts**

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

### **Accruals**

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

### **Actuarial Gains and Losses:**

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

### **Actuary**

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

### **Agency Services**

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

### **Amortisation**

The gradual elimination of the value of an asset through depreciation as a result of usage and age usually applied to intangible assets such as software. Or the payment of a debt over a specified number of years.

### **Asset**

Something of worth which is measurable in monetary terms. These are normally divided into non-current assets and current assets.

### **Assets Under Construction**

This is the value of work on uncompleted non-current assets at the balance sheet date.

### **Audit**

An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.

### **Balance Sheet**

This is a statement of the recorded assets, liabilities and other balances of the Council at the end of the accounting period.

## **GLOSSARY OF TERMS**

### **Capital Adjustment Account**

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

### **Capital Charge**

A charge to service revenue accounts to reflect the cost of utilising non-current assets in the provision of services.

### **Capital Expenditure**

Expenditure on the acquisition of non-current assets that will be of use or benefit to the Council in providing its services beyond the year of account or expenditure that adds to, and does not merely maintain, an existing non-current asset.

### **Capital Expenditure charged to Revenue Account (CERA)**

A method of financing capital expenditure in the accounting period rather than over a number of years.

### **Capital Financing**

The method by which money is raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing (CERA), usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **Capital Financing Requirement**

A prudential indicator in the CIPFA prudential code. It is derived from information in the balance sheet. The indicator generally represents the underlying need to borrow for capital purposes.

### **Capital Grant**

Grant provided for the purpose of capital expenditure on projects.

### **Capital Programme**

The capital schemes the Council intends to carry out over a specified time period.

### **Capital Receipts**

Money received from the sale of non-current assets, or other money received towards capital expenditure. A specified proportion of this may be used to finance new capital expenditure.

### **Cash Equivalents**

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

### **Cash Flow Statement**

A statement summarising the inflows and outflows of cash, arising from transactions between the council and third parties, for revenue and capital purposes.

### **Charging Authority**

The Council responsible for administering the Collection Fund, including raising bills for and collecting appropriate council tax and non-domestic rates and paying the government and precepting bodies.

### **CIPFA**

Chartered institute of Public Finance and Accountancy. CIPFA is the main professional body for accountants working in public service. It produces guidance in relation to various matters concerning the public sector including financial and governance issues.

### **Code of Practice on Local Authority Accounting**

The Code has been written by CIPFA to assist local government in ensuring that its Statements of Account comply with IFRS and local government accounting regulations.

## **GLOSSARY OF TERMS**

### **Collection Fund**

A fund administered by Charging Authorities into which is paid council tax and NNDR income. Precepts are paid from the fund to Precepting Authorities, including the Charging Authority, and the NNDR collected is paid to the Government, Selby District Council, North Yorkshire County Council and North Yorkshire Fire and Rescue Authority.

### **Community Assets**

Assets that the Council intends to hold in perpetuity that have no determinable useful life and or value, or may have restrictions on their disposal. Examples of such items are the Park in Selby and playgrounds.

### **Comprehensive Income and Expenditure Account**

The income and expenditure account combines the income and expenditure relating to all the Council's functions including the General Fund and Housing Revenue Account.

### **Consistency**

The concept that the accounting treatment of like items, within an accounting period, and from one period to the next, is the same.

### **Contingent Asset**

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

### **Contingent Liability**

A possible liability that can be the result of a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### **Corporate and Democratic Core**

The corporate and democratic core comprises of all activities that the Council engages in specifically because it is an elected, multi-purpose authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. The accounting code of practice does not require these costs to be apportioned to services.

### **Council Tax**

A charge on residential property within the Council's area to contribute to financing a proportion of the Council's expenditure.

### **Creditors**

Amounts owed to the Council for work done, goods received or services provided within the accounting period but for which payment was not made at the balance sheet date.

### **Current Assets**

Assets that can be expected to be consumed or realised during the next accounting period.

### **Current Liabilities**

Amounts that will become due during the next accounting period.

### **Current Service Cost**

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

### **Curtailement**

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

## **GLOSSARY OF TERMS**

### **Debtors**

Amounts due to the Council for goods and services provided within the accounting period but not received at the balance sheet date.

### **Deferred Credits**

Amounts due to the Council from the sale of non-current assets that are not receivable immediately on sale but will be received in instalments over time. An example is mortgages granted under the council house right to buy scheme.

