



Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **WEDNESDAY, 25 JULY 2018**
Time: **5.00 PM**
Venue: **COMMITTEE ROOM - CIVIC CENTRE, DONCASTER ROAD, SELBY, YO8 9FT**
To: **Councillors K Arthur (Chair), M Jordan, I Reynolds (Vice-Chair), J Chilvers, B Marshall, M McCartney and B Sage**

There will be a briefing for Councillors at 4.30pm in the Committee Room.

Agenda

1. **Apologies for Absence**

2. **Disclosures of Interest**

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

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

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

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

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

3. **Minutes (Pages 1 - 10)**

To confirm as a correct record the minutes of the Audit and Governance Committee held on 18 April 2018.

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

Audit & Governance Committee
Wednesday, 25 July 2018

5. Start Time of Audit & Governance Committee Meetings

To confirm the start time of meetings for the 2018/19 municipal year.

6. Audit Action Log (Pages 11 - 12)

To review the Audit Action Log.

7. Audit and Governance Work Programme (Pages 13 - 16)

To note the current Work Programme and consider any amendments.

8. Risk Management Annual Report 2017/18 (A/18/1) (Pages 17 - 20)

To receive the report of the Audit Manager, Veritau, which provides a summary of risk management activity in 2017/18 and proposed risk management actions for 2018/19.

9. Corporate Risk Register (A/18/2) (Pages 21 - 36)

To receive the report of the Audit Manager, Veritau, which updates Councillors on the Corporate Risk Register and asks Councillors to endorse the actions of officers in furthering the progress of risk management

10. Annual Report of the Head of Internal Audit 2017/18 (A/18/3) (Pages 37 - 80)

To receive the report of the Head of Internal Audit, which presents the Annual Report for 2017/18.

11. Consideration of Internal Audit Reports - Payment Card Industry Data Security Standard (PCI DSS) (A/18/4) (Pages 81 - 94)

To consider the Internal Audit report which relates to PCI DSS.

12. External Audit Completion Report 2017/18 (A/18/5) (Pages 95 - 124)

To receive the report of the external auditor, which asks the Committee to consider the work of the external auditor during the financial year ending 31 March 2018.

13. Annual Governance Statement 2017/18 (A/18/6) (Pages 125 - 128)

To receive the report of the Chief Finance Officer, which asks the Committee to approve the Annual Governance Statement as included in the Statement of Accounts.

14. Statement of Accounts 2017/18 (A/18/7) (Pages 129 - 272)

To receive the report of the Head of Technical Finance, which asks the Committee to approve the Statement of Accounts for the financial year 2017/18.

15. The General Data Protection Regulation - update on implementation (A/18/8) (Pages 273 - 280)

To review an update in relation to the Council's data protection policies and information asset register following the enforcement of the General Data Protection Regulation (GDPR).

G. Marshall

Gillian Marshall, Solicitor to the Council

Dates of next meetings (5.00pm)

Wednesday, 24 October 2018

Enquiries relating to this agenda, please contact Dawn Drury on 01757 292065 ddrury@selby.gov.uk.

Recording at Council Meetings

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

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Minutes

Audit & Governance Committee

Venue:	Committee Room - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Wednesday, 18 April 2018
Time:	5.00 pm
Present:	Councillor M Jordan (Chair), Councillor I Reynolds (Vice-Chair) (from minute item 46), Councillor K Arthur, Councillor J Chilvers, Councillor B Marshall, Councillor M McCartney and Councillor B Sage
Officers present:	Karen Iveson (Chief Finance Officer (s151)), Gillian Marshall (Solicitor to the Council), Gavin Barker (Manager, Mazars LLP), Mark Kirkham (Partner, Mazars LLP), Phil Jeffrey (Audit Manager, Veritau), Jonathan Dodsworth (Counter Fraud Manager, Veritau) and Alice Courtney (Democratic Services Officer)
Others present:	Councillor C Lunn (Lead Executive Member for Finance and Resources) (from minute item 47), P Eastaugh (up to minute item 47), H Putman (up to minute item 47) and W Stables (up to minute item 47)
Public:	0
Press:	0

41 APOLOGIES FOR ABSENCE

There were no apologies for absence.

42 DISCLOSURES OF INTEREST

There were no disclosures of interest.

43 MINUTES

The Committee considered the minutes of the Audit and Governance

Committee meeting held on 17 January 2018.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 17 January 2018.

44 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Committee was informed that there had been no training session prior to the Committee meeting due to the length of the agenda.

The Chair explained that he had recently attended a meeting of the North Yorkshire Local Enterprise Partnership (LEP) in York. The Committee discussed the LEP's governance arrangements and supported some improvements to strengthen those arrangements. The Chair stated that he had attended as a North Yorkshire County Council representative, and highlighted that the meeting constituted a positive step in terms of governance arrangements for the LEP.

The Chair further reported that he had attended the Allerton Park Waste Recovery Park that day, which was the new waste management facility for North Yorkshire. The Committee was informed that it could visit the Recovery Park as there was a Visitor Centre, and the Chair noted that he found it very interesting to see how household waste was managed in North Yorkshire.

The Chair explained that the Democratic Services Officer was leaving the Authority at the end of May 2018, and thanked her for her service. The Committee wished her all the best for the future.

45 AUDIT ACTION LOG

The Committee reviewed the Audit Action Log.

In relation to the action on sharing births and deaths information, dated 27 September 2017, the Chief Finance Officer highlighted that the Registrar's Service circulated its death list to Council staff on a regular basis, and that this information was used to action any changes. The Chief Finance Officer further stated that data from the Department of Work and Pensions was prohibited from being shared. The Committee thanked the Chief Finance Officer for the update and agreed to mark the action as complete.

RESOLVED:

- i. To note the Audit Action Log.**
- ii. To ask the Democratic Services Officer to update the Audit Action Log accordingly.**

46 **AUDIT AND GOVERNANCE WORK PROGRAMME**

At this point in the meeting, Councillor Ian Reynolds entered the room.

The Committee considered the current Audit and Governance Work Programme. It was noted that the Work Programme for the 2018/19 municipal year would be considered later in the meeting.

RESOLVED:

To note the Work Programme.

47 **CONSULTATION ON LOCAL GOVERNMENT ETHICAL STANDARDS (A/17/26)**

The Solicitor to the Council presented the report, which advised the Committee that a public stakeholder consultation was being undertaken by the Committee on Standards in Public Life, and that the Council had the opportunity to submit a response to the consultation. The report asked the Committee to consider whether the Council should take part in the consultation, and if it chose to participate, how the response should be drafted.

The Committee was informed that the report contained the consultation questions, and that comments in relation to possible responses had been provided by the Solicitor to the Council. It was also highlighted that the report contained the combined views of the Independent Persons, who were in attendance to discuss the consultation with the Committee.

The Committee asked a number of questions in relation to the consultation, and highlighted the requirement for a strong standards regime in public life as Councillors needed to remain accountable to the public. Discussion also took place in relation to whether the sanctions available for standards issues, and the arrangements in place for investigating such issues, were strong enough. It was particularly highlighted that disqualification from Office should not necessarily be related to the length of prison sentence alone, but should take into account the nature of the offence, and whether the individual was a fit and proper person to remain a Councillor.

At this point in the meeting, Councillor Cliff Lunn entered.

The Committee noted that drafting a response to the consultation would be difficult as it covered a range of complex issues, however it agreed that any response should clearly state that the sanctions available for standards issues were not strong enough.

In relation to questions about Councillors' disclosure of pecuniary interests, the Solicitor to the Council explained that Government legislation had a very tight definition of what constituted a disclosable pecuniary interest (DPI). However, the Committee stated that the

definition may not match the public perception of what should constitute a DPI, as members of the public often expected Councillors to leave the room and not vote on an item if it constituted an 'other interest' as outlined in the Councillor's Code of Conduct, despite Councillors being legally able to remain in the room and vote.

The Committee noted that the changes to standards regimes brought about by the Localism Act 2011 were welcome, but that there were a number of issues that needed to be considered, including the strength of sanctions available and the public perception of DPIs.

The Committee agreed that the Council should respond to the consultation, and agreed to delegate authority to the Monitoring Officer to draft a response in consultation with the Chair, taking into account the matters discussed at the meeting. The Committee requested that the draft response be emailed to all Committee Members for final approval before it was submitted.

The Chair thanked the Independent Persons for attending the meeting.

At this point in the meeting, Philip Eastaugh, Hilary Putman and Wanda Stables left the room and did not return.

RESOLVED:

- i. To agree that the Council should take part in the consultation.**
- ii. To delegate authority to the Monitoring Officer, in consultation with the Chair, to draft a response to the consultation that takes into account the comments made by the Committee.**
- iii. To ask the Monitoring Officer to email the draft response to all Committee Members for final approval before it is submitted.**

48 PREPARATIONS FOR THE GENERAL DATA PROTECTION REGULATION (A/17/27)

The Solicitor to the Council presented the report, which outlined the Council's preparations for the new General Data Protection Regulation (GDPR) that would come into force on 25 May 2018.

The Committee was informed that Veritau had been appointed as the Data Protection Officer for the Council, and that GDPR training would be provided for all Councillors on 8 May 2018.

The Solicitor to the Council circulated an updated version of the action plan that was included in the agenda at Appendix A, as progress had been made on the actions since the publication of the agenda.

It was explained that a large part of the GDPR preparations included information asset management, and the creation of an information asset register that contained information on the main pieces of data that the Council held. The Committee was informed that a number of officers had attended a Data Protection Workshop on 13 April to work on the information asset register, and that once the register was complete the other actions on the action plan would progress much faster.

The Committee was assured that the GDPR preparations were in hand and that the Council was currently on track and expected complete all critical actions by the time the GDPR legislation came into force on 25 May 2018. The Solicitor to the Council highlighted that further updates would be included in the Information Governance Annual Report in January 2019.

The Committee asked a number of questions, and requested that the Solicitor to the Council submit a report to the next Audit and Governance Committee meeting to include an update on the Council's data protection policies and information asset register.

RESOLVED:

- i. To note the contents of the report and the actions undertaken.**
- ii. To ask the Solicitor to the Council to submit a report to the next Audit and Governance Committee meeting to include an update on the Council's data protection policies and information asset register.**

49 EXTERNAL AUDIT PROGRESS REPORT (A/17/28)

The Manager, Mazars LLP presented the report, which provided the Committee with a progress report in relation to the work and responsibilities of the external auditors. It was explained that the majority of the report highlighted the planning undertaken for the 2017/18 external audit.

The Committee was informed that from 2018/19 the Council would need to make its own arrangements for the Housing Benefits Subsidy work to be undertaken. The Manager, Mazars LLP highlighted that the Council was required to declare who would be undertaking the Housing Benefits Subsidy work for 2018/19 by 2 July 2018. It was further stated that the deadline for declaring this in future years would be 1 March each year.

In response to questions, the Manager, Mazars LLP stated that he was not aware that there would be any impact on the Housing Benefits Subsidy work for 2017/18 or 2018/19 after the rollout of Universal Credit in the Selby District.

The Committee noted the contents of the report.

RESOLVED:

To note the report.

50 AUDIT STRATEGY MEMORANDUM (A/17/29)

The Partner, Mazars LLP presented the report, which outlined the external audit plan for the Council for the year ending 31 March 2018. It was highlighted that the external auditor had responsibility for giving an opinion on the Council's Statement of Accounts and expressing a value for money conclusion.

The importance of the materiality threshold was explained to the Committee, as that threshold set the range, depth and extent of some of the external audit testing and formed an important part of issuing an opinion on the Council's Statement of Accounts.

The Manager, Mazars LLP explained that there were a number of significant risks in carrying out the audit work, and that these were summarised in the report. The Committee was informed that the external auditor gave special consideration to areas of significant risk when undertaking the audit to ensure that the Council had the proper processes in place.

The Committee was informed that there had been no change in the approach to the external auditor's value for money conclusion, and that the fees for the work had remained the same as in previous years. It was further highlighted that the increased fee for the Housing Benefits Subsidy work for 2017/18 had been imposed by Public Sector Audit Appointments (PSAA).

The Committee asked a number of questions related to the responsibilities of the external auditor, and confirmed that it was satisfied with the contents of the report.

RESOLVED:

To note the report.

51 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT (A/17/30)

The Audit Manager, Veritau presented the report, which updated the Committee on progress made in delivering the internal audit work plan for 2017/18.

The Committee was informed that the internal auditor had finalised the Housing Rents report since the last meeting, and that eleven 2017/18 audits were in progress and a further two were at the draft report stage.

The Counter Fraud Manager, Veritau presented the section of the report related to the counter fraud work undertaken in 2017/18. The Committee was informed that 47% of completed fraud investigations had resulted in

a successful outcome, and over £21,000 of Council savings had been achieved as a result.

The Counter Fraud Manager, Veritau further stated that officers had helped to raise awareness of fraud in conjunction with a number of events, such as Tenancy Fraud Awareness Week. The Committee was informed that a counter fraud message was printed on all Council Tax letters in the District in 2017/18.

The Committee asked a number of questions of officers, and noted the contents of the report.

RESOLVED:

To note the report.

52 INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE PLAN 2018/19 (A/17/31)

The Audit Manager, Veritau presented the report, which contained the proposed Internal Audit, Counter Fraud and Information Governance plans for 2018/19.

The Committee was informed that this was the first time that an Information Governance plan had been included in the report, and that this was resultant of Veritau assisting the Council with GDPR preparations. It was stated that the Information Governance plan had been created by Veritau's Information Governance team, which was based at Northallerton.

The Committee asked a number of questions, and was informed that the contents of the report had been subject to consultation with Directors and Senior Officers at the Council. The Audit Manager, Veritau assured the Committee that the contents of the report reflected good coverage of the Council's activities.

The Committee agreed to approve the Internal Audit, Counter Fraud and Information Governance plans for 2018/19.

RESOLVED:

To approve the Internal Audit, Counter Fraud and Information Governance plans for 2018/19.

53 AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT (A/17/32)

The Committee considered the Audit and Governance Committee Annual Report 2017/18.

RESOLVED:

- i. To approve the Audit and Governance Annual Report 2017/18.**

- ii. **To delegate authority to the Democratic Services Officer, in consultation with the Chair, to update the appendix prior to publication to reflect the work undertaken at the final meeting of the municipal year.**

54 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2018/19

The Committee considered the Audit and Governance Committee Work Programme 2018/19.

The Committee requested that the work programme be amended to include the update report from the Solicitor to the Council on the Council's data protection policies and asset register at the meeting in July 2018.

The Manager, Mazars LLP highlighted that there would be no External Audit Progress report at the meeting in July 2018, and the Committee requested that the item be removed from the work programme.

The Committee agreed that there would be a one hour briefing session prior to the meeting in July 2018, which would be based on the Council's final accounts. The Committee requested that this be added to the work programme.

RESOLVED:

To approve the Audit and Governance Work Programme 2018/19 subject to the amendments above.

55 PRIVATE SESSION

It was proposed, and seconded, that the Committee sit in private session due to the nature of the business to be transacted.

RESOLVED:

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

56 DATA BREACH REPORT (A/17/33)

The Solicitor to the Council presented the report, which provided an update to the Committee in relation to a data breach that occurred at the Council in January 2018. The report set out a number of actions that had been implemented to avoid a similar incident in the future, and the Committee was assured that lessons had been learnt from the breach.

The Solicitor to the Council highlighted that no known action had been taken against the complainants whose identities were released.

The Committee asked a number of questions related to the circumstances of the data breach, and in particular how a similar incident would have been dealt with if it had occurred after the GDPR came into force on 25 May 2018.

The Committee noted the contents of the report, and resolved to fully agree with the actions set out in the report.

RESOLVED:

- i. To note the report.**
- ii. To fully agree with the actions set out in the report.**

The meeting closed at 6.45 pm.

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Audit and Governance Committee: Action Log 2017-18

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
27 Sep 2017	20 - Internal Audit and Counter Fraud Progress Report	To ask the Chief Finance Officer to consider how births and deaths information could be shared with officers to prevent the fraudulent continuation of Council tenancies following the death of a tenant.	The Registrar's Service circulates its death list to Council officers on a regular basis, and this information is used to action any changes. Data from the Department of Work and Pensions is prohibited from being shared.	KI	Complete
17 Jan 2018	32 - Information Governance Annual Report	To ask the Solicitor to the Council to present the information in a table in the 2018 Information Governance Annual Report	The Solicitor to the Council will look at incorporating the changes in the 2018 Information Governance Annual Report.	GM	In progress
18 Apr 2018	47 - Consultation on Local Government Ethical Standards	To ask the Monitoring Officer to email the draft response to all Committee Members for final approval before it is submitted	The draft response was circulated to all Committee Members on 15 May 2018 for comment.	GM	Complete

Officers:

KI - Karen Iveson, Chief Finance Officer

GM - Gillian Marshall, Solicitor to the Council

JR - June Rothwell, Head of Operational Services

SR - Stuart Robinson, Head of Business Improvement and Development

DSO - Democratic Services Officer

Last updated: 15-May-18

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Audit Committee Work Programme 2018/19

Date of Meeting	Topic	Action Required
<i>All meetings will be preceded by a training / briefing session for Councillors. These sessions will start 30 minutes before the meeting.</i>		
25 July 2018	Member briefing (4pm)	To receive training from officers in relation to the Statement of Accounts and Annual Governance Statement (one hour)
	Meeting start times	To agree the start time of Audit and Governance Committee meetings for 2018/19
	Review of Action Log	To consider the latest Action Log
	GDPR Update	To review an update in relation to the Council's data protection policies and information asset register following the enforcement of the GDPR
	Annual Report of the Head of Internal Audit 2017/18	To consider the Annual Report of the Head of Internal Audit 2017/18
	Internal Audit Charter	To review the Internal Audit Charter
	Risk Management Annual Report 2017/18	To consider the Risk Management Annual Report for 2017/18
	Corporate Risk Register	To review the Corporate Risk Register
	Consideration of internal audit reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'
	External Audit Completion Report 2017/18	To receive the Audit Completion Report from the external auditors

	Statement of Accounts 2017/18	To approve the Statement of Accounts 2017/18
	Annual Governance Statement 2017/18	To approve the Annual Governance Statement 2017/18
24 October 2018	Review of Action Log	To consider the latest Action Log
	Local Government and Social Care Ombudsman Annual Review Letter 2017/18	To receive the Local Government and Social Care Ombudsman Annual Review Letter 2017/18
	Internal Audit and Counter Fraud Progress Report	To review progress against the Internal Audit and Counter Fraud Plan
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'
	External Annual Audit Letter 2018	To review the Annual Audit Letter 2018
	External Audit Progress Report	To review the progress of the external auditor

30 January 2019	Review of Action Log	To consider the latest Action Log
	Information Governance Annual Report 2018	To approve the Information Governance Annual Report
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Strategy	To review the Risk Management Strategy
	Corporate Risk Register	To review the Corporate Risk Register
	Internal Audit and Counter Fraud Progress Report	To review progress against the Internal Audit and Counter Fraud Plan
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'
	Review of Annual Governance Statement Action Plan 2017/18	To review the Annual Governance Statement Action Plan 2017/18
	Counter Fraud Policy Review	To review the Counter Fraud Policy

24 April 2019	Review of Action Log	To consider the latest Action Log.
	External Audit Strategy Memorandum	To review the external Audit Strategy
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit and Counter Fraud Progress Report	To review progress against the Internal Audit and Counter Fraud Plan
	Internal Audit and Counter Fraud Plan 2019/20	To approve the Internal Audit and Counter Fraud Plan 2019/20
	Constitutional Amendments	To consider any proposed amendments to the Constitution.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.
	Annual Report 2018/19	To approve the 2018/19 Annual Report of the Audit and Governance Committee
	Work Programme 2019/20	To approve the Audit and Governance Committee Work Programme for 2019/20

Agenda Item 8



Report Reference Number: (A/18/1)

To: Audit and Governance Committee
Date: 25th July 2018
Author: Phil Jeffrey; Audit Manager - Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Risk Management Annual Report 2017/18

Summary:

The report provides a summary of risk management activity in 2017/18 and proposed actions to be taken in 2018/19.

Recommendation:

Councillors note the risk management activity undertaken in 2017/18 and comment on the proposed actions for 2018/19.

Reasons for recommendation

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

1. Introduction and background

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

2. The report

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

- Veritau held practical training sessions with officers to supplement the risk management guidance notes and provide additional support in the use of Pentana (the new name for the Covalent System). These have included specific risk assessment and management activities which can be used within their own service areas on an ongoing basis.
- The Council's Corporate Risk Register (CRR) was reported to the Audit and Governance Committee in September 2017 and January 2018. This included the addition of trend information for all risks recorded.
- The Risk Management Annual Report 2016/17 was presented to the Audit and Governance Committee in June 2017.
- A review of the Risk Management Strategy was completed and reported to the Committee in January 2018.
- Officers have been reminded to update Service Based Risk Registers (SBRR) to ensure they accurately reflect new and emerging risks and that their registers are aligned to current service structures.
- Veritau has supported managers to review risks in their service areas and to identify mitigating actions where necessary.

2.2 Further activity planned for 2018/19 includes the following:

- A complete refresh of the Corporate Risk Register. This has already been completed and the revised register is included as a separate agenda item alongside this report. The revised register is based on a risk workshop held in May 2018 with the Extended Leadership Team.
- A health check review of risk management activities for risk at SDC and the provision of feedback to services and ELT.
- Specific project risk management training, as identified in the 2016/17 Capital Accounting audit.
- Completion of the annual review of the Risk Management Strategy.
- Regular reporting of the Corporate Risk Register to Extended Leadership Team and to Audit and Governance Committee.
- Continuation of the risk drop in and training sessions.
- Ongoing support and advice to officers on risk management. Veritau will continue to work with officers to ensure the development of risk management information recorded on the Pentana system will help to ensure risk management is integrated into the culture and working practices within the Council.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

3.1.1 There are no legal implications.

3.2 Financial Issues

3.2.1 There are no financial implications.

4. Conclusion

4.1 Ongoing action continues to be taken to further embed sound risk management processes within the Council. Work to be undertaken in 2018/19 will ensure that proactive risk management continues to develop throughout the Council.

5. Background Documents

Risk Management Strategy – revised January 2018.

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

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

Appendices:

No appendices.

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Agenda Item 9



Report Reference Number: (A/18/2)

To: Audit and Governance Committee
Date: 25th July 2018
Author: Phil Jeffrey, Audit Manager (Veritau)
Lead Officer: Karen Iveson – Chief Finance Officer (S151)

Title: Corporate Risk Register 2018-19

Summary:

The report updates Councillors on movements within the Corporate Risk Register (appendix A) for the Council, which was last reported to this committee in January 2018.

Recommendation:

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

Reasons for recommendation

The Audit Committee has responsibility for overseeing the implementation and management of risks that the Council, as a whole, faces.

1. Introduction and background

1.1 This report updates Councillors on the actions taken by the Council to manage the corporate risks it faces.

2. The Report

2.1 In May, the Council's Extended Leadership Team participated in a risk workshop. This workshop took a fresh look at all the risks facing the Council and broke down those risks using the Institute of Risk Management endorsed 'Bow-Tie' tool. The results are recorded and reported through the Pentana system (Pentana is the new name for the Covalent system).

- 2.2 Annex A shows details of the revised corporate risks included in the system. The following information is included:
- Title of the risk.
 - Risk description.
 - Individual risk scores.
 - Risk owner – identifies the officer responsible for monitoring the risk. This is a member of the Leadership Team.
 - Causes of the risk identified.
 - Consequence of the risk identified.
 - Controls and mitigating actions in place – identifies the required management action and controls which have been put in place to manage the risk. In line with the Risk Management Strategy only risks with a score of 12 or over require a formal action plan.
 - Original risk rating – identifies the risk level before any treatment.
 - Current risk rating – identifies the level at which the risk has currently been assessed, based on the likelihood and impact.
 - Target risk rating – identifies the risk level the Council is working towards.
- 2.3 The responsibility for reviewing and updating the risk register lies with council officers. Whilst Veritau facilitates the risk management process by offering challenge and support it retains its independence and objectivity as it is not part of the risk management process (i.e. it does not assess or score the individual risks).
- 2.4 The revised Corporate Risk Register (CRR) for 2018-2020 has a total of 11 risks. The previous CRR had 17 risks. The risks that have been removed from the CRR are due to either their risk scores falling to the target level, the nature of the risk no longer requiring corporate oversight or because the risk has been merged within the new risk register. The removed risks will now be included within relevant service based risk registers and, if the need arises, be escalated to the CRR in future.
- 2.5 The risks removed are: policy change, communications, failure to respond to civil emergencies, assets, business continuity, performance and partnership outcomes.
- 2.6 There is one new risk included within the register: failure to deliver corporate priorities. This risk complements the refreshed corporate plan (February 2018) where clear priorities were set out for the Council until 2020.
- 2.7 For the risks identified on the CRR, there are controls or mitigating actions in place to manage these risks which are, and need to be, closely monitored on an ongoing basis.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

3.1.1 There are no legal implications.

3.2 Financial Issues

3.2.1 There are no financial implications.

4. Conclusion

4.1 The risks on the Corporate Risk Register continue to be closely monitored and action plans have been developed, or are in the process of being developed, for all risks requiring active management.

5. Background Documents

Risk Management Strategy.

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

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




Appendices:

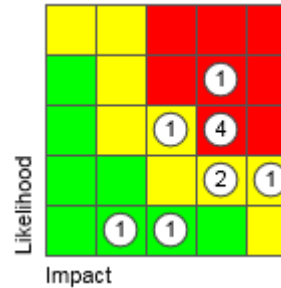
Appendix A – Corporate Risk Register











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NEW: Selby District Council Corporate Risk Register 2018-2020



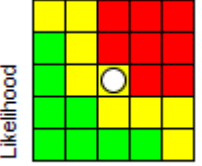
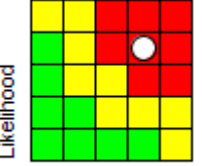
Overview: July 2018


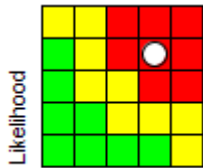
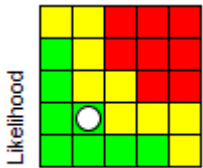
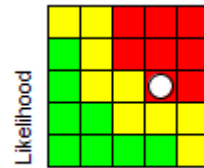
Risk Status	
	High Risk
	Medium Risk
	Low Risk


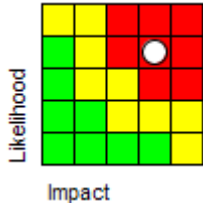
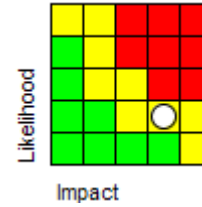
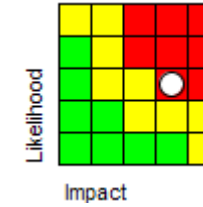



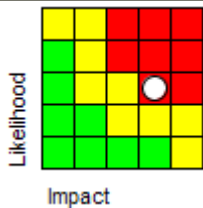
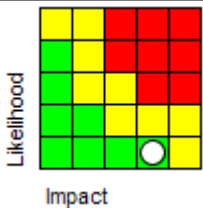
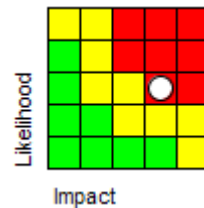
Status	Code	Risk Score (July 2018)	Title
	SDC_CRR_003	16	Financial Resources
	SDC_CRR_000	12	Failure to Deliver corporate Priorities
	SDC_CRR_004	12	Organisational Capacity
	SDC_CRR_008	12	Economic Environment
	SDC_CRR_014	12	Systems and Technology
	SDC_CRR_002	10	Health and Safety Compliance
	SDC_CRR_017	9	Managing Partnerships
	SDC_CRR_006	8	Managing Customer Expectations
	SDC_CRR_007	8	Fraud & Corruption
	SDC_CRR_001	3	Failure in Corporate Governance Arrangements
	SDC_CRR_013	2	Information Governance / Data Protection


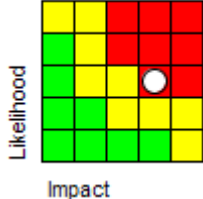
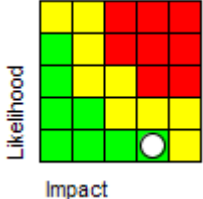
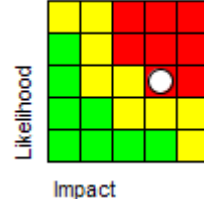
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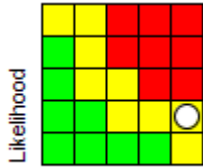
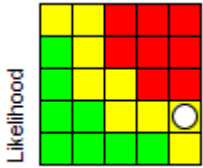
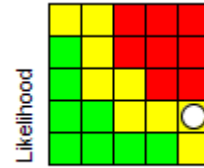
Status	Risk Score	Risk Title	Description	Risk Owner
	16	Financial Resources	The Council's financial position is not sustainable beyond 2021.	Chief Finance Officer (S151 Officer) Karen Iveson
Causes		<ul style="list-style-type: none"> • Poor financial planning • Funding cuts/ Investment Strategy • Poor spending • Poor decisions • Partnership contract (goes awry) • Fair Funding Review (demonstrate why costs) • Over commitment (i.e. Northamptonshire) • Economic - high inflation/increased demand • Loss of control in service delivery • Political environment changes 	Consequences	<ul style="list-style-type: none"> • Unable to deliver its Corporate Plan ambitions and statutory functions • Unable to meet financial commitments (long/medium/short term) • Unable to set a balanced budget as required by legislation. • Central Government intervention. • Forced to make unplanned service reductions which impact on residents and businesses. • Significant reputational and political damage
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Long term financial strategies (GF & HRA) setting out high level resources and commitments. • 3 year budget underpinned by reasonable assumptions (inflation, interest rates etc). • Effective in year budget management arrangements in place. • Savings plan approved with supporting delivery plans for each saving. • Programme for Growth resourced with supporting business cases and action plans. Investment decisions supported by robust whole life (at least 5 years) business cases. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p style="text-align: center;">20</p>		 <p style="text-align: center;">9</p>		 <p style="text-align: center;">16</p>
Notes				Review Date
Updated and reviewed for the revised corporate risk register 2018-20. The risk score has increased – this was discussed and agreed at the risk workshop.				July 2018


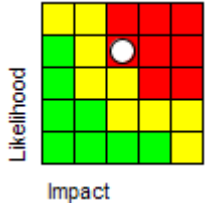
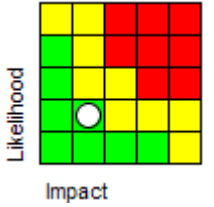
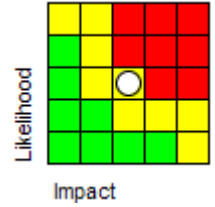
Status	Risk Score	Risk Title	Description	Risk Owner
	12	Failure to Deliver Corporate Priorities	The Council fails to deliver its corporate priorities as set out and approved by Councillors.	Chief Executive Janet Waggott
Causes		<ul style="list-style-type: none"> • Lack of prioritisation • Priorities not reflected in service plans • Windfalls re direct priorities • Political and/or external factors • Capacity/single point of failure • Lack of clarity over corporate priorities 	Consequences	<ul style="list-style-type: none"> • Poor performance - impacting on residents • Poor reputation - residents and partners • Political instability • Staff morale decreased • Missed opportunities for funding • Partnership not fulfilled
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Refreshed Corporate Plan (approved April 2018); • Clear priorities – cascaded via PDRs/1:1s • Shared with wider workforce via Staff Briefings • Corporate Communications Plan being developed – priorities agreed • Delivery via service plans – currently being drafted by Heads of Service in conjunction with employees • Monitoring via Leadership Team as programme board • Executive oversight through quarterly corporate performance monitoring (also subject to quarterly Scrutiny) 		
Risk Assessments				
	Original Risk Rating	Target Risk Rating	Current Risk Rating	
	 <p style="text-align: center;">16</p>	 <p style="text-align: center;">4</p>	 <p style="text-align: center;">12</p>	
Notes	New risk for 2018-20.			Review Date
				July 2018


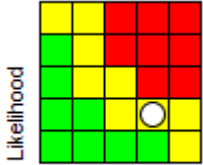
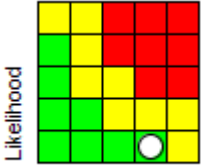
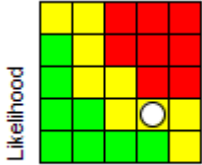
Status	Risk Score	Risk Title	Description	Risk Owner
	12	Organisational Capacity	Lack of organisational capacity and resilience to effectively deliver agreed outcomes and objectives for now and for the future.	Director of Corporate Services and Commissioning Julie Slatter
Causes		<ul style="list-style-type: none"> • Loss of staff • Pay scales • Skills • Wrong structure • Succession planning • Motivation • Culture • Poor leadership • Ineffective management • Failure to prioritise 	Consequences	<ul style="list-style-type: none"> • Increased cost of delivery • High churn • Slowing pace • Loss of talent • Poor delivery of priorities • Impact on reputation • Political frustrations • Failure to deliver outcomes • Low resident satisfaction • Loss of confidence from partners and businesses • Staff stress and dissatisfaction • Poor services
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Organisational review resulting in the right people in the right posts doing the right things, doing them well and funded on a sustainable footing. • Working with partners to lever capacity and expertise – e.g. Better Together. • Utilising Programme for Growth to secure short/medium term capacity to deliver Council priorities – e.g. Economic Development function. • Peer Challenge; Staff Survey; IIP Assessment all identified improvement and building blocks in place – but needs a strategic approach to addressing challenges • Spec for OD Strategy being developed • Concerns expressed in IIP assessment re: HR/OD capacity to deliver – to be addressed 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p>16</p>		 <p>8</p>		 <p>12</p>
Notes				Review Date
Updated and reviewed for the revised corporate risk register 2018-20. Risk score increased from previous register.				July 2018


Status	Risk Score	Risk Title	Description	Risk Owner
	12	Economic Environment	Poor net economic growth.	Director of Economic Regeneration and Place Dave Caulfield
Causes		<ul style="list-style-type: none"> Negative impact of Brexit transition Potential of Strategic Development sites not realised Labour shortages Skills shortages Delays to Infrastructure development/spending 	Consequences	<ul style="list-style-type: none"> Potential negative impact on income. Increased demand for services. Increased demand for interventions to stimulate economic growth. Loss of jobs/increased unemployment Risk to returns on investment property
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> Economic Development and Infrastructure service in place Proactive engagement with LEPs to influence economic growth programmes. Engagement with key businesses to understand future challenges and opportunities to identify where the Council can provide additional support. Direct support for Strategic Development sites with coordination local and regional services Engagement with key businesses to understand future challenges and opportunities to identify where the Council can provide additional support. Engagement with key partners to influence investment programmes and decisions. Long term strategic planning to address demands 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
				
12		4		12
Notes				Review Date
Updated and reviewed for the revised corporate risk register 2018-20. Target Risk score decreased from previous register.				July 2018


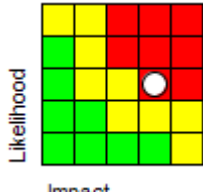

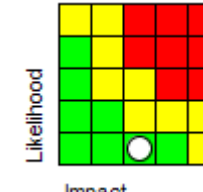
Status	Risk Score	Risk Title	Description	Risk Owner
	12	Systems and Technology	Lack of investment in the right technology and systems.	Director of Corporate Services and Commissioning Julie Slatter
Causes		<ul style="list-style-type: none"> • Failure to invest /keep up to date • Lack of knowledge to specify what we need • Fraud - internal theft of data or sabotage of system/data • Lack of training • Poor implementation • Policies not up to date • Not utilising fully 	Consequences	<ul style="list-style-type: none"> • System fails - cannot deliver (or less than optimal) • Fraud or financial impact • ICO action/fine • Wasted money/resources • Loss of critical data • Reputational damage and/or un-defendable claims
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Digital Strategy and Implementation Plan drafted – expected to be approved by Executive July 2019. Focus on: • Digital customers – channel shift/self service and meeting changing expectations • Digital workforce – using technology to transform how • Digital foundations – maintaining modern, secure systems and infrastructure and strengthening governance and resilience • Strategy will ensure IT investment is aligned to business needs and requirements. • Programme supported by clear business cases and benefit realisation reports. • Continue to maximise opportunities for partnership working – e.g. through Better Together - which will deliver on shared ICT resources. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p>Likelihood</p> <p>Impact</p> <p>12</p>		 <p>Likelihood</p> <p>Impact</p> <p>4</p>		 <p>Likelihood</p> <p>Impact</p> <p>12</p>
Notes				Review Date
Updated and reviewed for the revised corporate risk register 2018-20. This risk now includes systems as well as technology. The risk score has increased from previous register.				July 2018


Status	Risk Score	Risk Title	Description	Risk Owner
	10	Health and Safety Compliance	Failure to comply with Health and safety legislation.	Director of Corporate Services and Commissioning Julie Slatter
Causes		<ul style="list-style-type: none"> • Incident involving a member of staff, visitor or member of the public. • Incident involving council property or on council owned land. • HSE or third-party investigation. • Non-compliance with Health and Safety legislation. 	Consequences	<ul style="list-style-type: none"> • Actual or potential injury or loss of life. • Environmental degradation. • Financial loss / impact on value of assets. • Reputational damage.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Health and Safety Policy and Plan for 2017/18 has been reviewed and is in place led by SDC experts with NYCC providing expertise to provide advice to Managers and ensure Health and Safety procedures are rigorous. • Health and safety due diligence assessment on service areas and contractors. • Public liability and property insurance. • Risk management system in place to manage equipment, contractors, property and environmental and health and safety risks. • Health and safety performance monitoring of Delivery Partners to ensure HS&E compliance. • Risk assessing, and then managing accordingly, every property and asset. • Statutory checks to ensure regulatory HS&E Compliance. • Event Safety Plan for all events managed by external consultants. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p>10</p>		 <p>10</p>		 <p>10</p>
Notes				Review Date
Updated and reviewed for the revised corporate risk register 2018-20. Health and Safety Compliance was on the previous risk register. Scores remain unchanged.				July 2018

Status	Risk Score	Risk Title	Description	Risk Owner
	9	Managing Partnerships	Inability to influence strategic partnerships (e.g. health/ LEP/NYCC etc).	Director of Economic Regeneration and Place Dave Caulfield
Causes		<ul style="list-style-type: none"> Poor relationship management Political buy in Performance Management Clarity of Purpose Commissioning/contract management Lack of Shared objectives Due Diligence Partnership governance 	Consequences	<ul style="list-style-type: none"> Service Failure - quality of delivery Reputational Loss of Service Impact on customers/residents from lack of partnership resources Conflicting priorities Unable to gain additional resource/staff/funding Capacity - ventures Overspending Legal challenge and costs Conflicting governance Liability of additional cost/spend.
		Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> Targeted work with key developers and investors. Close working with the LEP's to identify potential investment opportunities. Close involvement in shaping the asks within any Devolution deal. Re-structure to increase capacity in economic development, regeneration and partnerships.
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
				
12		4		9
Notes				Review Date
Updated and reviewed for the revised corporate risk register 2018-20. This risk takes a fresh look at the partnership risk – discussed at risk workshop.				July 2018

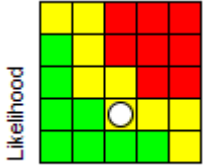
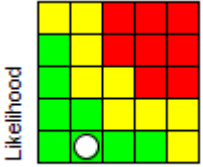
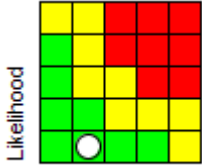
Status	Risk Score	Risk Title	Description	Risk Owner
	8	Managing Customer Expectations	Inability to meet customers' demand for services.	Chief Executive Janet Waggott
Causes		<ul style="list-style-type: none"> Lack of clear standards/standards not being met Staff not demonstrating core values/behaviours Poorly trained staff/ineffective learning Staff not empowered to take decisions Ineffective front/back office processes Lack of resources/resources not aligned to priorities Poor services 	Consequences	<ul style="list-style-type: none"> Poor customer satisfaction. Quality and timeliness of service suffers. Sustainability of service. Increased customer complaints. Impact on Elected Members.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> Increase community delivery. Channel shift to self-service. Re-design services using quality data. Develop structured multi-agency partnerships. Right first time services to remove avoidable work. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p>Likelihood</p> <p>Impact</p>		 <p>Likelihood</p> <p>Impact</p>		 <p>Likelihood</p> <p>Impact</p>
8		4		8
Notes				Review Date
Updated and reviewed for the revised corporate risk register 2018-20. Risk was refreshed at the risk workshop.				July 2018