### **Deferred Discounts & Premiums on Early Repayment of Debt**

The Council has in previous years decided to repay external debt before it was due to mature, these repayments lead to either a premium being payable or receipt of a discount. The accumulated balance of these premiums and discounts, as at 1 April 2007, have been derecognised by transferring the balance to the Financial Instruments Adjustment Account via the 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

### **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 Bernice Elgot, Solicitor to the Council.

### **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.



# **Annual Governance Statement 2018/19**



## **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.
- 1.3 The statement is prepared with consideration to the Chartered Institute of Public Finance and Accountancy (CIPFA)'s good governance framework and principles.

### **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 The Council has operated a Leader and Executive (Cabinet) Model since May 2011. 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 plan, was approved by Full Council on 21<sup>st</sup> April 2015 and covers the period 2015-2020. Following the peer challenge a refreshed corporate plan was approved by Full Council in April 2018, to cover the period 2018-20.
- A new corporate plan will be developed in 2019 – underpinned by a residents survey – for roll out in 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.
- A review of Standards Arrangements was undertaken by a working group consisting of members of the Audit and Governance Committee. Recommendations were made to full Council on 16 May 2017 and it was agreed to establish 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. During 2017/18 we undertook a Corporate Peer Challenge which recommended a review of our scrutiny arrangements along with a number of other improvements. An action plan has been produced and implementation continued through 2018/19.
- A new Committee Management System has been in place for 2018-19 that has improved the ability to search and view committee agenda, minutes, reports and decision records.

- 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 also has a sub delegation scheme which is reviewed regularly and is published on the website.
- The Council has adopted a Local Code of Corporate Governance which is reviewed by the Audit and Governance Committee and has developed a 'Governance Framework on a Page', which is appended to this AGS.
- A revised counter fraud strategy along with a counter fraud and corruption policy was agreed by Executive in 2017/18 and is reviewed annually. The Council also has a separate whistleblowing and anti money laundering policy. The Council employs Veritau to provide a counter fraud service.
- In 2017/18 the Council updated its whistleblowing policy to reflect changes in legislation. In 2018/19, two whistleblowing reports were received and investigations are currently on-going.
- The Chief Executive post is also an Assistant Chief Executive at North Yorkshire County Council (NYCC). As part of The Better Together programme, the two councils are working together to improve access to services across both councils in order to help customers and to achieve better value for money.
- The 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. Following a successful trial during 2017/18, from 1 April 2018 the Council's Legal Team (excluding the Monitoring Officer, Trainee Solicitor and Legal Apprentice) transferred to North Yorkshire County Council under the Better Together programme.
- The Chief Finance Officer (s151) (a joint role employed by NYCC under Better Together - Assistant Director Strategic Resources NYCC and Chief Finance Officer SDC) 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.
- Financial sustainability is a key risk for the Council and a robust financial management framework is fundamental to managing and mitigating that risk. It comprises:
  - Financial and Contract Procedure Rules as part of the Constitution;
  - A Financial Strategy which provides the framework for financial planning – projecting high level resources and spending over 10 years, it identifies the short, medium and long term financial issues the Council is dealing with and its approach to managing reserves;
  - Medium-term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities;
  - An Asset Management Strategy, aligned with the corporate plan – a review of the strategy is planned for 2019/20 in line with the anticipated new Corporate Plan;
  - A Digital Strategy, which sets out the Council's approach to using information and communications technology to transform the way we work and empower citizens and council employees to reach their full potential
  - Service and financial planning integrated within the corporate performance management cycle and linked to the Council's corporate objectives;
  - 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 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 and communication through Citizen Link, (the Council's community newspaper), providing commentary and data on the previous year's performance and setting out priorities for the coming year(s).
- The Council maintains a professional relationship with Mazars, the body responsible for the external audit of the Council and the appointment of Mazars by the Public Sector Audit Appointments (as part of a national procurement exercise), for a further term, was confirmed during 2017/18.
  - 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.
- The Council has established a Corporate Information Governance Group (CIGG) in order to address the requirements of the General Data Protection Regulation (GDPR) which came into effect on 25<sup>th</sup> May 2018. Following the departure of the Solicitor to the Council the Senior Information Risk Owner (SIRO) has reverted back to, the s151 Officer. This arrangement will be reviewed when the permanent arrangements for the new Solicitor are confirmed.

The CIGG also includes representatives from Veritau, who have been engaged as the Council's Data Protection Officer (DPO), a requirement of the GDPR. Veritau will be providing regular updates on progress to the Audit & Governance Committee.

- 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 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 oversaw the operation of the Constitution to ensure its aims and principles were 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 arrangements have operated since May 2011 and were reviewed in 2018 following the Peer Challenge. We are currently working through an improvement plan. Consideration of whether to restructure Scrutiny arrangements will take place following the district council elections in May 2019. 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) supported the Audit and Governance Committee and attended all meetings of the Committee;
  - Internal Audit completed a programme of 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 weaknesses in the control environment which have been identified in relation to specific audits. We have

recommended two new issues for inclusion in the Annual Governance Statement relating to Creditors and Procurement.

- The Council's Corporate Risk Register (CRR) has been maintained under review during the year and updated accordingly. A risk workshop was held with members of the Council's Leadership Team in May 2018 in order to review and refresh the CRR. 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;
- 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 project risk management training to key officers and circulated risk management guidance, designed to complement the Risk Management Strategy;
- Quarterly monitoring information on key areas of performance has been provided to Strategic Management and Members;
- 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;
- The Council commissioned for a Corporate Peer Challenge as part of the Local Government Association's sector led improvement programme. The peer team were on site in November 2017. Overall the findings of the peer team were positive but a number of improvements were agreed:
  - Get a better understanding of community needs
  - Improve prioritisation – and action plans
  - Be clearer on Programme for Growth
  - Further clarify portfolio holder responsibilities
  - Strengthen scrutiny arrangements
  - Further empower staff to make decisions
  - Remove blocks to internal and external communications
  - Ensure key services have the required capacity
  - Deliver transformation
  - Continue to deliver – and be seen to deliver

An action plan is being monitored by the Leadership Team.

## **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, four issues have been identified for improvement.
- 5.2 Detailed plans to address these requirements have been produced and will be subject to regular monitoring by the Council's Leadership Team and the Audit and Governance Committee, where appropriate. Updates on these actions have been provided to Audit and Governance committee during 2018-19; most recently in January 2019. The aim is to address these improvements during the 2019/20 financial year.
- 5.3 One issue identified in the 2017-18 AGS (payroll reconciliation) has now been resolved and this was reported to Audit and Governance committee in January 2019.

| Issue Identified                             | Source of Evidence                | Update/Summary of Action Taken & Proposed  | By whom & By when                         | Current Position  |
|--|-----------------------------------|--|---|---|
| Review of Overview and Scrutiny arrangements | Corporate Peer Challenge Nov 2017 | Training has been delivered to members of the Executive and Scrutiny Committees. This included a workshop style session with officers and members to identify areas for improvement and development. | Solicitor to the Council<br>31 March 2019 | Update since the last report:<br><ul style="list-style-type: none"> <li>Established a Quarterly Work Programme Liaison Group between the Executive and the Chairs of Audit and Governance, Scrutiny and Policy Review Committees.</li> <li>Scrutiny Training for Members arranged and delivered in October 2018 - very well received by attendees as it was focused on SDC arrangements.</li> <li>Role profiles for the Chairs of Scrutiny, Policy Review and Audit and Governance Committees developed, agreed and adopted into the Constitution at July.</li> </ul> Further improvements will be developed following the district election in May 2019. |

| 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 | Plans are now in place to: <ul style="list-style-type: none"> <li>• Assign clear roles and responsibilities;</li> <li>• Approve and implement the necessary policies and procedures;</li> <li>• Deliver a targeted training programme;</li> <li>• Ensure adequate reporting arrangements; and</li> <li>• Consider appropriate disciplinary procedures for data breaches.</li> </ul> | (Chief Finance Officer (SIRO))<br><br>30 June 2019<br>Amended deadline | An action plan is now in place to address the implications of the General Data Protection Regulation (GDPR) and the remaining actions resulting from previous Internal Audit reports. The GDPR action plan is now substantially complete but work remains ongoing with assistance from Veritau in the role as Data Protection Officer (DPO). An Information Security Sweep took place in January 2019 - an improvement in physical information security was observed, compared to the previous sweep in March 2018. However, some issues remained which are being addressed through an improvement action plan. |