Status	Risk Score	Risk Title	Description	Risk Owner
	8	Fraud & Corruption	Incident of fraud and / or corruption occurs within the Council.	Chief Finance Officer (S151 Officer) Karen Iveson
Causes		<ul style="list-style-type: none"> • Low staff morale • Debt (Individual) • Lack of vigilance by staff • System weakness - unknown • Failure to report changes • Incorrect information 	Consequences	<ul style="list-style-type: none"> • Financial and reputational loss. • Potentially more fraud (gaps not closed)
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Counter fraud arrangements reviewed through annual self-assessment. • Counter Fraud and Corruption Strategy and Policy to be reviewed regularly. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
8		8		8
Notes				Review Date
Updated and reviewed for the revised corporate risk register 2018-20. Fraud and Corruption was on the previous risk register. Scores remain unchanged.				July 2018

Status	Risk Score	Risk Title	Description	Risk Owner
	3	Failure in Corporate Governance Arrangements	The Council's governance and transparency of decision making is not effective and does not align with the Council's required flexibility to adapt.	Solicitor to the Council Gillian Marshall
Causes		The changing agenda and drive towards commercialisation requires the council to be 'fleet of foot' which may impact the ability to be accountable and transparent and legally compliant.	Consequences	<ul style="list-style-type: none"> • Councillors and managers may make decisions outside their accountability. • The Council will be vulnerable to legal challenges and ombudsman complaints with attendant costs, consequences and reputational damage. • Budgets may be overspent and outcomes may not improve.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Constitution reviewed and updated in 2015 including rules on decision making, access to information rules, contract procedure rules and financial procedure rules. • Governance training programme underway for new management team 		
Risk Assessments				
	Original Risk Rating	Target Risk Rating	Current Risk Rating	
				
	12	3	3	
Notes	Updated and reviewed for the revised corporate risk register 2018-20. Risk has been revised to the current landscape of the council – risk scores have been updated accordingly.			Review Date
				July 2018

Status	Risk Score	Risk Title	Description	Risk Owner
	2	Information Governance/Data Protection	Non-compliance with the Freedom of Information and General Data Protection Regulation acts.	Solicitor to the Council Gillian Marshall
Causes		<ul style="list-style-type: none"> Retaining information "just because" it might useful, way past its retention date. Don't inform someone that we are processing their data. If we collect data for a specific purpose and we are unable to fulfil that purpose. Asking for more information that necessary on our forms Incorrect use of email distribution lists (identifying all recipients) We don't notify the correct authorities of a data breach. We don't respond to people under their data protection rights. 	Consequences	<ul style="list-style-type: none"> Loss or inappropriate use of personal data and information. Damaged reputation. Financial penalty.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> Information governance action plan delivered to agreed timescales, including - policies and systems in place; training provided to officers and members. Breaches recorded, monitored and followed up. 		

36

Risk Assessments			
Original Risk Rating	Target Risk Rating	Current Risk Rating	
 <p>Likelihood</p> <p>Impact</p> <p>6</p>	 <p>Likelihood</p> <p>Impact</p> <p>2</p>	 <p>Likelihood</p> <p>Impact</p> <p>2</p>	
Notes			Review Date
Updated and reviewed for the revised corporate risk register 2018-20. Risk score has decreased since last risk register.			July 2018

Agenda Item 10



Report Reference Number: (A/18/3)

To: Audit and Governance Committee
Date: 25 July 2018
Authors: Phil Jeffrey; Audit Manager – Veritau
Jonathan Dodsworth; Counter Fraud Manager -
Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Annual Report of the Head of Internal Audit 2017/18

Summary:

The purpose of the report is to present the Annual Report of the Head of Internal Audit for 2017/18. That report is prepared by Veritau and is based on internal audit work carried out since April 2017. A summary of counter fraud work carried out during 2017/18 is also included.

Recommendation:

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

Reasons for recommendation

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

1. Introduction and background

1.1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with these standards, the Head of Internal Audit is required to provide an annual report setting out the work done by internal audit. The report should also include an audit opinion based on an objective assessment of the framework of

governance, risk management and control operating within the Council.

2. The Report

- 2.1 The purpose of the report, included at appendix A, is to provide a summary of internal audit work carried out during 2017/18 and to express an opinion on the overall framework of governance, risk management and control in place within the Council.
- 2.2 The report includes a summary of the audit opinions for individual audits completed in the year, to support the overall opinion. A number of the internal audit reports are still at draft report stage and have not yet been finalised. However, the findings in these reports are not expected to change significantly and they have been considered in forming the overall opinion.
- 2.3 The report also includes a summary of internal audit performance for 2017/18 and conclusions from Veritau's internal audit Quality Assurance and Improvement Programme (QAIP).
- 2.4 A summary of counter fraud work carried out during 2017/18 is included at appendix B.

Internal Audit Charter

- 2.5 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit & Governance Committee. No changes are proposed at this time.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

(a.) None.

3.2. Financial Issues

(a.) None.

4. Conclusion

- 4.1 The overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council is that it provides **Reasonable Assurance**. There are no qualifications to that opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion.

4.2 Although a Reasonable Assurance opinion can be given, we are aware of some significant weaknesses in the control environment which have been identified in relation to specific audits. In giving this opinion attention is drawn to the following significant control issues which are considered relevant to the preparation of the 2017/18 Annual Governance Statement:

- Payroll – previously identified issues with the costing file were found to have re-occurred and the Council is working with the payroll provider to resolve these.
- PCI DSS – an audit identified that non-compliance with the standard remained a significant issue.
- Creditors – whilst improvements had been made, a significant number of orders are being raised outside e-procurement.

All of these areas were highlighted as weaknesses in previous annual internal audit reports and were reflected in the Council's 2016/17 Annual Governance Statement. While some action has been taken to address the issues, control weaknesses remain and they therefore remain relevant to the preparation of the 2017/18 Annual Governance Statement.

5. Background Documents

Internal Audit and Counter Fraud Plan 2017/18
Internal Audit and Counter Fraud progress reports to Audit and Governance Committee in 2017/18 (September, January and April)
The Public Sector Internal Audit Standards 2017

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

Appendices: **Appendix A: Annual Report of the Head of Internal Audit 2017/18**

Appendix B: Summary of counter fraud work 2017/18

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Selby District Council

**Annual Report of the
Head of Internal Audit 2017/18**

Audit Manager: Phil Jeffrey
Deputy Head of Internal Audit: Richard Smith
Head of Internal Audit: Max Thomas
Date: 25th July 2018

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)¹ should provide an annual report to the board². The report should include:
 - (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
 - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
 - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme
- 2 Members approved the annual internal audit plan for 2017/18 at their meeting on 19 April 2017. The total number of planned audit days for 2017/18 was 342. The performance target for Veritau is to deliver 93% of the agreed audit plan by the end of the year. This report summarises the delivery of the agreed plan and the other information required for the annual report as set out in paragraph 1.

Internal Audit Work Carried Out 2017/18

- 3 A summary of the audit work completed in the year is attached at annex A.
- 4 In addition to audits of specific systems, internal audit team also undertakes work in the following areas.
 - **Support to the Audit and Governance Committee;** this is ongoing through our support and advice to members. This includes preparation of reports, attendance at committee, and the provision of advice and training.
 - **General advice and support;** Veritau provide advice to officers on control issues - for example to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.

¹ The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Audit and Governance Committee.

- **Investigations;** Special investigations into specific sensitive issues.

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

6 The opinions used by Veritau are provided below:

High Assurance Overall, very good management of risk. An effective control environment appears to be in operation.

Substantial Assurance Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.

Reasonable Assurance Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.

Limited Assurance Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.

No Assurance Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

7 The following priorities are applied to individual actions agreed with management:

Priority 1 (P1) – A fundamental system weakness, which represents unacceptable risk to the system objectives and requires urgent attention by management.

Priority 2 (P2) – A significant system weakness, whose impact or frequency presents risk to the system objectives, which needs to be addressed by management.

Priority 3 (P3) – The system objectives are not exposed to significant risk, but the issue merits attention by management.

Follow up of agreed actions

- 8 It is important that agreed actions are formally followed-up to ensure that they have been implemented. Where necessary internal audit will undertake further detailed review to ensure the actions have resulted in the necessary improvement in control.
- 9 A total of 77 agreed actions from 2015/16 audits have been followed up with the responsible officers. Of these, 71 have been satisfactorily implemented. In a further 6 cases, the actions had not been implemented by the target date - a revised target date was subsequently agreed and the action will be followed up again after that point. A summary of this follow up work is included below:

2015/16 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	71	0	37	34
Revised date agreed	6	0	6	0
Follow up in progress	0	0	0	0
Not yet followed up	0	0	0	0
Total agreed actions	77	0	43	34

- 10 A total of 58 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 52 have been satisfactorily implemented. In a further 6 cases, the actions had not been implemented by the target date - a revised target date was subsequently agreed and the action will be followed up again after that point. The remaining 6 actions agreed in 2016/17 have not yet been followed up either because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

2016/17 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	52	1	19	32
Revised date agreed	6	0	2	4
Follow up in progress	3	0	3	0
Not yet followed up	3	0	3	0
Total agreed actions	64	1	27	36

- 11 A total of 7 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 5 have been satisfactorily implemented. In a further 2 cases, the actions had not been implemented by the target date - a revised target date was subsequently agreed and the action will be followed up again after that point. The remaining 15 actions agreed in 2017/18 audits have not yet been followed up because the target dates have not yet passed. A summary of this follow up work is included below:

2017/18 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	5	0	2	3
Revised date agreed	2	0	2	0
Follow up in progress	0	0	0	0
Not yet followed up	15	1	5	9
Total agreed actions	22	1	9	12

Completion of audit plan

- 12 Currently, three 2017/18 audits are at draft report stage. Ten reports have been finalised since the last report to this committee. A total of 98% of reports were completed to draft report stage by the end of April 2018 (the cut off point for 2017/18 audits), exceeding the target of 93%.

Compliance with Standards

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

Audit Opinion and Assurance Statement

- 15 The overall opinion of the Head of Internal Audit on the risk management, governance and control framework operated by the Council is that it provides Reasonable Assurance. There are no qualifications to that opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion.
- 16 Although a Reasonable Assurance opinion can be given, we are aware of some significant weaknesses in the control environment which have been identified in relation to specific audits. In giving this opinion attention is drawn to the following significant control issues which are considered relevant to the preparation of the 2017/18 Annual Governance Statement:
- Payroll – previously identified issues with the costing file were found to have re-occurred and the Council is working with the payroll provider to resolve these.
 - PCI DSS – an audit identified that non-compliance with the standard remained a significant issue.
 - Creditors – whilst improvements had been made, a significant number of orders are being raised outside e-procurement.

All of these areas were highlighted as weaknesses in previous annual internal audit reports and were reflected in the Council's 2016/17 Annual Governance Statement. While some action has been taken to address the issues, control weaknesses remain and they therefore remain relevant to the preparation of the 2017/18 Annual Governance Statement.



Max Thomas
Director and Head of Internal Audit
Veritau Ltd

25 July 2018

2017/18 audit assignments status

Audit	Status	Audit Committee
<u>Corporate Risk Register</u>		
ICT Governance	Reasonable Assurance	July 2018
Organisational Development	Deferred ³	
Programme for Growth	Support provided	
Savings Delivery	Additional testing complete ⁴	
Business Continuity & Disaster Recovery	No Opinion Given	July 2018
<u>Financial Systems</u>		
Benefits	Substantial Assurance	July 2018
Council Tax/NNDR	Substantial Assurance	January 2018
Creditors	Draft report issued	
Debtors	Substantial Assurance	July 2018
Housing Rents	Substantial Assurance	April 2018
Income and Receipting	Draft report issued	
Payroll	Reasonable Assurance	July 2018
<u>Regularity / Operational Audits</u>		
Agency Staff	Reasonable Assurance	July 2018
Governance Arrangements	Draft report issued	
Housing Development	Deferred ⁵	
Insurance	Work Completed ⁶	
Performance Management	Reasonable Assurance	July 2018
Planning	Deferred ⁷	
Section 106 Agreements / CIL	Support provided	

³ Deferred until 2018/19. The time has been used to finalise outstanding 2016/17 audits.

⁴ Additional testing has been carried out during 2017/18 to continue work started in 2016/17.

⁵ Deferred until 2018/19.

⁶ Some initial systems documentation was carried out with a view to more detailed testing in 2018/19.

⁷ Deferred until 2018/19. The time has been used to fund additional time spent on Follow-ups, Corporate Issues and Tender openings.

Audit	Status	Audit Committee
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Technical / Project Audits

Business Transformation	Cancelled ⁸	
Contract Management and Procurement	Reasonable Assurance	July 2018
Information Security	Reasonable Assurance	July 2018
PCI DSS	Limited Assurance	July 2018
Project Management	Support provided ⁹	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Business Continuity & Disaster Recovery (follow-up)	11 th May 2018	No Opinion Given	0	0	0
Debtors	29 th May 2018	Substantial Assurance	0	1	1
Benefits	4 th June 2018	Substantial Assurance	0	0	2
Agency Staff	14 th June 2018	Reasonable Assurance	0	2	2
ICT Governance	26 th June 2018	Reasonable Assurance	0	2	3
Payroll	12 th July 2018	Reasonable Assurance	0	7	1
Information Security	12 th July 2018	Reasonable Assurance	1	4	0
PCI DSS	12 th July 2018	Limited Assurance	1	0	0
Contract Management & Procurement	12 th July 2018	Reasonable Assurance	0	1	1
Performance Management	13 th July 2018	Reasonable Assurance	0	0	4

⁸ Audit cancelled and time re-allocated to Debtors and Payroll.

⁹ Support has been provided to the Annual Billing project and the new Housing System project.

Summary of audits completed to 13 July 2018; not previously reported to the committee

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
Business Continuity & Disaster Recovery (follow-up)	No Opinion Given	This was a follow-up of previously agreed actions. It confirmed that they had now been completed. A full audit to test the new arrangements is included in the 2018/19 plan.	11 th May 2018	0	0	0	None.	
Debtors	Substantial Assurance	A review of debtors transactions between July 2016 and December 2017. Invoices are generally raised promptly, appropriately	29 th May 2018	0	1	1	Data & Systems will investigate the cause of the problem with missing invoice numbers generated by the financial system with the software supplier and take further action to prevent its reoccurrence as necessary.	This action is currently being followed up with the responsible officer. (Due 30 June 2018)

¹⁰ Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
		and with sufficient authorisation. An issue with missing system generated invoice numbers was identified.						
Benefits	Substantial Assurance	The audit found that Housing Benefit and Council Tax Reduction claims are assessed and calculated accurately and that evidence is available to support the validity of the claims.	4 th June 2018	0	0	2	None.	n/a
Agency Staff	Reasonable Assurance	The audit found that a new central system had brought	14 th June 2018	0	2	2	Authority To Recruit (ATR) forms will be updated and the wording on the forms will be reviewed to ensure	Due 31 August 2018

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
		improvements; however issues were identified in relation to authorising engagements and retaining the correct paperwork.					that the correct information is captured and to emphasise the need for forms to be approved by the appropriate officer. Incomplete forms will be returned to the recruiting manager to be completed, before processing. Going forward, all recruitment within the council will require a completed ATR form. The HR Officer has the authority to challenge any incomplete request and escalate as required. Communications will go out to all officers to remind them of the correct process.	Due 31 August 2018
ICT Governance	Reasonable Assurance	The audit found that reasonable progress is being made in	26 th June 2018	0	2	3	The ICT strategy and delivery programme to be approved by Executive in July 2018 includes actions	Due 31 July 2018

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
		implementing a stronger ICT governance framework through the shared infrastructure agreement with NYCC. A number of areas for improvement were identified.					for ICT governance to be considered against national guidance. The original ICT working group has now been replaced by periodic visits by the Business Transformation Officer to service area team meetings, and senior management team meetings. Senior management team meetings will be attended on a monthly basis, whilst the frequency of visits to service area team meetings will depend on the team's use and reliance on ICT. This will be formalised. Reference to the old ICT working group on the intranet has now been removed.	Action complete at issue (progress will be followed-up along with the other actions)

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
							Ways to regularly raise Council-wide awareness of ICT developments will also be explored.	
Information Security	Reasonable Assurance	Unannounced checks were made after staff had left for the day. It found that storage was not locked and some IT assets were left unsecured, although the clear desk policy had been better observed.	12 th July 2018	1	4	0	<p>The detailed findings from the information security checks will be shared with directors and heads of service via Extended Leadership Team and with team leaders via the Service Manager Group. More information security checks are planned for 2018/19.</p> <p>The importance of physical information security will be reiterated to all staff and partners at the point at which the police co-location is complete.</p> <p>Any issues with</p>	<p>Action complete at issue</p> <p>Due 31 October 2018</p> <p>Action complete at</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
							<p>availability of storage, broken locks or absence of keys will be identified and addressed and key safes will be purchased and installed so that all information is capable of being securely locked away.</p> <p>An instruction will be issued to all staff clarifying the procedure for locking the archive rooms at the end of the day. The keys for the archive rooms will be held overnight in the key safe belonging to a department that makes use of the room.</p> <p>The terms of reference for the Corporate Information Governance Group will be reviewed to ensure that ongoing compliance with the General Data</p>	<p>issue</p> <p>Action complete at issue</p> <p>Due 31 July 2018</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
							Protection Regulation is contained within its remit. This will include physical information security.	
PCI DSS	Limited Assurance	The audit found that there is no secure segmentation of the Council's cardholder data environment and, therefore, the PCI DSS security requirements extend to all network components. No corporate decision has been taken as to which (if any) of scope reduction options will be pursued.	12 th July 2018	1	0	0	Data & Systems will seek assurances from NYCC as to the compliance of their cardholder data processing and liaise with the new income management system software supplier to better understand the future of PARIS and possible opportunities for scope reduction. An options appraisal will then be presented to Leadership Team which will set out the risk and cost implications of pursuing changes to the existing cardholder data environment. As for the compliance validation requirements, responsibilities will be established and assurances will either be obtained from	Due 30 September 2018

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
							<p>NYCC that compliance requirements are being fulfilled or arrangements will be put in place to ensure that Selby District Council fulfils its requirements.</p> <p>The content of policy and procedures for PCI DSS will be influenced by the option chosen by Leadership Team. Once a corporate decision has been taken the policy and procedures will be developed accordingly.</p>	
Payroll	Reasonable Assurance	The audit identified issues in relation to procedure notes, authorisation of the payroll, the costing file and the SLA with NYCC.		0	7	1	<p>The payroll procedure manual will be reviewed and updated. It will be tested by a member of staff unfamiliar with the system to ensure it is adequate and comprehensive. It will then be signed off by an appropriate officer.</p> <p>Training on payroll</p>	<p>Due 31 August 2018</p> <p>Due 31 August 2018</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
							<p>procedures will be provided to at least one other member of staff and access to ResourceLink and Bond HR will be arranged for them.</p> <p>The payroll authorisation document will be amended to include a statement to the effect that the Head of Business Development and Improvement authorises the payroll for payment. This will be provided to NYCC each month as proof of the authorisation.</p> <p>Authorisation will not be given until all amendments have been made. If any amendments to the payroll are required post-authorisation, these will be dealt with through a separate authorisation</p>	<p>Due 31 August 2018</p> <p>Due 31 August 2018</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
							<p>process.</p> <p>The Finance team will carry out and sign off the reconciliations completed in Part 2 of the Payroll Audit Control documents.</p> <p>The errors and discrepancies in the costing file will be investigated and resolved by 31 August 2018.</p> <p>Officers will review the SLA to ensure it meets SDC's needs and ensure it is agreed and signed by 31/8/2018.</p>	<p>Due 31 August 2018</p> <p>Due 31 August 2018</p> <p>Due 31 August 2018</p>
Contract Management & Procurement	Reasonable Assurance	The audit found that a contract was not always in place for the suppliers reviewed.	12 th July 2018	0	1	1	A framework contract using the M3NHF Schedule of rates for responsive maintenance and void work will be procured this financial year. The framework contract will	Due 31 March 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹⁰	Progress against key actions
				1	2	3		
							consist of several lots reflecting the schedule and various trade disciplines. Preparatory work is currently underway to ensure all current and local suppliers are supported prior to and during the formal tender process.	
Performance Management	Reasonable Assurance	The audit found generally robust processes in place. However, improvements could be made to embed the corporate performance framework, guidance for service planning and measuring performance.	13 th July 2018	0	0	4	None.	n/a

Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Governance (2015/16)	<p>A policy review schedule will be drawn up for all information governance policies to be reviewed and, where required, updated.</p> <p>The data protection policy will be reviewed as a priority.</p>	2	Solicitor to the Council	30 Nov 2016	<p>In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate.</p> <p>Revised date of 24 Aug 18.</p>
Information Governance (2015/16)	<p>The asset register will be reviewed and updated. This will include updating Information Asset Owner (IAO) responsibilities to reflect the new organisational structure.</p> <p>Job descriptions will be reviewed and responsibilities will be included for all roles who act as IAOs, as well as the Senior Information Risk Owner (SIRO) and Solicitor to the Council.</p>	2	Solicitor to the Council	30 Nov 2016	<p>In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate.</p> <p>Revised date of 31 Aug 18.</p>
Information Governance (2015/16)	<p>In reviewing and refreshing the information asset register IAOs will refer to the information risk management policy.</p>	2	Solicitor to the Council	30 Nov 2016	<p>In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with service areas to</p>

	Information risks will be considered by all services and significant risks identified through this process will be included in the service based risk registers.				ensure the registers are complete and accurate. It is anticipated that any specific information security risks will be identified as part of this and will be reflected in SBRRs where appropriate. Revised date of 31 Aug 18.
Information Governance (2015/16)	A privacy notice will be written that applies to information collected across a range of council functions and this will be made available on the Council website. The review of the information asset register will identify the types of information held and how it is used. This will be used to determine which areas need specific privacy notices covering the information they hold and in which areas it is sufficient to refer to the privacy notice available on the website.	2	Solicitor to the Council	30 Nov 2016	In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate. Part of Phase 2 will involve the drafting of privacy notices for service areas. Revised date of 31 Aug 18.
Information Governance (2015/16)	The review of the information asset register (IAR) will identify information being shared with other organisations. IAOs will be asked to confirm whether all	2	Solicitor to the Council	30 Nov 2016	In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with

	<p>decisions to share information are recorded and that data sharing agreements are in place.</p> <p>Data sharing agreements will be drawn up under the Multi Agency Information Sharing Protocol (MAISP) where required.</p>				<p>service areas to ensure the registers are complete and accurate. MAISP data sharing agreements will be drawn up where necessary as part of Phase 2.</p> <p>Revised date of 31 Aug 18.</p>
Information Governance (2015/16)	<p>A consolidated corporate records retention and disposal schedule will be drawn up in line with the document retention policy.</p> <p>This will apply to all records held and in all formats and will be made available throughout the organisation.</p>	2	Solicitor to the Council	30 Nov 2016	<p>In its capacity as DPO, Veritau is undertaking 'Phase 2' of the IAR project with service areas to ensure the registers are complete and accurate. Retention and disposal forms part of the IAR.</p> <p>Revised date of 31 Aug 18.</p>
Sundry Debtors (2016/17)	<p>Management will look to review and renegotiate the server hosting SLA between Richmondshire District Council and Selby District Council, taking into account the matters raised in this audit.</p>	2	Chief Finance Officer	30 Sep 2017	<p>This action is currently being followed up with the responsible officer.</p> <p>Finance is currently waiting for the RDC legal team to agree the SLA.</p>

Council House Repairs (2016/17)	Procurement of the new housing management system is in progress. Once implemented, automated processes will replace the manual workaround (due to the housing management system not being linked to the finance system) and will enable all materials and jobs to be checked.	2	Head of Operational Services	30 Nov 2018	Due 30 November 2018
Council House Repairs (2016/17)	A new housing management system will be procured which includes the capacity to cost jobs and will be linked to the finance system.	2	Head of Operational Services	30 Nov 2018	Due 30 November 2018
Council House Repairs (2016/17)	Included in the specification for the new housing management system is the requirement for there to be job scheduling functionality. This functionality will be made available when the system is implemented.	2	Head of Operational Services	30 Nov 2018	Due 30 November 2018
Project Management (2016/17)	Update project management guidance to be used for all projects across the Council – to cover all aspects of project management including, initiation, scoping, planning, resourcing, communicating, monitoring, management of risk and review.	2	Head of Business Development & Improvement	30 Sep 2017	Completed.
Project Management (2016/17)	Rollout of training on the revised project management framework and guidance – commencing October 2017.	2	Head of Business Development & Improvement	31 Dec 2017	Completed.

Information Security Checks (2016/17)	Any issues with availability of storage, broken locks or absence of keys and places to store keys to be identified and addressed so that all information is capable of being locked away.	2	Solicitor to the Council	30 June 2017	Completed.
Information Security Checks (2016/17)	Responsibility for shared storage and rooms (e.g. archive room) to be made clear to ensure they are locked when not in use / at the end of the day.	2	Solicitor to the Council	30 June 2017	Completed.
Savings Delivery (2016/17)	Monitoring of savings and progress will be allocated to a specific team member. Future proposals and actions to be undertaken will be subject to comprehensive risk assessments.	2	Head of Planning	31 Jan 2018	This action is currently being followed up with the responsible officer.
Development Management (2016/17)	The specific officer delegations for non executive (council) functions with respect to planning and development management will be amended. They will require that applications submitted by or on behalf of the authority for its own developments or on its owned land are also presented to Planning Committee unless they are 'minor' and no objections have been received.	2	Solicitor to the Council	30 April 2018	This action is currently being followed up with the responsible officer and a revised date will be required.
Development Management (2016/17)	The planning service review action in respect of a revised pre-application duty advice service will be progressed. This action sets out to reconsider the provision of the duty service and to ensure that the advice offered is first reviewed by a	2	Planning Development Manager	31 Jan 2018	This action has been part completed. The duty service has now been limited to providing advice on householder

	Principal Planning Officer following the appointment. Steps will also be taken to ensure that the duty service is used to provide advice only in relation to householder permitted development inquiries or householder proposals and the council's website will be updated to reflect this.				enquiries. A revised date will be required for completion of this action.
Development Management (2016/17)	In the meantime, development management will introduce a process to ensure that all documents which the ICO recommends are removed from the public planning register are removed once the application has been determined.	2	Planning Development Manager	30 April 2018	This action is being considered as part of the development management enterprise project. Revised date of 30 Sep 18.
Council Tax & NNDR (2017/18)	Training and support will be provided to the staff members who have taken over key roles and this will be put into practice during the test billing run in January.	2	Data & Systems Team Leader	31 Jan 2018	Completed.
Council Tax & NNDR (2017/18)	Data and Systems will liaise with the software suppliers and the planning department to find a solution.	2	Data & Systems Team Leader	31 March 2018	Data & Systems will meet with the service unit to understand exactly what information is required from the building control department that cannot be obtained from other business units within

					<p>SDC. This is before Data & Systems asks the software supplier to quote for an integration connection.</p>
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Revised date of 31 Aug 18.

VERITAU

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

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

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

On an ongoing basis, samples of completed audit files are also subject to internal peer review by a senior audit manager to confirm quality standards are being maintained. Any key learning points are shared with the relevant internal auditors and audit managers. The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

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

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

The results of the annual client survey, PSIAS self-assessment and professional networking are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board¹¹ as part of the annual report of the Head of Internal Audit.

External assessment

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

2.0 Customer Satisfaction Survey – 2018

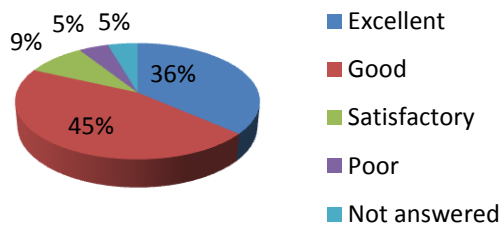
Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2018. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 159 surveys (2017 – 149) were issued to senior managers in client organisations. 22 surveys were returned representing a response rate of 14% (2017 - 21%). The surveys were sent using Survey Monkey and respondents were asked to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:

¹¹ As defined by the relevant audit charter.

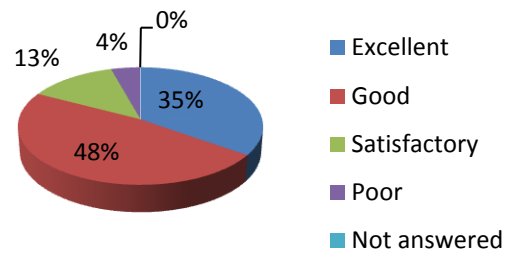
- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

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

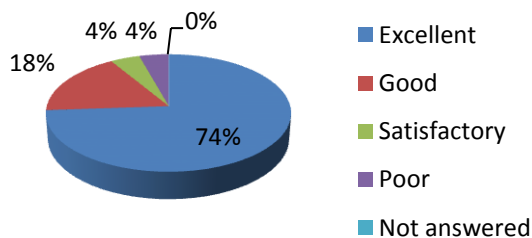
Quality of audit planning / overall coverage



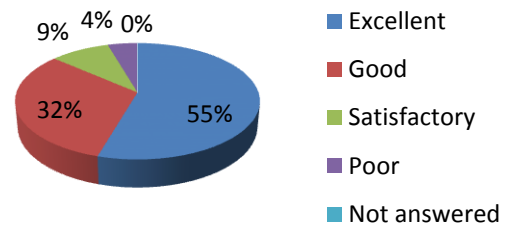
Provision of advice / guidance



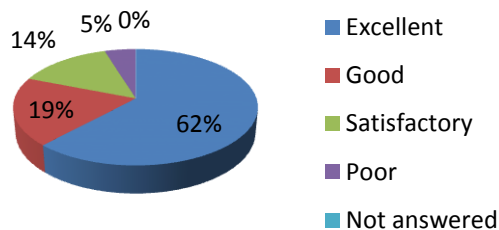
Staff - conduct / professionalism



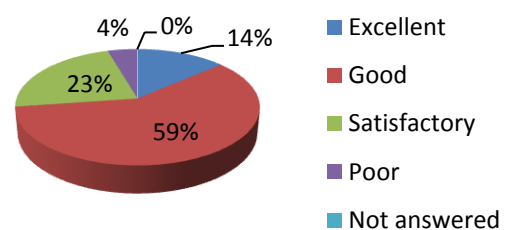
Ability to provide unbiased / objective opinions



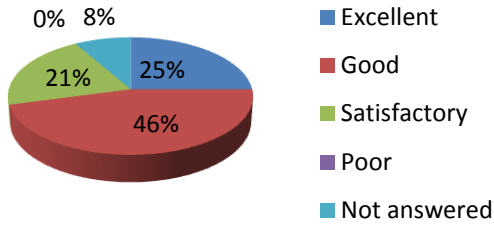
Ability to establish positive rapport with customers



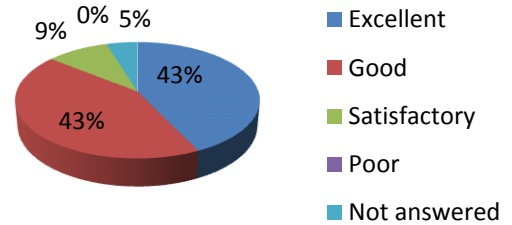
Knowledge of system / service being audited



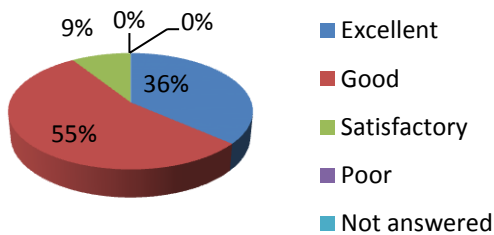
Ability to focus on areas of greatest risk



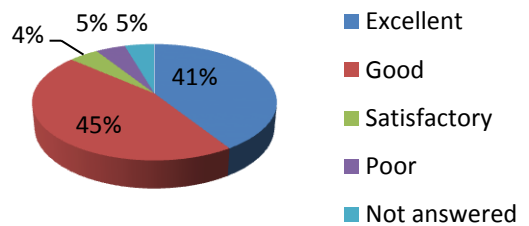
Agreeing scope / objectives of the audit



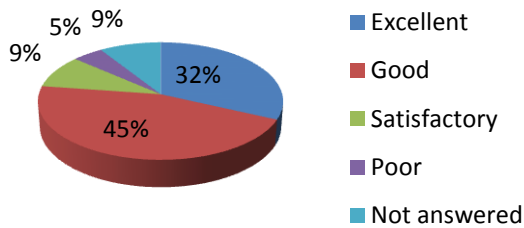
Minimising disruption to the service being audited



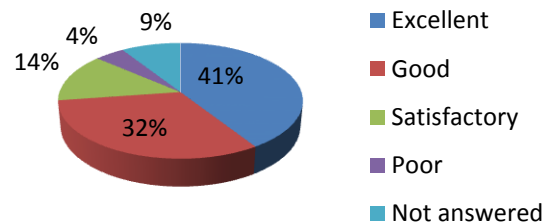
Communicating issues during the audit



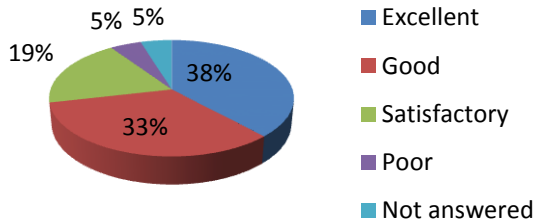
Quality of feedback at end of audit



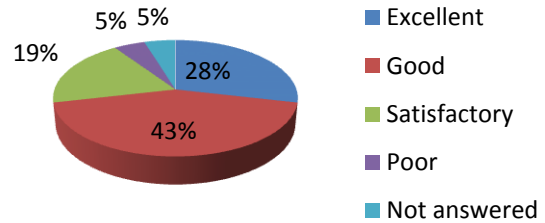
Accuracy / format / length / style of audit report



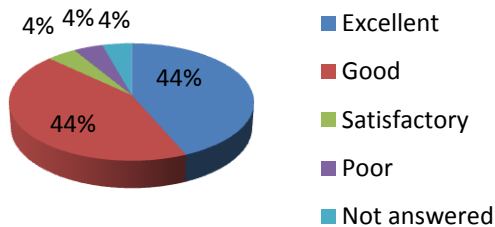
Relevance of audit opinions / conclusions



Agreed actions are constructive / practical



Overall rating for Internal Audit service



The overall ratings in 2018 were:

	2018		2017	
	Count	Percentage	Count	Percentage
Excellent	10	45%	11	27%
Good	10	45%	19	63%
Satisfactory	1	5%	2	10%
Poor	1	5%	0	0%

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

3.0 Self Assessment Checklist – 2018

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

The current working practices are generally considered to be at standard. However, a few areas of non-conformance have been identified. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues

identified are considered to be significant and the existing arrangements are considered appropriate for the circumstances and hence require no further action.

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

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

<u>Conformance with Standard</u>	<u>Current Position</u>
	and reliability of the assurance provider.

4.0 External Assessment

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

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

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

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

5.0 Improvement Action Plan

No specific changes to working practices have been identified in 2018. However, to enhance the overall effectiveness of the service, the following areas continue to be a priority in 2018/19:

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

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

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

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



Selby District Council

Summary of Counter Fraud Activity
2017/18

Counter Fraud Manager:
Deputy Head of Internal Audit:
Head of Internal Audit:
Date:

Jonathan Dodsworth
Richard Smith
Max Thomas
25th July 2018

Background

- 1 Fraud is a significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom.
- 2 Councils are encouraged to prevent, detect and deter fraud in order to safeguard public finances.
- 3 Veritau are engaged to deliver a corporate fraud service for Selby District Council. A corporate fraud service aims to prevent, detect and deter any fraud or related criminality affecting an organisation. Veritau deliver counter fraud services to the majority of councils in the North Yorkshire area as well as local housing associations and other public sector bodies.

Counter Fraud work carried out in 2017/18

- 4 Counter fraud work was undertaken in accordance with the approved plan. A summary of activity is included in annex A of this report. Investigations this year have led to the £22k of actual savings being produced for Selby District Council. Overall, 44% of investigations resulted in a successful outcome.
- 5 Across 6 local authorities in 2017/18 Veritau detected £570k of fraud against its clients and produced £615k in actual savings.

Counter Fraud Activity 2017/18

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

	2017/18 (Full Year)	2016/17 (Full Year)
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, and housing allocations blocked).	44%	44%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£22,194	£39,858
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£18,400	£18,000

Page 77

Caseload figures for the period are:

	2017/18 (Full Year)	2016/17¹ (Full Year)
Referrals received	81	187
Referrals rejected	43	30
Number of cases under investigation ²	15	38
Number of investigations completed	41	81

¹ Work currently undertaken by the counter fraud team has changed from 2016/17. Debt recovery checks are no longer undertaken which can make comparison between the two years misleading. The number of referrals received and cases completed to date in 2017/18 represents an increase on the previous year.

² As at the end of the financial year, ie 31st March 2018 and 2017 respectively.

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>The 2016/17 National Fraud Initiative (NFI) was completed last year.</p> <p>The NFI are running a pilot exercise looking at business rates fraud. There was strong interest nationally in participating in the pilot. The council along with its partners were one of just seven groups chosen to take part. The council is joined by City of York Council, Leeds City Council, Harrogate Borough Council, Richmondshire DC, Ryedale DC, Hambleton DC, Doncaster MBC, Kirklees MDC, and Barnsley MBC. Results from the pilot are expected to be released in September.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity undertaken last year included the following:</p> <ul style="list-style-type: none"> • Council Tax Support fraud – In 2017/18 the team received 56 referrals for possible CTS fraud. Over £11k in falsely obtained discounts were detected. Two people were cautioned for CTS offences. One person who failed to declare their true income to the council, which was in excess of £200k over a three and half year period, was successfully prosecuted. This was the council’s first Council Tax Support prosecution. There are currently 10 cases under investigation. • Council Tax/Non Domestic Rates fraud – 15 referrals for council tax or business rates fraud were received in 2017/18. Over £9,000 in savings were achieved in this area during the year. The council successfully prosecuted its first Council Tax discount fraud in 2017/18. The case involved a man who falsely claimed single person discount for more than three years and initially lied about the situation to investigators when interviewed. There are currently 4 cases under investigation. • Housing Fraud - The team received 9 referrals for investigation in the year. The council recovered its first sublet property through criminal investigation this year and the former tenant was cautioned for the offence. The investigation involved joint work with North Yorkshire Police – two properties were searched and evidence was found that helped secure the return of the council property. There are currently 6 ongoing investigations in this area.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • Parking Fraud - The team continues to work with the council's outsourced parking enforcement provider, Harrogate Borough Council, to detect and deter disabled blue badge fraud. • Internal fraud – No reports of internal fraud were received in 2017/18.
Fraud liaison	<p>In 2016 the council's remit to investigate and prosecute housing benefit fraud transferred to the Department for Work and Pensions (DWP). The counter fraud team now acts as a single point of contact for the DWP and is responsible for providing data to support their housing benefit investigations. The team dealt with 129 requests in 2017/18.</p>
Fraud management	<p>In 2017/18 a range of activity has been undertaken to support the council's counter fraud framework.</p> <ul style="list-style-type: none"> • In January an annual counter fraud report was brought to the Audit and Governance Committee. As part of the annual report the counter fraud and corruption policy, counter fraud strategy and counter fraud risk assessment were reviewed. • As part of International Fraud Week in November, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout that week. • In February for Tenancy Fraud Awareness Week, Veritau and the council raised awareness of housing fraud issues to staff and residents. • In March a message promoting the council's fraud hotline was printed on envelopes containing council tax and business rate billing. • The counter fraud team continues to alert council departments to emerging local and national threats through a monthly bulletin and specific alerts.