| Issue Identified   | Source of Evidence  | Update/Summary of Action Taken & Proposed  | By whom & By when   | Current Position  |
|--|---|--|---|---|
| Non-compliance with the Payment Card Industry Data Security Standard (PCI DSS) | Internal Audit report   | Agreed actions: <ul style="list-style-type: none"> <li>• Management responsibility has been defined</li> <li>• The cardholder data environment will be mapped and documented</li> <li>• Policies and procedures will be developed in relation to PCI DSS</li> <li>• Dependencies on third parties will be explored and assessed</li> <li>• Responsibility for completing annual self-assessment questionnaires will be assigned</li> </ul> | Head of Business Development and Improvement<br><br>30 Sep 19<br>Amended deadline | Civica have bought Northgate PARIS – the Council's current payments and income management system – and will no longer commit to supporting the software. As a result, the Council is required to procure new software. A bid for funding procurement of Civica Pay (or similar) is included in the draft budget for 2019/20. Implementation of new software should then resolve PCI DSS issues. |
| Creditors  | Identified by the service / Counter Fraud and Internal Audit reports. | A mandate fraud was experienced by the Council in the 2018-19 resulting in a payment being made to the wrong recipient.  | Head of Operational Services<br><br>1 September 2019                              | Counter Fraud investigated the incident and Internal Audit have reviewed the procedures. Immediate action to reiterate the following of current procedures has been agreed along with further actions to strengthen the process.  |

**Janet Waggott  
Chief Executive**

**Councillor Mark Crane  
Leader of the Council**

This page is intentionally left blank

## **Statement of Accounts 2018/19 – 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 2018/19" (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

## APPENDIX B

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.

| <b>Description</b>                                  | <b>2017/18<br/>£'000</b> | <b>2018/19<br/>£'000</b> | <b>Variance<br/>£'000</b> | <b>Comment</b>  |
|---|--------------------------|--------------------------|---------------------------|---|
| (Surplus) / Deficit on Provision of Services        | (24,861)                 | (8,088)                  | 16,733                    | See paragraph 5.2.  |
| Other Comprehensive Income & Expenditure            | (10,862)                 | (6,852)                  | 4,010                     | A significant element of the £4,010k relates to the upward revaluation of fixed assets. This revaluation does not create real cash gains, however under accounting guidance they need to be credited to the Income and Expenditure Account. |
| <b>Total Comprehensive Income &amp; Expenditure</b> | <b>(35,723)</b>          | <b>(14,939)</b>          | <b>20,784</b>             |   |
| Balance on Total Authority Reserves at 31 March     | (162,017)                | (176,957)                | (14,940)                  | This represents the increase in the net wealth or value of the Council over the year. See paragraph 6.2.  |

## 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 debit of £6,374k).
- 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 £8,088k)
- Net surplus on revaluation of Non-Current Assets and Pension Liabilities of £6,852k (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £14,939k).

## APPENDIX B

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 £35,723k at the end of 2017/18 to a surplus of £14,939k at the end of 2018/19, a net decrease in surplus of £20,784k - the variances identified above make up the majority of this movement. The most significant items relating to asset valuations in 17/18 mainly affecting Council Dwellings; in 17/18 house prices in the District increased significantly impacting on the estimated values of Council Dwellings an Exceptional Item (£12.6m). In addition, other revaluation adjustments account for a further £7.4m movement between years.

### 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 2016/17 and 2017/18 are set out in the table following.

| Description                       | 2017/18<br>£'000 | 2018/19<br>£'000 | Variance<br>£'000 | Comment  |
|-----------------------------------|------------------|------------------|-------------------|--|
| Property<br>Plant &<br>Equipment. | 187,004          | 184,330          | (2,674)           | <p>The value of assets has been increased by capital expenditure of £3.239m. The main areas of acquisition and enhancement related to the HRA housing development new build programme (£0.859m), improvements to existing stock (£1.735m) and purchase of investment properties (£496k)</p> <p>There were net revaluations of £1.85m, less depreciation (-£3.12m) and the disposal of council assets sold during the year at a</p> |

## APPENDIX B

|                           |          |         |         |   |
|---------------------------|----------|---------|---------|---|
|                           |          |         |         | value of (-£1,23m).<br><br>A number of properties were reclassified to investment properties (£3.396m)  |
| Investment Properties     | 500      | 4,352   | 3,852   | As above, reclassification of a number of Properties from Property, Plant & Equipment   |
| Intangible Assets         | 410      | 603     | 193     | Increase in value reflects investment in IT systems, primarily Asset Management System. This is offset by depreciation of £62k.                   |
| Long Term Investments     | 0        | 4,906   | 4,906   | During 18/19 the Council placed its first investments in Property Funds   |
| Long Term Debtors         | 808      | 2,421   | 1,613   | Movement mainly attributable to the issue of Loans to Selby District Housing Trust.   |
| Short Term Debtors        | 4,475    | 6,417   | 1,942   | The most significant movement relates to amounts due to be recovered from Central Government in relation to Business Rates.                       |
| Cash and Cash Equivalents | 54,003   | 51,787  | (2,216) | Reduction in cash balances primarily due NNDR collection fund balances distributed in 18/19, along with investments in Property Funds £5m.        |
| Short Term Creditors      | (12,940) | (6,748) | (6,192) | The reduction is primarily due to NNDR collection fund balances which were distributed to Central Government and Precepting Authorities in 18/19. |

## APPENDIX B

|                                |          |          |         |  |
|--------------------------------|----------|----------|---------|--|
| Provisions                     | (1,367)  | (1,808)  | (441)   | Decrease in provisions due to increased provision for NNDR appeals.  |
| Long Term Borrowing            | (59,299) | (59,299) | -       | No Change  |
| Defined Benefit Pension Scheme | (11,038) | (9,544)  | (1,494) | The year-end actuarial valuation of the Council's pension liabilities. Whilst the Council paid of its historic pension deficit in 2016/17, based on the actuarial assessment at that time. A net liability is presented in the accounts as regulation requires a much lower return on assets to be used for financial accounts, rather than the actual returns expected when estimating fund requirements. |

| Description       | 2017/18<br>£'000 | 2018/19<br>£'000 | Variance<br>£'000 | Comment   |
|-------------------|------------------|------------------|-------------------|---|
| Usable Reserves   | (36,468)         | (43,649)         | (7,181)           | Net increase in earmarked reserves during 2018/19 is mainly attributable to renewables business rates income being allocated to reserves as planned, in addition to affordable housing commuted sums of £1.9m. The remainder is through planned contributions.          |
| Unusable Reserves | (125,549)        | (133,308)        | (7,759)           | Significant movements in Unusable Reserves include: adjustments to the Capital Adjustment Account & Revaluation Reserve for the revaluation of Council Land & Buildings (£3.9m), along with charges for depreciation and amounts written out on disposal (£7m); Capital |

## APPENDIX B

|  |  |  |  |   |
|--|--|--|--|---|
|  |  |  |  | Financing Applied in year (£10.3m); movements in the pensions reserve (£1.49m) following the annual year-end actuarial valuation of the Council's Pension Fund assets and liabilities and the collection fund adjustment account (£0.9m) which includes the Council's share of the net year-end business rates surplus. |
|--|--|--|--|---|

### 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 2018/19

| Description   | 2017/18<br>£'000 | 2018/19<br>£'000 | Variance<br>£'000 | Comment   |
|---|------------------|------------------|-------------------|---|
| Net (Surplus)/<br>Deficit on the<br>provision of<br>services  | (24,862)         | (8,088)          | (16,744)          | See paragraph 5.2.  |
| Adjustments to net<br>(surplus)/deficit on<br>the provision of<br>services for non-<br>cash movements   | 8,102            | (6,829)          | 14,931            | 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. |
| Adjustments for<br>items included in<br>the net<br>(surplus)/deficit on<br>the provision of<br>services that are<br>investing and<br>financing activities | 1,782            | 1,745            | (37)              | Includes the movement in capital grants, capital receipts and contributions used to fund capital expenditure.   |
| Investing Activities  | 1,386            | 8,905            | 7,519             | Relates to activities such as the purchase of fixed assets,   |

## APPENDIX B

|                      |         |       |        |  |
|----------------------|---------|-------|--------|--|
|                      |         |       |        | proceeds from sale of assets and other investment activity proceeds. The main variance relates to the Investment in Property Funds £4.9m |
| Financing Activities | (4,600) | 6,474 | 11,074 | Reflects movement in net debtors/creditors on council tax and NNDR.  |

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

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

### 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 2015 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 breakeven in 2018/19 after a planned drawdown from the Business Equalisation reserve of £688k to balance an anticipated deficit. The actual position for the year shows that a surplus of £59k was achieved after planned contributions from Business Equalisation Reserve. 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 £0.799m to the Major Repairs Reserve (MRR). The actual out-turn was a surplus of £1.552m. The surplus was wholly allocated to the MRR. The reasons for the variations are set out in the Narrative Statement (page 9) but mainly related to in year savings in the capital programme, reducing required revenue contributions and savings on anticipated borrowing costs through the use of internal borrowing.
- 12.3    Capital expenditure for the General Fund and HRA totalled £11.02m, which includes £5m investment in Property Funds, and £1.62m Loans to Selby & District Housing Trust to support Housing delivery. Further details can be found on page 10 and 11 of the Narrative Statement.