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Agenda Item 11



Report Reference Number: A/18/4

To: Audit and Governance Committee
Date: 25 July 2018
Authors: Phil Jeffrey; Audit Manager – Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Consideration of Internal Audit reports

Summary:

The Chair of the Audit & Governance Committee receives internal audit reports where the opinion of the auditor is 'Limited Assurance' or 'No Assurance'.

The internal auditor, Veritau has completed an audit of the Payment Card Industry Data Security Standard (PCI DSS) at the Council. The report concludes that the overall opinion of the audit was that the controls within the system provide 'Limited Assurance'. The report is provided (Appendix A) for the Audit & Governance Committee to consider.

Recommendation:

To consider the Internal Audit report which relates to PCI DSS.

Reasons for recommendation

To enable the committee to fulfil its responsibility for reviewing the outcomes of internal audit work.

1. Introduction and background

- 1.1 Veritau completed an audit of PCI DSS and the final report was issued on 12th July 2018.
- 1.2 Internal audit reports completed by Veritau give an overall audit opinion based on five grades: High Assurance, Substantial Assurance, Reasonable Assurance, Limited Assurance and No Assurance.

1.3 Audits where an opinion is provided of Limited or No Assurance are brought to this committee for presentation and discussion.

2. The Report

2.1 The report sets out the findings of the internal audit of PCI DSS.

2.2 The purpose of the audit was to provide assurance to management that effective controls have been put in place to manage compliance with the PCI DSS. It covered the following key elements of compliance, to establish whether the Council has:

- documented all systems and processes subject to the PCI DSS;
- compliance assurance processes in place from third-party payment processors acting on its behalf;
- up to date guidance in place for all Council staff who process card payments;
- submitted annual self-assessment questionnaires and attestations of compliance with PCI DSS.

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

2.4 The report forms the basis for discussion at the Audit & Governance Committee meeting. The Committee will have the opportunity to ask questions of officers and the internal auditors at the meeting. The Committee can then make recommendations to the Executive or Council as appropriate.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

(a.) None.

3.2. Financial Issues

(a.) None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

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

Appendices: **Appendix A: PCI DSS internal audit report 2017/18.**

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PCI DSS

Selby District Council

Internal Audit Report 2017/18

Page 85

Business Unit: Corporate
 Responsible Officer: Director of Corporate Services & Commissioning
 Head of Service: Head of Business Development & Improvement
 Service Manager: Data & Systems Team Leader
 Date Issued: 12 July 2018
 Status: Final
 Reference: 76470/001

	P1	P2	P3
Actions	1	0	0
Overall Audit Opinion	Limited Assurance		

Summary and Overall Conclusions

Introduction

The Payment Card Industry Data Security Standard (PCI DSS) is an international standard that was introduced by the five major card issuing brands (Visa International, Mastercard, American Express, Discover and JCB) to ensure that all organisations that process, transmit or store card payments do so securely.

Payments accepted using any debit, credit or pre-paid card from these issuers are subject to the standard. While all merchants – irrespective of the size, value or volume of transactions – need to be PCI DSS compliant, the specific compliance regime applicable to individual merchants does depend on these factors. The merchant remains responsible for looking after its customers' card data, regardless of who processes the data on the merchant's behalf.

Penalties for non-compliance can be severe. The card issuing brands may, at their discretion, impose monthly fines on the acquiring bank for PCI DSS compliance violations. Banks usually then pass these fines on to merchants. They may also terminate a merchant's ability to process card payments or increase their transaction fees. In the event of a data breach, merchants could also be liable for all of the costs of the forensic investigation which can run into thousands of pounds. In addition, breaches that involve personal data fall within the scope of the Data Protection Act 1998 and the Information Commissioner's Office may enforce penalties over and above any action taken by the card issuers.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that effective controls have been put in place to manage compliance with the PCI DSS. It will cover the following key elements of compliance, to establish whether the Council has:

- documented all systems and processes subject to the PCI DSS
- compliance assurance processes in place from third-party payment processors acting on its behalf
- up to date guidance in place for all Council staff who process card payments
- submitted annual self-assessment questionnaires and attestations of compliance with PCI DSS

The audit did not include a detailed technical review of operational procedures, IT systems or networks. It did, however, include a high-level review of the existing cardholder data environment and its compliance with the standard. It also included follow up the actions that were agreed during 2016-17 to ensure that the issues and control weaknesses had been satisfactorily addressed.

Key Findings

The Council engaged a specialist information security consultant in May 2016 to advise on its compliance with the PCI DSS. The consultant's report concluded that the Council is not compliant with the standard and that its entire network and all staff are within scope. The configuration of the network has remained unchanged since the publication of the report. There is no secure segmentation of the Council's cardholder data environment and, therefore, the PCI DSS security requirements extend to all network components. The nature of the network (including its being hosted by North Yorkshire County Council) means that addressing compliance gaps is likely to be impractical but there are some scope reduction options available. No corporate decision has been taken as to which (if any) of the scope reduction options recommended by the consultant will be pursued. Part of the reason for this is that an appropriately senior officer has not been identified as responsible for ensuring the security of card payment processing.

A draft PCI DSS compliance policy has been developed. The content of the policy was found to be generally adequate but there are a number of improvements that could be made and the document will require a thorough review to ensure that it aligns fully with the Council's card payment processing activities.

The volume of the Council's e-commerce transactions means that it is at Merchant Level 4, the compliance validation regime of which includes quarterly network penetration scans and completion of an annual self-assessment questionnaire. The Council has not yet completed a self-assessment questionnaire and has not made arrangements for the performance of quarterly network penetration scans.

Overall Conclusions

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

1 Scope of the cardholder data environment

Issue/Control Weakness

The scope of the Council's PCI DSS compliance is all systems as there is no secure segmentation of payment processing.

Risk

A data security breach in one area of the network could lead to a breach in another.

Findings

The Council has four channels for card payment processing:

1. Telephone payments received at both the Customer Contact Centre and the Civic Centre
2. Payments received through the website
3. Payments received through the Interactive Voice Response (IVR) system
4. Payments received through payment kiosk (SCAN COIN) in the Customer Contact Centre

During the 2016/17 financial year, payment card transactions were as follows:

Payment channel	Number of transactions	Value of transactions
Telephone	16,335	£2,325,838.27
E-commerce (web)	5,066	£804,268.24
IVR	13,256	£2,043,902.66
Kiosk	14,679	£1,642,099.43
Total	49,336	£6,816,108.60

The specialist information security consultant engaged in May 2016 reported that the Council's network configuration was such that it was not compliant with the PCI DSS and that the scope of compliance extended to its entire network due to the lack of secure segmentation. No changes have been made to the cardholder data environment since publication of the report.

Payments are processed by the Council through a number of desktops based at both the Customer Contact Centre and at the Civic Centre which puts the network on which these reside in scope as there is no segmentation from the rest of the network. The telephony system uses Voice Over Internet Protocol which also brings this network into scope. The PARIS cash receipting system is part of the cardholder data environment as card data is sent to the PARIS APACS server which is on the Council's network. There are uncertainties around whether or not the SCAN COIN kiosk uses the Ethernet network to make payments. If it does use the network then the Council could be considered a service provider (processing, sorting or handling card information on behalf of the kiosk supplier).

While it would likely be impractical to attempt to bring all networks and staff into compliance with the standard, there are mechanisms for segmentation and changes in business practices which would reduce the scope of compliance.

Consideration should also be given to the wider network environment within which the Council’s network resides. As part of the Better Together partnership, the Council has shared ICT and telephony infrastructure with North Yorkshire County Council (NYCC). Although the data flows were not verified during the audit, it is highly likely that cardholder data processed by each of the Council’s four payment channels will come into contact with, and possibly be stored on, NYCC’s network.

The council does not currently have assurances from NYCC that its own network configuration is such that it adequately safeguards the cardholder data that it effectively processes on behalf of Selby District Council as a third party service provider. What this means is that, while the Council can take steps to ensure that its internal processes are compliant with the PCI DSS, its cardholder data is still at risk were the NYCC network to be breached.

Agreed Action 1.1

Data & Systems will seek assurances from NYCC as to the compliance of their cardholder data processing and liaise with the new income management system software supplier to better understand the future of PARIS and possible opportunities for scope reduction. An options appraisal will then be presented to Leadership Team which will set out the risk and cost implications of pursuing changes to the existing cardholder data environment. As for the compliance validation requirements, responsibilities will be established and assurances will either be obtained from NYCC that compliance requirements are being fulfilled or arrangements will be put in place to ensure that Selby District Council fulfils its requirements.

The content of policy and procedures for PCI DSS will be influenced by the option chosen by Leadership Team. Once a corporate decision has been taken the policy and procedures will be developed accordingly.

Priority	1
Responsible Officer	Head of Business Development & Improvement
Timescale	September 2018

2 Policy and procedures for PCI DSS compliance

Issue/Control Weakness

The Council has not agreed a strategy or policy to help manage compliance with the PCI DSS.

Operational procedure notes for staff to ensure compliance of internal payment processing activities have not been developed.

Risk

Non-compliance with the PCI DSS, leading to the potential imposition of fines, increased transaction charges, or suspension of ability to process card payments.

Findings

At the time of the audit a PCI DSS compliance policy was in development but had not been approved and circulated to staff. The content of the draft policy was reviewed against available good practice and against good practice for policy writing more generally. While the content of the policy was found to be adequate overall, there are a number of notable omissions. These include:

- A policy owner
- Version control (including revision history)
- Arrangements for fulfilling compliance validation requirements
- Arrangements for data security incident response
- Third party compliance requirements and monitoring

In general, the document requires a thorough review to ensure that the policy, including the appended declaration, aligns with the Council's existing card payment processing activities and with its structure, roles and responsibilities.

Sections 6-10 of the policy and the appended Departmental PCI DSS Declaration clearly define expectations in respect of card payment processing, data handling, retention and physical security of card processing equipment. The policy and declaration are together prescriptive and effectively serve as procedures. A full understanding of the policy (and declaration to that effect) should ensure that officers are sufficiently aware of their responsibilities when processing card payments.

Agreed Action

Please refer to Agreed Action 1.1.

3 Compliance validation requirements

Issue/Control Weakness

The validation requirements for a typical Merchant Level 4 compliance regime are not being fulfilled.

Risk

Non-compliance with the PCI DSS, leading to the potential imposition of fines, increased transaction charges, or suspension of ability to process card payments.

Findings

The number of ecommerce transactions processed annually means that the Council is currently at Merchant Level 4. Although the validation requirements are ultimately set by the acquiring bank, the typical compliance regime for this Merchant Level involves completion of the relevant annual Self-Assessment Questionnaire, performance of quarterly network penetration scans by an Approved Scanning Vendor and submission of the relevant Attestation of Compliance form.

The Council part completed a Self-Assessment Questionnaire prior to the information security consultant coming on site in May 2016 but their advice was not to complete the submission (i.e. to also include the Attestation of Compliance form) until changes had been made to its networks. The consultant's report included several options to reduce the scope of compliance through segmentation and through changes to business processes but, while the feasibility of some options have been pursued, a corporate decision has not yet been taken as to the desired configuration.

Arrangements have not been made for the performance of quarterly network scans by an Approved Scanning Vendor.

Agreed Action

Please refer to Agreed Action 1.1.

Audit Opinions and Priorities for Actions

Audit Opinions

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

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

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

Priorities for Actions

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

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

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Report Reference Number: A/18/5

To: Audit and Governance Committee
Date: 25 July 2018
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Audit Completion Report

Summary:

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

Recommendations:

To consider the External Audit Completion Report.

Reasons for recommendation

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

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and updates the Committee on progress in delivering external audit for the financial year ending 31 March 2018.

2. The Report

2.1 The report is attached at appendix A and sets out a summary of external audit progress during the financial year ending 31 March 2018.

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

2.3 The Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

3. Implications

None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

6. Appendices

Appendix A – External Audit Completion Report

Contact Officer:

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Ext: 42065
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Audit Completion Report

Selby District Council
Year ending 31 March 2018

CONTENTS

1. Executive summary
2. Opinion audit
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft audit report

Appendix C – Independence

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

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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

Members of the Audit and Governance Committee
Selby District Council
Civic Centre
Doncaster Road
Selby
North Yorkshire
YO8 9FT

13 July 2018

Dear Members

Audit Completion Report – Year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to this committee on 18 April 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 387 8850.

Yours faithfully



Mark Kirkham
Mazars LLP

1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of Selby District Council 'the Council' for the year ended 31 March 2018, and forms the basis for discussion at the Audit and Governance Committee meeting on 25 July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including our proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 31 August 2018. Our report on your WGA submission, in line with the group instructions issued by the NAO, will record that your activity was below the threshold set by the NAO meaning that we were not required to review the WGA return in detail this year.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We did not receive any questions or objections during the 2017/18 audit.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Governance Committee in a follow-up letter.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2018. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Property, Plant and Equipment	We are waiting for supporting documentation to back up some reserve movements in relation to PPE.
Loans and Borrowings	We are waiting for external confirmation from UBS to substantiate the overall balance that has been included as a loan in the financial statements. There has been a delay in obtaining this as the bank does not hold up to date information regarding the Council signatories for the account.
Final checks on financial statements	On receipt of the final financial statements we will need to do procedures to ensure they remain consistent with our audit work and understanding of the Council and also to ensure all audit amendments have been processed.
Review of post-balance sheet events	We will perform procedures, including holding discussions with management to cover the period up to the date of signing, that there have been no events that require reporting or disclosing in the financial statements.

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in April 2018. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £788,000 using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £812,000, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee) at £24,000 based on 3% of overall materiality.

2. OPINION AUDIT

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

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

Significant risk

Description of the risk

Management override of controls

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed the management override of controls risk by performing audit work on accounting estimates, journal entries and significant transactions outside the normal course of business.

Audit conclusion

There are no significant issues arising from our work.

2. OPINION AUDIT (CONTINUED)

Significant risk

Revenue recognition –fees and charges

Description of the risk

In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted and we have done this in relation to the Council's most significant sources of income - taxation and grant income.

However, we do not feel that sufficient scope exists within the recognition of fees and charges to conclude that there are grounds for rebuttal in that particular income stream. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

How we addressed this risk

We have evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we have undertaken a range of substantive procedures including testing receipts in March, April and May 2018 to ensure that income has been recognised in the right year, testing material year end receivables, testing adjustment journals and obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger. In respect of fees and charges, we have used higher sample sizes reflecting the significant risk in this area.

Audit conclusion

We have not identified any significant issues in relation to revenue recognition.

Significant risk

Property, plant and equipment valuations

Description of the risk

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE.

Although the Council utilises external valuation experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk.

How we addressed this risk

We have considered the Council's arrangements for ensuring that PPE values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's external valuers. We have also assessed the competence, skills and experience of the Council's two external valuers.

We have performed procedures to evaluate the accuracy and reasonableness of transactions processed in the year in relation to property, plant and equipment.

Audit conclusion

We have not found any significant issues in relation to the valuation of property, plant and equipment.

2. OPINION AUDIT (CONTINUED)

Significant risk

Defined benefit pension liability valuation

Description of the risk

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

How we addressed this risk

In addition to our standard programme of work in this area, we have evaluated the management controls in place to assess the reasonableness of the figures provided by the Actuary and we have considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by National Audit Office.

Audit conclusion

We have not identified any significant issues in relation to the valuation of the defined benefit pension liability.

Management judgement

Business Rates Appeals

Description of the management judgement

The Council is dependent on the Valuation Office Agency (VOA) for information regarding appeals against Business Rates bills. Management applies judgement in order to create a reasonable basis for the provision, given the level of appeals and other relevant information.

How our audit addressed this area of management judgement

We reviewed the basis for the judgements used in creating the provision and assessed the reasonableness of any estimates.

Audit conclusion

There are no significant issues arising from our work.

2. OPINION AUDIT (CONTINUED)

Management judgement

Depreciation

Description of the management judgement

The annual depreciation charged against the Property, Plant and Equipment involves an estimation of both the valuation of the asset and the remaining useful economic life of the asset. The valuations risk was identified as a significant risk in the previous section. The residual risk around the remaining useful economic lives of assets is a key area of judgment, but does not amount to a significant risk to the audit.

How our audit addressed this area of management judgement

In conjunction with the procedures being performed to assess the reasonableness of the work performed by the external valuation experts, we have reviewed the asset lives used and performed substantive procedures to establish if the estimates are reasonable.

Audit conclusion

There are no significant issues arising from our work.

Management judgement

Accruals

Description of the management judgement

A key accounting concept determines that expenditure and income should be accounted for in the period to which they relate, therefore management needs to assess transactions and apply judgement to ensure that they are translated into the appropriate accounting period.

How our audit addressed this area of management judgement

We have reviewed a sample of balance sheet entries relating to income and expenditure and also reviewed the process used by management to create those entries.

Audit conclusion

There are no significant issues arising from our work. We have identified some issues outlined later in this report relating to capital expenditure which do not have an impact on the revenue income and expenditure position of the Council.

2. OPINION AUDIT (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Significant difficulties during the audit

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

We received a full set of financial statements which were also published on the Council website on 25 May 2018 which was comfortably ahead of the statutory deadline of 31 May 2018. We place on record our acknowledgment of this achievement by the finance team.

We were provided with a good set of working papers and our queries have been responded to in a timely fashion.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2017/18 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections during the 2017/18 audit.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

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

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

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	6
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2

Description of deficiency

In trying to obtain third party confirmation for a loan balance held with UBS, we have been delayed due to the Council's signatory details not being up to date. The signatories on the account date back a number of years and most of whom are no longer employed by the Council.

Potential effects

Other than the delay to our audit, it could pose other administrative problems for the Council should they need to discuss the Loan Balance, or if the bank needed to contact the Council to discuss a late or missed payment of interest, which could potentially result in additional charges for the Council.

Recommendation

The Council should review all arrangements and business relationships to ensure contact and signatory details held with third parties are up to date and relevant.

Management response

Review currently in progress, should be completed ahead of the Audit Committee date.

Description of deficiency

In our work reviewing the bank reconciliation, we identified 71 cheques, totalling over £6,000 that were over 6 months old.

Potential effects

The likelihood of these payments being realised is low and as such the bank balance as per the ledger is misstated, albeit the overall value is minimal. Also there is an additional administration burden on the Council to continue to include these cheques in the bank reconciliation.

Recommendation

In the short term, cheques over 6 months old should be written off from the unrepresented cheques listing. Over a longer term, the Council should ensure review processes to ensure that, with sufficient regularity, old cheques are removed from the bank reconciliation, unless there is a legitimate reasons for their continued inclusion.

Management response

Procedures have been reviewed and will ensure out of date cheques are written back as part of the bank reconciliation authorisation process.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2 (continued)

Description of deficiency

There are assets currently held on the asset register that are rented out yielding income for the Council. The classification of a number of these assets is based on the original intention of the Council for that asset. This means that the use of the asset for rental purposes was originally intended to be a temporary arrangement.

Potential effects

There could be assets held with Property, Plant and Equipment rather than as Investment Properties. This would be out of line with accounting standards and the CIPFA Code of Practice. We have performed some procedures in the course of our work which has provided assurance that there is unlikely to be a material error in classification.

Recommendation

The Council should review the intention on which their assets are held and determine whether a change in classification is required.

Management response

Will review assets being held in line with the Council's asset management plan and re-classify if and where necessary in 2018/19.

Description of deficiency

The draft statements contained double-counting of recharged overheads within the CIES.

Potential effects

Although the net impact of the error has not been impacted, both income and expenditure are overstated.

Recommendation

Despite this being a purely presentational error, the treatment of recharges should be reviewed to ensure that they are not double-counted in financial information. This will mean that external reporting is more accurate but also that the true cost of services can be ascertained. [Note that this error has been corrected in the financial statements, as set out on page 14.]

Management response

Reviewed process for preparing CIES balances to ensure CEC's are eliminated.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2 (continued)

Description of deficiency

As also reported last year, the payroll reconciliation shows items unreconciled at the year end. Officers are comfortable that the small difference is being managed but this has also been “self-reported” by management in the Annual Governance Statement with a target date of July 2018 to report to Those Charged with Governance.

Potential effects

Differences on control account reconciliations are normally an indication of a wider issue; in this case the wider issue is already known; that is, a problem exists with the costing information provided by the payroll provider (North Yorkshire County Council).

Recommendation

Officers should continue to work with NYCC to rectify the costing issue.

Management response

Not applicable, as management has this issue in hand.

Description of deficiency

We have noted three incidences where the cut-off of capital schemes has resulted in errors within the statements. One resulted in a substantial amount of expenditure (£99k) in respect of one scheme being included in additions in error; a second resulted in an adjustment being required (£35k) to increase creditors and additions; and the final one related purely to the capital commitments note (£507k).

Potential effects

Although none of the above have an impact on the Income and expenditure position of the council for the year; it is important that capital contracts are managed appropriately to ensure progress on schemes is monitored and the invoices are subsequently managed to ensure timely payment.

Recommendation

Finance officers need to reiterate to service managers the importance of following the established rules for capital accruals.

Management response

Training and support are provided to budget managers through the closedown process. Finance will feedback to service areas to remind teams of the consequences of submitting incorrect accruals, and continue to offer training ahead of closedown.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the trivial threshold of £24,000.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4 Dr: Capital Accruals			99	
Cr: PPE Additions – AUC (Infrastructure)				99
A capital scheme was identified that had been accrued for and was completed in-year but actual spend had only been negligible.				
<hr/>				
5 Dr: PPE Additions - Council Dwellings			35	
Cr: Capital Accruals				35
Inclusion of capital expenditure not accrued.				

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: - Income - Corporate Services & Commissioning	12,673		
	Cr: CIES - Income - Exceptional Item - Council Dwelling Revaluation			12,673
<p>At the start of the audit, management alerted us to a late adjustment they had made but that was not processed before submission of the financial statements. This relates to how the revaluation movement on Council Dwellings is shown on the face of the CIES, identifying the movement as an exceptional change on a separate line.</p>				
2	Dr: Other Operating Expenditure – (Gain) / Loss on disposal of Non-Current Assets	60		
	Cr: CIES Income			60
<p>Gain on disposals of Land and Building is now included in service income rather than within Other Operating Expenditure.</p>				
3	Dr: CIES / Cost of Services / Income / Finance	2,687		
	Cr: CIES / Cost of Services / Expenditure / Finance			2,687
<p>The draft financial statements included re-charge of support services double counted in Finance in both Income and Expenditure.</p>				

Disclosure amendments

During the course of our work we identified a number of spelling and grammatical inaccuracies that we have requested management to amend. We have also identified some small errors in rounding and other amendments below £24,000 or that were exclusively disclosure in nature. This impacted a number of notes including: Note 12. Property, Plant and Equipment; Note 14. Capital Commitments; Note 32. Officers' Remuneration; Note 36. External Audit Costs; Note 37. Grant Income - Credited to Other Services; and HRA Note 3. Provision for Bad Debts.

5. VALUE FOR MONEY CONCLUSION

Our approach

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

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

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

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

Sub-criteria and commentary on arrangements in place at Selby District Council

Arrangements in place?

Informed decision making

Yes

In November 2017, the LGA led a corporate peer challenge of Selby District Council. This process demonstrated the Council's openness to learning. The results of the corporate peer challenge were generally positive about the Council's arrangements, but did identify a number of areas for future focus including carrying out an annual refresh of the Corporate Plan, being more focused around priority actions including those in the Council's Programme for Growth, and in strengthening scrutiny. The Council has followed up on these actions since the review was published.

The Council operates an Executive with a Leader model, and this is governed by a Council Constitution including all of the normal features of an effective governance framework in local government.

The Corporate Plan sets out priorities which include delivering affordable housing and promoting economic growth and development. Delivery is monitored in quarterly performance reports and in the Annual Report. New decisions are supported by reports that outline options and relevant considerations, including references to financial, legal and performance issues where appropriate.

There is evidence of financial reporting being used to deliver strategic objectives, for example, through the Medium Term Financial Strategy and in allocating resources to priority areas such as the Programme for Growth. In addition, regular financial reporting takes place, with formal reporting quarterly to the Executive. Performance issues are included in reports where appropriate, and overall performance outcomes are monitored quarterly and also included in the Council's Annual Report.

The Council has a risk management strategy and framework in place. and the Audit and Governance Committee oversees the governance framework including the work of internal audit.

The Annual Governance Statement includes an assessment of the effectiveness of arrangements and identifies appropriate areas for further improvement, most notably around information governance and strengthening scrutiny arrangements. It also highlights ongoing issues relating payroll reconciliations.

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria and commentary on arrangements in place at Selby District Council

Arrangements in place?

Sustainable resource deployment

Yes

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

In recent years the Council has benefitted from an annual windfall in business rates income which is now £8.6m largely arising from renewables at the Drax power station. The Council has prudently assumed that this is not guaranteed to continue and has set sums aside for investment, rather than using them to support the base budget, although there has been some investment in the capacity needed to manage the use of the additional funds that are available.

In 2016/17, the Council used some of its surplus funds to repay Pension Fund deficit following the triennial actuarial revaluation of the North Yorkshire Pension Fund on 1 April 2016. This generated an annual saving as a contribution towards the savings needed to balance the budget over the medium term.

One of the Council's main challenges is to utilise the additional funds effectively. This is mainly being done through the Council's Programme for Growth initiative. Although some projects have been delivered, much of the investment is still at the planning stage and is medium to long term in nature, which has led to some frustration at the pace of implementation. In May 2018, the Council refreshed its Programme for Growth and set out the governance arrangements to take the programme forward.

The Council continues to deliver its financial plans and the 2017/18 outturn achieved a £414k underspend against the general fund budget.

In the budget for the HRA, a key factor is the continuing requirement to reduce rents by 1% per annum. In 2017/18, the Council achieved a £734k underspend against the HRA budget. The HRA surplus that is achieved is required to support capital spending plans

The Council has an Asset Management Strategy. There are good examples of the Council seeking to make best use of its assets, for example, through the Better Together partnership with North Yorkshire County Council.

The Council has taken steps to develop its workforce, downsizing in the face of austerity and reorganising staff into wider roles. A recent example of these plans is the senior management restructure to better align the workforce with Council priorities.

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria and commentary on arrangements in place at Selby District Council

Arrangements
in place?

Working with partners and other third parties

The Council works with a range of third parties. The Better Together partnership with North Yorkshire County Council is a strong example, with measures to date including shared telephony, an improved website, shared premises and shared services such as ICT.

Yes

Another example is the commissioning of leisure services, including the opportunity presented by the new leisure village, through Wigan Leisure and Cultural Trust (WLCT).

The Executive considers an annual review of the operation of the contract with WLCT. This considers the extent to which the contract contributes to wider strategic objectives around healthy lifestyles in the district.

The Council has procurement procedures in place and maintains a contracts register. The Council seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services. The largest contract is refuse collection and street scene (approximately £3.9m per annum). This contract was extended during 2016/17 and is now in place for a number of years.

Significant audit risks

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

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2017/18 financial year.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

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

To date as 25 July 2018

Selby District Council - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for Selby District Council ('the Council') for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

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

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as the Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

All material matters, including un-asserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Laws and regulations

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

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

Fraud and error

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

I have disclosed to you:

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

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

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

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

Impairment review

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

Future commitments

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

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

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

Going concern

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

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole as set out below:

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4 Dr: Capital Accruals			99	
Cr: PPE Additions – AUC (Infrastructure)				99
A capital scheme was identified that had been accrued for and was completed in-year but actual spend had only been negligible.				
<hr/>				
5 Dr: PPE Additions - Council Dwellings			35	
Cr: Capital Accruals				35
Inclusion of capital expenditure not accrued.				

Yours sincerely
 Ms K Iveson
 Chief Finance Officer

Date: 25 July 2018

APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the Members of Selby District Council

Opinion on the financial statements

We have audited the financial statements of Selby District Council ('the Council') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Expenditure and Funding Analysis, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Collection Fund and the notes to the financial statements, including the 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Selby District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 the 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, 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 the 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.

APPENDIX B

DRAFT AUDITOR'S REPORT

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 2017/18, 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 Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the 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 the 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. This description forms part of our auditor's report.

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 2018.

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 the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Responsibilities of the Council

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

Auditor's responsibilities in relation to 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 the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General 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 the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

APPENDIX B

DRAFT 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.

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 43 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 the 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 the 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

Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

[Date] Planned for 25 July 2018, subject to satisfactory resolution of outstanding issues.

APPENDIX C INDEPENDENCE

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

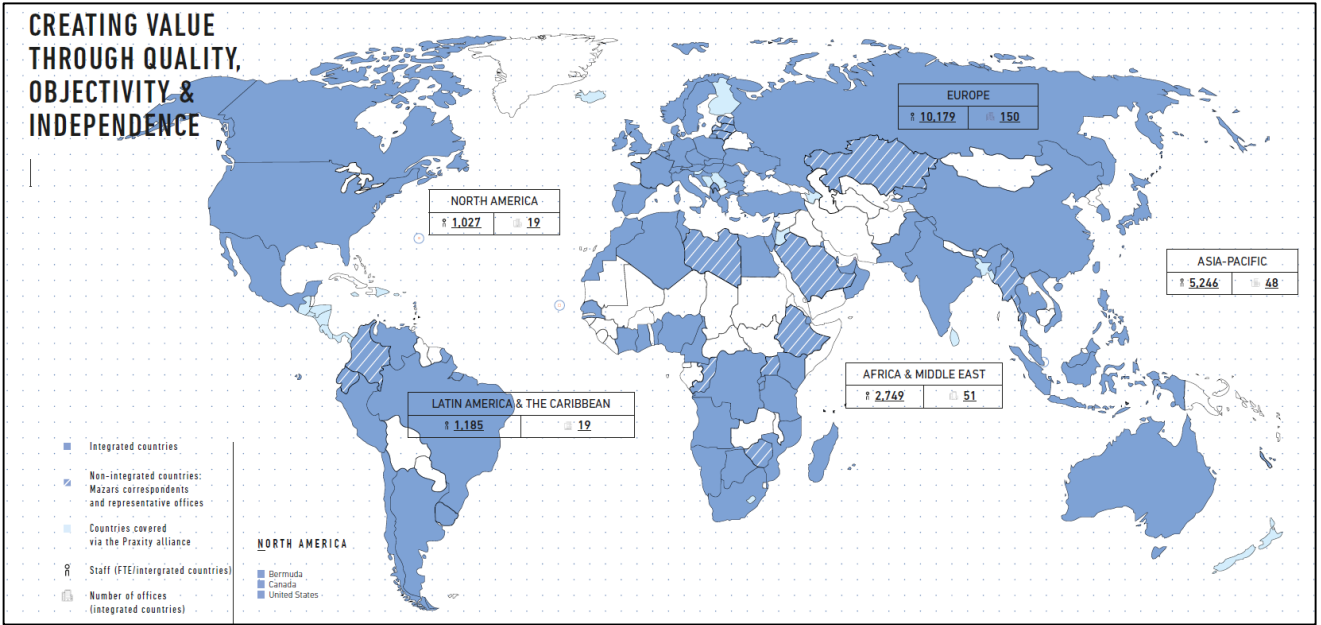
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

MAZARS AT A GLANCE

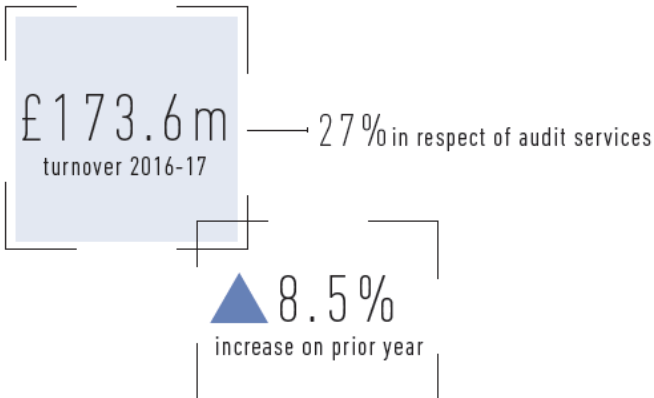
Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally



Mazars in the UK



As at 31 August 2017

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Agenda Item 13



Report Reference Number: (A/18/6)

To: Audit and Governance Committee
Date: 25 July 2018
Author: Karen Iveson, Chief Finance Officer
Lead Officer: Karen Iveson, Chief Finance Officer
Executive Member: Cliff Lunn, Lead Member for Finance and Resources

Title: Annual Governance Statement 2017/18

Summary: The report presents the Annual Governance Statement (AGS) 2017/18 for approval.

Recommendations:

Councillors approve the 2017/18 Annual Governance statement as included within the Statement of Accounts.

Reasons for recommendation:

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

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

1. Introduction and background

- 1.1 Good governance is important to all involved in local government, however, it is a key responsibility of the Leader of the Council and the Chief Executive.
- 1.2 The preparation and publication of an annual governance statement in accordance with the CIPFA's Good Governance Framework is necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to

“conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement of internal control “in accordance with proper practices”.

2. The Report

- 2.1 The 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 External Auditor has considered the AGS as part of his review of the Statement of Financial Accounts. The Auditor is required to issue his opinion on the accounts and “sign them off”.
- 2.3 The AGS provides public assurance that local authority has a sound system of internal control, designed to help manage and control risks that will impede the achievement of its objectives. The AGS should not be seen as a purely financial requirement, but as an important public expression of what the Council has done, how it sets out priorities, monitors performance and has put in place good business practice. It is also about the process for ensuring high standards of conduct and is a means of demonstrating sound governance. The requirement for it to be signed by at least the Leader and the Chief Executive reflects the importance for which it is viewed.
- 2.4 In common with most local authorities, the council has a well established systems of governance and internal control in place. However, the AGS process requires the Council to formally demonstrate what these controls are and how they safeguard against the most significant risks to the organisation and to gain assurance, based on evidence, that these controls are operating effectively, or where they are not, to identify areas for improvement.
- 2.5 Assurance can be provided by evidence from a number of sources including: external audit reports, internal audit reports and direct assurance from managers. It is the responsibility of both councillors and chief officers to obtain and provide such assurance. The production and publication of an AGS is therefore not an isolated act, but the final stage in a continuing review of internal control processes and procedures.
- 2.6 The AGS, which is contained within the Statement of Accounts under the next agenda item, highlights issues within the Council’s control and governance framework identified in 2017/18 relating to scrutiny arrangements, creditors and payroll that are felt to warrant improvement. Action plans are being progressed to address the issues.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

None as a consequence of this report.

3.2 Financial Issues

None as a consequence of this report.

4. Conclusion

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

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

5. Background Documents

CIPFA Good Governance Framework

Contact Officer:

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

Appendices:

None

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Agenda Item 14



Report Reference Number: A/18/7

To: Audit and Governance Committee
Date: 25 July 2018
Author: John Raine, Head of Technical Finance
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Statement of Accounts 2017/18

Summary: The purpose of this report is to enable Councillors to undertake an examination of the Council's financial accounts for the financial year 2017/18 and seek approval of them.

Recommendations:

Councillors approve the 2017/18 Statement of Accounts

1. Introduction and background

- 1.1 The Accounts and Audit Regulations 2015 require members to approve the Council's audited statutory accounts by 31st July 2018 following the financial year-end. This required date has been brought forward from 30th September, although the Council achieved a 'dry-run' for the 2016/17 accounts.
- 1.2 The accounts have been produced under the requirements of International Financial Reporting Standards (IFRS).

2. The Report

- 2.1 The Statement of Accounts represents the culmination of the formal financial reporting obligations placed upon the Council and the content of the Accounts presented is largely prescribed by the statutory and professional guidance.
- 2.2 The audited Council's Statement of Accounts for 2017/18 is attached for approval at Appendix A. The Accounts have been prepared in accordance with the code of Practice on Local Authority Accounting in

the United Kingdom 2017/18 (the code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 2.3 It is important that the Council has sound financial, governance and resource management arrangements in place to ensure that the resources are available and used to support the Council's priorities, improve services and secure value for money for our citizens.
- 2.4 Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny."
- 2.5 To assist Councillors in this regard, an explanatory paper is attached at Appendix B.
- 2.6 The Statement of Accounts also contains a Narrative Statement which highlights the key financial issues during 2017/18, and considers these in the context of the Council's future financial challenges and objectives.
- 2.7 Councillors are asked to consider the Statement of Accounts in detail along with the supporting notes, and either raise issues with the Chief Finance Officer prior to the meeting so that a response can be prepared, or discuss any such matters as necessary and appropriate at the meeting of the committee.
- 2.8 The accounts were made available for public inspection from 28th May 2018 to 22nd June 2018, and the auditor was available to answer queries regarding the accounts during this period. No queries were received.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

None as a consequence of this report.

3.2 Financial Issues

The financial implications are as given in the report.

4. Conclusion

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

5. Background Documents

- 5.1 2017/18 closedown working papers.

Contact Officer:

Michelle Oates – Senior Accountant, Capital & Treasury

Appendices:

Appendix A: 2017/18 Statement of Accounts

Appendix B: Explanatory paper to the Accounts

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SELBY DISTRICT COUNCIL



STATEMENT OF ACCOUNTS 2017/2018

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SELBY DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2017/18

CONTENTS

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

CONTENTS continued

	<u>Pages</u>
NOTE 31 - Expenditure and Funding Analysis further details	72 - 73
NOTE 32 - Officers' Remuneration & Exit Packages	74 - 76
NOTE 33 - Surpluses / Deficits on Trading Undertakings	77
NOTE 34 - Agency Services	77
NOTE 35 - Members Allowances	77
NOTE 36 - External Audit Costs	77
NOTE 37 - Grant Income	78
NOTE 38 - Related Party Transactions	79 - 80
NOTE 39 - Capital Expenditure and Financing	81 - 82
NOTE 40 - Leases	83 - 84
NOTE 41 - Assets Recognised under PFI Arrangements	84
NOTE 42 - Impairment Losses	84
NOTE 43 - Retirement Benefits	84 - 89
NOTE 44 - Contingent Liabilities	89
NOTE 45 - Contingent Assets	89
NOTE 46 - Nature and Extent of Risks Arising From Financial Instruments	89 - 92
NOTE 47 - Council Tax	93
NOTE 48 - Non-domestic Rates	93
NOTE 49 - Capital Expenditure Financed from Revenue	93
HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	94
MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	95
NOTES TO THE HOUSING REVENUE ACCOUNT	95 - 99
THE COLLECTION FUND	100
NOTES TO THE COLLECTION FUND	101 - 104
GLOSSARY	105 - 113
ANNUAL GOVERNANCE STATEMENT	115 - 129

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

LEADER'S FOREWORD

The Statement of Accounts for 2017/18 sets out the full financial details of the Council's activities.

Over the last year the Council has worked hard to deliver on the priorities set out in our Corporate Plan. We've been investing in supporting long-term growth, housing and quality of life, despite the back drop of continued reductions in central government funding.

Our Corporate Plan, which was developed in partnership with our residents, businesses and the organisations we work alongside, has been refreshed in 2018 - it sets out our ambition to make Selby district a great place.... to do business, to enjoy life and to make a difference, supported by the Council delivering great value.

Our overall financial performance remains strong. We've delivered a number of in-year savings and benefitted from cash windfalls from renewable energy business rates. We've used these gains wisely, by developing our approach to facilitating sustained economic growth – investing in how we support business growth , investing in our planning service and investing in building new affordable homes both through the Council's own Housing Service and through our partnership with Selby and District Housing Trust.

We've also invested in our existing assets over the year – for example, improvements to our housing stock for the benefit of our tenants.

For a small Council capacity can be challenging at times and we started the year with a new staffing structure which better aligns with our priorities. This new approach builds on the new ways of working we introduced a few years previously and ensures that we have the capacity in the right place at the right time to deliver what we need.

That capacity has been deployed to deliver the services our communities need day in, day out and we've made some great strides in improving the way we work. We've enabled on-line benefit claims, we've run a series of campaigns which have reduced litter across our district and we've increased the number of visits to our leisure centres, to name but a few.

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

Overall, 2017/18 was a year of challenge and change, and we end the year confident about our financial position and in our ability to deliver on our promises.

Councillor Mark Crane
Leader of the Council

NARRATIVE STATEMENT

1. Introduction

The purpose of this Narrative Statement is to provide an easily understandable guide to the most significant matters reported in the accounts, and an explanation in overall terms of the Council's financial position. The Narrative Statement also includes an explanation of the purpose of each statement and the inter-relationship between statements. The accounts presented are of a Single Entity as the Council has no relationships that require it to prepare Group Accounts.

2. The Council's Accounts

The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2017/18" (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 2017 to 31 March 2018:

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 2017/18 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 2017/18

Revenue expenditure for 2017/18 is summarised in the Comprehensive Income and Expenditure Statement. This shows the costs of all the Council's services and how the net expenditure has been funded. The following charts show where the Council's money comes from and what it is spent on.

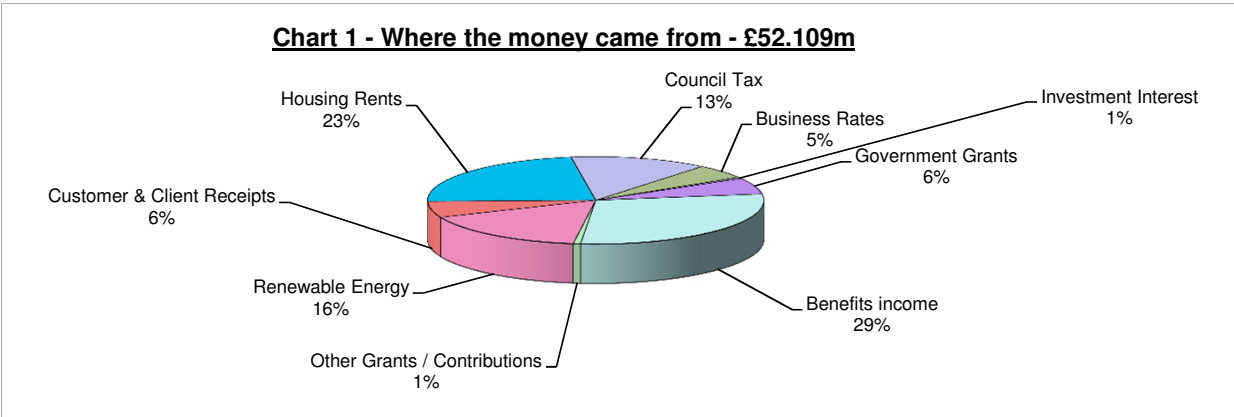


Chart 1 above shows income received in the year of £52.109m. 35% (£18.1m) of this is received from the government as direct grants, mainly to fund benefit payments and formula (or indirect) grants, i.e. grants that are not ring-fenced for specific purposes. Council Tax provides a further £6.9m, which includes £1.8m for Parish Council precepts, and the Council's share of business rates retention contributes £2.7m, with £8.6m in business rates from renewable energy facilities. Housing Rents provide £12.0m.

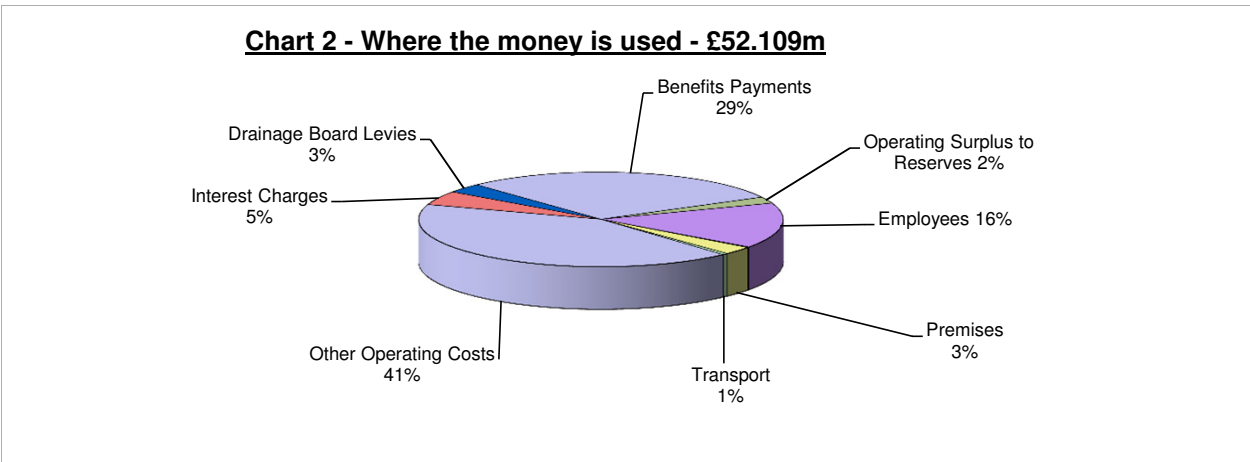


Chart 2 above shows a significant proportion of the Council's money £15.2m is spent on Housing benefit payments. Other operating costs total £21.7m, which include the running costs of services including the HRA and contracts for recycling, refuse collection, street cleansing, grounds maintenance, gas servicing, leisure contracts and financing the capital programme. £8.1m was spent on employee costs. Other costs include drainage board levies at £1.6m, interest payable costs £2.5m and the costs of running & maintaining council non-dwelling property £1.4m. £1.1m 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 2017/18 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 £1.185m. The out-turn position was a General Fund surplus £415k and the Housing Revenue Account surplus was £1.919m. The performance against budgets for General Fund services and the Housing Revenue Account are shown separately in the following paragraphs.

General Fund

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	6,161	5,867	(294)
Parishes Precepts	1,777	1,777	-
Internal Drainage Board Levies	1,667	1,663	(4)
Interest Payable and Similar Charges	91	100	9
Investment Interest	(100)	(207)	(107)
Net Operating Expenditure	9,596	9,200	(396)
Revenue Support Grant	(594)	(593)	1
Government Grants	(2,665)	(2,663)	2
Renewables Income	(8,591)	(8,591)	-
Business Rates	(2,023)	(2,023)	-
Council Tax Precept (including parish precepts)	(6,903)	(6,903)	-
Collection Fund Surplus Share	(84)	(84)	-
Net (surplus) / deficit	(11,264)	(11,657)	(393)
Other Non Cash Adjustments	1,102	1,084	(18)
Transfers to / (from) Reserves	10,162	10,158	(4)
Year End (Surplus) / Deficit	-	(415)	(415)

NARRATIVE STATEMENT

4. Revenue Spending in 2017/18 continued

The previous table shows a saving against the General Fund of £414k. The table below looks at the major variances and gives a brief explanation as to why they have occurred. The main variances shown demonstrate that as part of its prudent financial management councillors and officers continually review budgets to achieve efficiency savings.

General Fund		
	Variance £'000	Reason for Variance
Employee & Travel Costs	(139)	Savings on salaries across the Council due to the recruitment to the new structure during the year, natural turnover of staff resulting in vacancies and staffing levels being carefully managed.
Planning Specialist Support	148	Use of specialist advice to support the volume and complex nature of planning applications and in part due to the pressure on the team through vacancies
Benefit Payments	(25)	Overall benefits saving generated from lower than anticipated overpayment debtors adjustments and lower rent allowance payments.
Budget Savings	47	Small shortfall in the planned savings target, mitigated by the overall General Fund surplus.
Contingency	(195)	Unspent in the year - drawdowns for support not required.
Investment Income	(107)	Earnings from investments have exceeded budget, this is due to buoyant cash balances.
Recycling & Waste Collection Income	(168)	This variance due to latest forecasts on recycling activity and prices, demand for new bins for housing development sites and the continued proactive marketing of the commercial waste service.
Recharges to Ryedale DC	(60)	A backdated recharge of officer time to Ryedale DC for HR and Marketing Support.
Supporting People	92	Continued fall of grant available from NYCC and eligibility of residents not being met by an increased private payers base.
Miscellaneous	(7)	Numerous smaller and compensating variances contributing towards the final surplus.
Total	(414)	

Investment income for the General Fund exceeded budget by £107k due to the level of funds available for investment an average of £51.3m available against a forecasted £35 to £50m. These funds were available on a temporary basis and the levels of funds available was mainly dependent on the timing of business rates and precept payments. The Council achieved an average return on it's investments of 0.53% for the year through pooling arrangements in place with NYCC.

NARRATIVE STATEMENT

4. Revenue Spending in 2017/18 continued

Non cash adjustments included in surplus/deficit on service provision are accounting adjustments made to the accounts that are reversed out within 'other non-cash adjustments' and will not impact on the Council Tax Payer. The variance comprises of the gain/loss on disposal on non-current assets, contribution of housing capital receipts to the government pool, recognised capital grants and contributions and pension fund adjustments.

Other non cash adjustments are accounting adjustments made to the accounts so that these accounting costs do not impact on the Council Tax Payer. The variance is made up of the variances in non-current asset depreciation, capital accounting & funding adjustments and pension fund adjustments.

Housing Revenue Account

The Housing Revenue Account (HRA) was estimated to make a surplus of £1.185m which was budgeted to be transferred to the Major Repairs Reserve (MRR) to support funding of the capital programme and HRA balances. The out-turn position is a surplus of £1.919m, this additional surplus has also been transferred to the Major Repairs Reserve.

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Net Service Position	4,594	4,593	(1)
Interest Payable and Similar Charges	2,638	2,413	(225)
Investment Interest	(25)	(62)	(37)
Housing Rents	(12,070)	(12,025)	45
Garage Rents	(97)	(98)	(1)
Debt Management Expenses	6	6	-
Provision for Bad & Doubtful Debts	123	69	(54)
Contingency	75	-	(75)
Savings Target	77	-	(77)
Net (surplus) / deficit	(4,679)	(5,104)	(425)
Capital Expenditure financed from revenue	3,286	2,977	(309)
Other Non Cash Adjustments	1,292	1,292	-
Transfers to / (from) Reserves	(1,084)	(1,084)	-
(Surplus) / Deficit available for distribution	(1,185)	(1,919)	(734)
Transfers (to) / from MRR	(1,185)	(1,919)	(734)
Year End (Surplus) / Deficit	-	-	-

The table shows a difference against the HRA Budget of £734k. The table following looks at the major variances and gives a brief explanation as to why they have occurred. The main variances shown demonstrate that as part of its prudent financial management, councillors and officers continually review budgets to achieve efficiency savings.

NARRATIVE STATEMENT

4. Revenue Spending in 2017/18 continued

Housing Revenue Account		
	Variance £'000	Reason for Variance
Employees	38	Shortfall due to cleaning costs for the community centres.
Premises Costs	(50)	Savings due to main painting programme delivered through capital programme and hostel utility and running costs.
Supplies & Services	28	Spend on subcontractors covering trades team vacancies, offset by savings in septic tank emptying and systems.
Provision for Bad Debts	(55)	A nominal 1% provision against rents is made in the budget, arrears calculations have not suggested an increase is required yet although the wider roll out of universal credit may have an impact.
External Interest Payable	(225)	Saving from not taking out additional PWLB borrowing to support Housing Development Schemes, internal borrowing utilised.
Budget Savings	(77)	Budget savings were exceeded for the year due to full pay down of the pension fund deficit at the end of 2016/17.
Contingency	(75)	Unspent in the year - drawdowns for support not required.
Capital Expenditure Financed from Revenue	(309)	In year savings in the capital programme have led to lower contributions to the Major Repairs Reserve to cover the costs.
Rent - Dwellings	45	The variance is driven by worse void turnover times than budgeted and one additional right to buy sale (21 in 2017/18) than was assumed in the budget.
Investment Income	(37)	Earnings from investments have exceeded budget, this is due to buoyant cash balances.
Other Sundry Costs	(17)	Numerous smaller and compensating variances contributing towards the final surplus.
Total	(734)	

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 2018 and financial resources are being carried forward to 2018/19 to complete these projects. The total value of carry forwards is £10.015m (£3.369m Housing Revenue Account, £6.646m General Fund).

The detailed Core Financial Statements and accompanying notes are shown on pages 19 to 106.

5. Capital Expenditure

In 2017/18 the Council spent £3.492m (2016/17 £4.268m) on its capital programme (£0.771m General Fund and £2.721m Housing Revenue Account). An analysis of where the money was spent and the sources of funding are shown in the following two tables:

Capital Programme Analysis	Actual £'000	Proportion %
Council Dwelling Improvements	1,284	36.8%
Council dwelling construction	1,107	31.7%
Equipment & Vehicles, including Intangible Assets (e.g. computer software)	433	12.4%
Other Land and Buildings, including Community Assets	377	10.8%
Home Improvement Grants and Loans and Disabled Facilities Grants	181	5.2%
Loans to Selby District Housing Trust	110	3.2%
Total	3,492	100%

NARRATIVE STATEMENT

5. Capital Expenditure continued

Where the money came from	Actual £'000	Proportion %
Government Supported Borrowing	-	0.0%
Prudential / Internal Borrowing	(1,033)	29.6%
Capital Receipts	(160)	4.6%
Major Repairs Reserve	(1,365)	39.1%
Grants and Contributions	(179)	5.1%
Revenue and Reserves	(755)	21.6%
Total	(3,492)	100%

Explanation of variances against budget

The Council expected to spend £11.3m on its capital programme in 2017/18, £4.7m on General Fund and £6.6m on its Housing Investment. However there was an underspend of £0.52m on the General Fund and £0.52m on the Housing Revenue Account. The underspend on the General Fund was mainly due to ICT schemes being rationalised and a new series of channel shift schemes launched during 2018/19 and demand for Disabled Facilities Grants services, policy changes to speed up processes and North Yorkshire County Council are providing more resource to target the backlog of referrals. The HRA underspend was due to savings on heating system replacements from fewer failures, demand for damp works improvements and innovation to target the issues and Estate Improvements. Work on these projects will be completed in 2018/19 or later.

The major items of capital expenditure in 2017/18 were as follows:

	Actual £'000
Leisure & Sports Facilities	107
IT Hardware & Software	433
Central Heating systems	254
Rewiring	241
Pointing	262
Kitchens	145
Damp works	134
External door replacements	24
Disabled Facilities Grants	181
Car Parks	21
Industrial Unit Maintenance	44
Portholme Road Culvert Repairs	124
Other capital initiatives	110
Housing developments	1,108
Other Housing improvements	304
Total	3,492

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 2017/18 but used internal borrowing to fund housing development schemes at Byram and Eggborough. This involves using cash held by the council which generates low returns in the current climate rather than borrowing externally from the PWLB at higher rates.

NARRATIVE STATEMENT

7. Collection Fund

At 31 March 2018 there is a net surplus on the Collection Fund of £3.7m. The Council Tax element is a deficit of £0.9m of which £778k is owed by North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority. There is a surplus of £4.6m for non-domestic rates. Of the surplus £2.3m is owed to the central government and £464k 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 £11.357m at 31 March 2017 to £11.038m at 31 March 2018 based on the 2016 triennial review of the fund. This liability is set out in detail in note 43 and has been brought about as the value of liabilities exceeds the fair value of assets. It has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, but the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by contributions over the remaining working life of employees as assessed by the scheme actuary.

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 £35.723m to £162.017m. Significant movements on the balance sheet include an increase in non-current assets of £20.95m, primarily due to a significant change in measurement of the value of Council House land and buildings, enhanced by expenditure on the capital programme, offset by the net impact of disposals and depreciation. Cash equivalents increased by £18.19m to reflect an improved cash position, largely relating to Collection Fund balances; which is also reflected in the increase in Short term creditors of £6.341m.

In 2017/18 the Council received capital receipts of £1.6m from the sale of council houses and other land and buildings.

10. Review of the Council's Current Financial Position

At the 31 March 2018 the Council's usable reserves stood at £36.468m compared to £25.613m at the end of 2017/18. Included within these figures are £3.9m (£1.7m General Fund and £2.2m HRA) of unallocated revenue reserves. The remaining usable reserves include £22.77m earmarked reserves, £4.33m major repairs reserve and £4.94m capital receipts reserve. The latter two represent sums set aside to meet the cost of future capital programme costs.

NARRATIVE STATEMENT

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

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. For 2017/18 the minimum level was calculated to be £1.5m for General Fund and £1.5m for the Housing Revenue Account. The Medium Term Financial Plan assumes increases to reserves over the next few years to ensure that future demands can be met.

11. Changes in Accounting Practices & Policies

This set of Accounts is prepared under International Financial Reporting Standards (IFRS) as set out in the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The IFRS requires that accounting policies are applied retrospectively.

Accounting policies are defined by the Code of Practice as "the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements". The starting premise is that accounting policies prescribed by the Code should be followed, but need not be applied if the effect of applying them is not material. The accounting policies of the Council have been reviewed for ongoing compliance with IFRS and amended as required.

Changes in accounting policies are only permitted if the change is required by the Code or where the change results in the financial statements providing more reliable and relevant information. A change in circumstances or adoption of policies for "new" transactions, events or conditions that did not occur or were not material previously are not classed as changes in accounting policies.

12. Future Developments

The Council's Medium Term Financial Plan is set within a robust and well established planning framework (Medium Term Financial Strategy), which is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council. This strategic framework has enabled the Council to deliver significant performance improvements in many areas, whilst maintaining effective control and use of its limited financial resources. The Council is facing further risks and pressures over the medium term and these are identified in the following paragraphs.

Funding from Central Government: Reductions in central government funding are set to continue for the foreseeable future. Appeals and business closures continue to represent a risk to business rates income, although we are 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 on investment to help drive self-sustainability. A suite of projects have been approved to achieve this.

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. Following Brexit, there continues to be some uncertainty in the economy and interest rates remain low. There is more positivity in the house building sector currently and Selby Council along with the Selby District Housing Trust continue to progress their housing development plans for the future. This increases demand on services including the waste and recycling service which could see increased costs as a consequence of higher collections. In addition, the future of the New Homes Bonus remains uncertain with Councils seeking to get more clarity on this. Our financial strategy and plan recognise these challenges and seek to provide financial resilience through savings and efficiencies and through the use of reserves and balances where appropriate. For example using one-off resources to facilitate spend to save initiatives to deliver on-going savings and improved value for money.

NARRATIVE STATEMENT

12. Future Developments continued

2018/19 will see the introduction of Universal Credit to the Selby District. Evidence from other areas that have rolled this out shows that rent debt increased considerably, and this represents a risk to the surpluses in the Housing Revenue Account which are used to help maintain the housing stock. Considerable work has gone into preparations for its introduction which will help to mitigate the risk.

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 2018.

Karen Iveson

CPFA

Chief Finance Officer (s151)

Dated

25 July 2018

Approval of the Accounts

This Statement of Accounts was approved by a resolution of the Audit and Governance Committee of Selby District Council on 25 July 2018.

Councillor M Jordan

Chair of Audit Committee

Dated

25 July 2018

Independent auditor's report to the Members of Selby District Council

Opinion on the financial statements

We have audited the financial statements of Selby District Council ('the Council') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Expenditure and Funding Analysis, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Collection Fund and the notes to the financial statements, including the 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Selby District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 the 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, 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 the 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 2017/18, 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 Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the 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 the 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. This description forms part of our auditor's report.

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 2018.

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 the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Responsibilities of the Council

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

Auditor's responsibilities in relation to 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 the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General 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 the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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.

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 43 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 the 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 the 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.

Mark Kirkham
For and on behalf of Mazars LLP

Salvus House
Aykley Heads
Durham
DH1 5TS

25 July 2018

EXPENDITURE AND FUNDING ANALYSIS

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

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

EXPENDITURE & FUNDING ANALYSIS FOR 2017/18

Directorate	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding & Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Corporate Svcs & Commissioning	9,926	(9,922)	4
Economic Regeneration & Place	2,264	(138)	2,127
Legal & Democratic Services	880	(61)	819
Finance	(4,244)	(8,919)	(13,163)
Cost Of Services	8,827	(19,040)	(10,214)
Other Income & Expenditure	(16,609)	1,961	(14,648)
(Surplus) or Deficit	(7,782)	(17,079)	(24,862)
		£'000	
Opening General Fund & HRA Balance		(18,907)	
(Surplus) or Deficit		(7,782)	
Closing General Fund and HRA Balance at 31st March 2018		(26,690)	
General Fund Working Balance		(514)	
HRA Balance		0	
Earmarked Reserves		(7,268)	
		(7,783)	

EXPENDITURE & FUNDING ANALYSIS FOR 2016/17

Directorate	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding & Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Corporate Svcs & Commissioning	9,621	(32,638)	(23,017)
Economic Regeneration & Place	548	(45)	503
Legal & Democratic Services	691	(35)	656
Finance	1,022	(13,034)	(12,012)
Cost Of Services	11,882	(45,752)	(33,870)
Other Income & Expenditure	(11,763)	928	(10,835)
(Surplus) or Deficit	119	(44,824)	(44,705)
		£'000	
Opening General Fund & HRA Balance		(19,025)	
(Surplus) or Deficit		119	
Transfers Capital Grants Unapplied		0	
Closing General Fund and HRA Balance at 31st March 2017		(18,907)	
General Fund Working Balance		329	
HRA Balance		(1)	
Capital Grants Unapplied		0	
Earmarked Reserves		(209)	
		119	

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.

2016/17				2017/18			
Expenditure	Income	Net Exp.		Expenditure	Income	Net Exp.	Notes
£'000	£'000	£'000		£'000	£'000	£'000	
35,022	(20,382)	14,640	Corporate Services & Commissioning	34,473	(21,796)	12,677	
-	(37,657)	(37,657)	Exceptional Item - Council Dwelling Revaluation	-	(12,673)	(12,673)	
1,667	(1,164)	503	Economic Development, Regeneration and Place	3,339	(1,212)	2,127	
1,003	(347)	656	Legal & Democratic	1,161	(342)	819	
1,683	(13,695)	(12,012)	Finance	1,559	(14,723)	(13,163)	
39,375	(73,245)	(33,870)	Cost of Services	40,532	(50,746)	(10,214)	
		4,275	Other Operating Expenditure			3,572	9
		2,935	Financing and Investment Income & Expenditure			2,539	10
		(18,045)	Taxation and Non-Specific Grant Income			(20,758)	11
		(44,705)	(Surplus) or Deficit on Provision of Services			(24,862)	
			Other Comprehensive Income and Expenditure				
		(3,585)	Surplus or deficit on Revaluation of Property, Plant and Equipment Assets			(9,687)	27.1
		-	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			154	27.1
		-	(Surplus) / Deficit on revaluation of available for sale financial assets			-	27.2
		(57)	Remeasurement of the net defined benefit liability			(1,329)	43
		(3,642)	Total Other Comprehensive Income and Expenditure			(10,862)	
		(48,347)	Total Comprehensive Income and Expenditure			(35,724)	

	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2016	(1,468)	(14,097)	(2,266)	(1,193)	(2,929)	(2,521)	(313)	(24,787)	(53,161)	(77,948)
<u>Movement in reserves during 2016/17</u>										
(Surplus) or deficit on provision of services	(6,139)	0	(38,566)	0	0	0	0	(44,705)	0	(44,705)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	(3,642)	(3,642)
Total Comprehensive Expenditure and Income	(6,139)	0	(38,566)	0	0	0	0	(44,705)	(3,642)	(48,347)
Adjustments between accounting basis & funding basis under regulations (note 7)	5,937	0	38,887	0	518	(1,508)	45	43,879	(43,878)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(203)	0	321	0	518	(1,508)	45	(827)	(47,520)	(48,347)
Transfers to/from Earmarked Reserves (note 8)	531	(230)	(322)	21	0	0	0	(0)	0	(0)
Increase/Decrease (movement) in Year	328	(230)	(1)	21	518	(1,508)	45	(827)	(47,520)	(48,347)
Balance at 31 March 2017 carried forward	(1,140)	(14,327)	(2,267)	(1,172)	(2,410)	(4,029)	(267)	(25,614)	(100,680)	(126,294)
<u>Movement in reserves during 2017/18</u>										
(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	(10,862)	(10,862)
Total Comprehensive Expenditure and Income	(8,902)	0	(15,960)	0	0	0	0	(24,862)	(10,862)	(35,724)
Adjustments between accounting basis & funding basis under regulations (note 7)	1,400	0	15,682	0	(1,920)	(912)	(242)	14,008	(14,008)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(7,502)	0	(278)	0	(1,920)	(912)	(242)	(10,854)	(24,870)	(35,724)
Transfers to/from Earmarked Reserves (note 8)	6,990	(6,789)	278	(479)	0	0	0	0	0	0
Increase/Decrease (movement) in Year	(513)	(6,789)	0	(479)	(1,920)	(912)	(242)	(10,856)	(24,870)	(35,726)
Balance at 31 March 2018 carried forward	(1,653)	(21,117)	(2,267)	(1,651)	(4,330)	(4,941)	(508)	(36,468)	(125,549)	(162,017)

BALANCE SHEET

31-Mar-17 £'000		31-Mar-18		Notes
		£'000	£'000	
166,420	Property Plant & Equipment	187,004		12
513	Investment Property	500		16
141	Intangible Assets	410		17
1	Long Term Investments	-		18
701	Long Term Debtors	808		19
167,775	Total Non-current Assets	188,722		
-	Short Term Investments	-		18
-	Inventories and Work in Progress	-		21
3,438	Short Term Debtors	4,475		18,19,22
35,812	Cash and Cash Equivalents	54,003		23
39,250	Total Current Assets	58,478		
207,025	Total Assets		247,200	
(300)	Short Term Borrowing	(279)		18
(6,599)	Short Term Creditors	(12,940)		24
(1,580)	Provisions	(1,367)		25
(366)	Grants Receipts In Advance	(102)		37
(8,845)	Total Current Liabilities	(14,688)		
(60,300)	Long Term borrowing	(59,299)		18
(11,357)	Other Long Term Liabilities: Defined Benefit Pension Scheme	(11,038)		43
(229)	Finance Leases	(157)		40
(71,886)	Total Long Term Liabilities	(70,494)		
(80,731)	Total Liabilities		(85,183)	
126,294	Net Assets		162,017	
(25,613)	Usable Reserves		(36,468)	26
(100,681)	Unusable Reserves		(125,549)	27
(126,294)	Total Reserves		(162,017)	

Karen Iveson
CPFA
Chief Finance Officer (s151)

Dated 25 July 2018

CASH FLOW STATEMENT

2016/17 £'000		2017/18 £'000	Notes
(44,705)	Net (Surplus)/Deficit on the Provision of Services	(24,862)	
38,613	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	8,102	28
2,316	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1,782	28
(3,776)	Net Cash Flow from Operating Activities	(14,978)	
1,305	Investing Activities	1,386	29
(7,832)	Financing Activities	(4,600)	30
(10,303)	Net increase or decrease in cash and cash equivalents	(18,192)	
(25,509)	Cash and cash equivalents at the beginning of the reporting period	(35,812)	
(35,812)	Cash and cash equivalents at the end of the reporting period	(54,004)	23

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, (known as "the Code of Practice") (which is issued by the Chartered Institute of Public Finance and Accountancy) and the Service Reporting Code of Practice 2017/18 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Qualitative Characteristics of Financial Statements

(a). Relevance

The accounts have been prepared with the objective of providing information about the Council's financial position, performance and cash flows that is useful for assessing the stewardship of public funds and for making economic decisions.

(b). Reliability

The financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction, is free from deliberate systematic bias, is free from material error, is complete within the bounds of materiality and cost and has been prudently prepared.

(c). Comparability

In order to aid the understanding of the Statement of Accounts prior year comparable information is provided throughout the prime statements and the notes.

(d). Understandability

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary contained within the accounts.

(e). Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts.

iii. Underlying Assumptions

(a). Accruals Basis

The financial statements, other than cash flow, are prepared on an accruals basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

iii. Underlying Assumptions continued

(b). Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

iv. Accruals of Income and Expenditure (Debtors and Creditors)

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with recognised accounting policies and the Code of Practice. The accounts reflect sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

- Revenue relating to such things as Council Tax, Non Domestic Rates, is measured at the full amount receivable (net of any impairment losses as they are non-contractual non-exchange transactions and there can be no difference between the delivery and payment dates).
- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- In the event that consideration has been paid in advance of the receipt of goods or services or other benefit, an authority shall recognise a debtor (i.e. payment in advance) in respect of that outflow of
- 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.
- 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

Exceptions to this include electricity and similar periodic payments. These are included at the date of the meter readings rather than apportioned between two financial years. The policy is applied consistently to ensure a full year's expenditure is included and therefore this does not have a material effect on the year's accounts.

v. Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

vi. Capital Receipts

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

A proportion of receipts relating to Housing Revenue Account dwellings (buildings) is payable into a Government pool, based on a central government formula.

vii. Council Tax Income

Selby District Council is a billing authority and is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates. The Fund's key features relevant to accounting for council tax in the core financial statements are detailed below.

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

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors. The amount credited to the General Fund under statute is the Council's precept or demand for the year plus the Council's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection fund for the previous year; and this amount may be more or less than the accrued income for the year in accordance with GAAP, although in practice the difference would usually be small.

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year.

The difference between the income included in the Comprehensive Income & Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

vii. Council Tax Income continued

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

The Cash Flow Statement of the Council includes in Revenue Activities cash flows only of its own share of Council Tax net cash collected from Council Tax debtors in the year; and the amount included for precepts paid excludes amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from Council Tax debtors and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund is included as a net increase/decrease in other liquid resources.

viii. Charges to Revenue for Non-current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used for the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible assets attributable to the service.

The Council does not raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the prudent reduction in its overall borrowing requirement based on the annual Capital Financing Requirement for capital projects funded from borrowing. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

ix. Employee Benefits

(a). Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the value of annual leave entitlement earned by employees but not taken before the year end which employees can carry forward into the following financial year. Any accrual would be charged to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

(b). Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis at year-end, to the appropriate service in the Comprehensive Income and Expenditure Statement at the point where either the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

iv. Employee Benefits continued

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

(c). Post Employment Benefits (Pensions)

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

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

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

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

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

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

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

Service costs, which comprise:

- Current service cost - the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost - the net interest on the net defined benefit liability, i.e. net interest expense for the Council. This is a charge for one year's worth of the discount on the liabilities, as they unwind, and the liabilities become one year closer to payment. This cost is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

x. Employee Benefits continued

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

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Actuarial gains and losses - changes in net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Contributions paid to the North Yorkshire Pension Fund - cash paid as employer's contributions to the pension funding settlement of liabilities; not accounted for as an expense.

The General Fund and Housing Revenue Account are charged with the amount payable by the Council to the pension fund in the year, and not the amount calculated according to relevant accounting standards. Any difference between these amounts is adjusted through the Pensions Reserve. This item is shown as a reconciling item within the Movement in Reserves Statement. The Pension Reserve makes adjustments to reverse the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

xi. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xii. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

xiii. Financial Instruments

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

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

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

The Council issued Local Government Loan Stock in 1995 and is carried at a lower amortised cost than the outstanding principal and interest, and is charged at a marginally higher effective rate of interest than the rate payable to stockholders, as the balance of the material amount of costs incurred in the stock issue is been financed over the remaining life of the stock.

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

Discounts and/or premiums incurred on the premature repayment or rescheduling of loans prior to April 2009 cannot be attributed to any existing debt and are held in the Financial Instruments Adjustment Account, and will continue to be amortised to the General Fund and Housing Revenue Account over a period which represents the life of the loans repaid.

The Council has based the fair value estimation on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities. Fair value is defined under IFRS 13 as "the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date."

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xiii. Financial Instruments continued

Loans and Receivables

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

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

xiv. Government Grants and Contributions

Government Grants are accrued and credited to income in the period in which the conditions of the grant have been met, and there is reasonable assurance that the grant or contribution will be received. Where income is received in advance of the related expenditure being incurred, any unspent grant funding will be transferred to earmarked or general reserves to reflect future year expenditure commitments. Where the grant or contribution is to fund capital purposes, then the grant income is recognised in the year it is received, although this is subject to any outstanding conditions having been met. Capital grant income recognised in the Comprehensive Income and Expenditure Statement, in advance of the year of that related expenditure is transferred to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure. Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution by the payer have been satisfied. These conditions are stipulations embedded within the terms and conditions of the agreement which specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions attached to the funding have not been satisfied are carried in the Balance Sheet as Income in Advance Creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

xv. Intangible Assets

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xvi. Interest in Companies and Other Entities

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

xvii. Inventories and Long Term Contracts

In accordance with proper accounting practice, inventories (stocks) are valued at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xviii. Investment Property

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

Investment properties are measured at fair value, based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xix. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of assets of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities incurred and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and the expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council is in partnership with Ryedale, Hambleton, Richmondshire and Scarborough Councils for the delivery of Building Control services. Selby, Scarborough and Ryedale Councils have also entered into a partnership to jointly procure goods and services. Due to the small level of assets (reserves) that these partnerships have, a decision has been taken by the partnership authorities to show as a disclosure note only the proportion of the income and expenditure relevant to each authority and their share of the reserve.

The Council is in partnership with Inspiring Healthy Lifestyles for the delivery of Leisure Services in the District by WLCT. This arrangement for delivery of services is through the mechanism of jointly controlled assets.

xx. Leases

Leases are classified as either finance or operating leases, depending on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. Whether the lease is a finance lease or an operating lease depends on the substance of the transaction rather than the contract. Leases are classed as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Land and building elements of a lease are considered separately for the purpose of lease classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where the fulfilment of the arrangement is dependent on the use of specific assets. This is referred to as an embedded lease (e.g. assets used in delivery of the Street Scene Contract).

(a). The Council as Lessee

Finance Leases - Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its current value in existing use, measured at the lease's inception and depreciated over the life of the lease. The recognised asset is matched by a deferred liability for the obligation to pay the lessor over the duration of the lease agreement.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement).

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xx. Leases continued

(a). The Council as Lessee continued

Operating Leases - Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

(b). The Council as Lessor

Finance Leases - Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same area in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement).

Finance Lease income is treated as a capital receipt. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

Operating Leases - Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

xxi. Non-Domestic Rates (NDR) Income

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

Selby District Council is a billing authority and as such is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates.

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

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to the government and major preceptors. The amount credited to the General Fund under statute is the Council's pre-determined share for the year plus the Council's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection fund for the previous year; and this amount may be more or less than the accrued income for the year, although in practice the difference would usually be small.

NDR income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year.

The difference between the income included in the Comprehensive Income & Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xxi. Non-Domestic Rates (NDR) Income continued

The Council's Cash Flow Statement only includes the Council's share of NDR net cash flows; and the amount included for precepts paid excludes amounts paid to the government and major preceptors. The difference between the government and major preceptors' share of the net cash collected from NDR debtors and net cash paid to the government and major preceptors is included as a net increase/decrease in other liquid resources.

xxii. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of changes in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy has always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

xxiii. Private Finance Initiative (PFI) Scheme

The Council entered into a 30 year PFI scheme in 2003 with South Yorkshire Housing Association to construct and deliver 153 housing units. PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor. Payments made by the Council under the contract are charged to the General Fund Revenue Account to reflect the value of services received in each financial year.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xxiii. Private Finance Initiative (PFI) Scheme continued

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

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

PFI credits - Government grants received for the scheme fall short of current levels of expenditure, annual deficits are drawn from an earmarked reserve created to fund contract expenditure.

xxiv. Property Plant and Equipment

Property, Plant and Equipment are non-current assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes on a continuing basis (more than one financial year).

Recognition - Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised, provided that the non-current asset yields future economic benefits or service potential to the Council for more than one financial year. Expenditure on repairs and maintenance does not add to an asset's potential to deliver future economic benefits or service potential and is charged to revenue as an expense when it is incurred.

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

Measurement - Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until any such conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xxiv. Property Plant and Equipment continued

Assets are then carried on the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost
- council dwellings - existing use value for social housing (EUV-SH)
- All other assets except for the new Civic Centre - determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).
- New Civic Centre - due to its specialist nature, depreciated replacement cost.

Where there is no market-based evidence of the existing use value of an asset, because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as an indicator for the value of the asset.

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

All land and buildings (other than Council Dwellings) were revalued at 1 April 2015. In accordance with the Code, all land and buildings that are not revalued are subject to a 'desk top review' each year with any material changes being reflected in the balance sheet in the year in which they occur.

Council Dwellings were valued at 1 April 2016 in order to comply with Resource Accounting for the Housing Revenue Account and are also subject to annual 'desk top reviews' with material changes being reflected in the year in which they occur. The next full revaluation is due as at April 2021.

Increases in values following the five yearly revaluations and annual desk top reviews are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income & Expenditure Statement.

Componentisation - All Property assets containing a building are split into two components - Land and Buildings. The buildings are then further reviewed to assess if there are additional components which should be recognised. This assessment is based on the value of the building and the value of the components. A materiality level has been set below which this additional review will not be done. Only buildings with a valuation greater than £150,000 will be considered for componentisation. The cost of the component should be at least 20% of the value of the building. Components whose value is under this level will be considered if the circumstances are deemed appropriate. Componentisation will only be considered either at the full 5 yearly valuation, or when major capital improvements are undertaken.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xxiv. Property Plant and Equipment continued

Impairment - Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income & Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation - Depreciation is provided on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets), and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the life of the property as estimated by the Valuer.
- Vehicles, plant, furniture and equipment - straight-line allocation over the life of the asset, as advised by a suitably qualified officer.
- Infrastructure - straight-line allocation over 25 years or less if appropriate.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale - When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at fair value less costs to sell under the definition of fair value in IFRS 13: – the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This method of measurement will therefore consider the most advantageous market in which the asset could be sold for and does not place sole consideration on the existing use of the Council. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xxiv. Property Plant and Equipment continued

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

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to Housing Revenue Account disposals for council house buildings is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are apportioned to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xxv. Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged as an expense to the appropriate service line(s) in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not included in the accounts but disclosed as a note to the accounts. Only material types of liability will be disclosed with an estimate of the financial effect where known and any uncertainties relating to amounts or timing.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. The disclosure will indicate the nature of the contingent asset and an estimate of its value.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

xxvi Reserves

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

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

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

In addition certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits that do not represent usable resources for the Council. These reserves are explained in the relevant policies.

xxvii. Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

xxviii. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

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

3. Critical Accounting Judgements In Applying Accounting Policies

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

Classification of Leases

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

Arrangements Containing a Lease

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

Investment Properties (Commercial Property)

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

Heritage Properties

The Council reviewed its assets in accordance with the accounting policy and as a result determined that no properties should be disclosed as heritage properties.

Assets Held For Sale

The Council has reviewed all assets in accordance with the accounting policy and determined that no properties currently need to be reclassified.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

The items in the Council's Balance Sheet at 31 March 2018 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 £1,645k, while a 0.1% increase in salary inflation assumptions would result in an increase in the pension liability of £209k.

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 2018, the Council had a sundry debtors balance of £5.67m, and has made provisions for bad debt totalling £1.198m.

The provision for bad and doubtful Council Tax debts is 24.8% of total arrears and has been calculated using prescribed formula. It is considered to be an adequate provision, and the Council includes its share of this sum in its balance sheet. The provision for bad and doubtful debts for national non-domestic rates has been calculated by a detailed analysis of the status of the debtor, including whether or not it is still trading. A provision equal to 54.7% of total arrears has been made, and the Council includes its share in its balance sheet.

Business Rates Appeals

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

5. Material Items of Income and Expenditure

The Council paid out a total of £15.216m in housing benefits in 2017/18 (£15.716m in 2016/17), 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 £7.596m in income in relation to this in 2017/18 (£5.427m in 2016/17).

6. Events After the Balance Sheet Date

The draft Statement of Accounts were authorised by the Chief Finance Officer s151 on 25 May 2018. 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 2018, 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 2018 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

2017/18	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(1,190)	(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)
Adjustments primarily involving the Capital Grants Unapplied Account:						
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						
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		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 £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustments primarily involving the Major Repairs Reserve:						
Transfer from the HRA to meet future capital and debt redemption costs		3,283	(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)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2					(2)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(1,764)	(113)				1,877
Employer's pensions contributions and direct payments to pensioners payable in the year	862	5				(867)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	3,075					(3,075)
Cost of Services	1,399	15,682	(1,919)	(913)	(241)	(14,008)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

8. Earmarked Reserves

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

	Balance at 31-Mar-16 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31-Mar-17 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31-Mar-18 £'000	See Notes Below
General Fund								
Access Selby	-			-			-	8.1
Asset Management	(375)	53	(575)	(897)	197	(182)	(882)	8.2
Business Rates Equalisation	(4,777)	7,347	(4,222)	(1,652)	2,814	(2,767)	(1,605)	8.3
Car Loan Bonds	(5)			(5)			(5)	8.4
Carried Fw'd Budgets	(1,493)	1,493	(1,546)	(1,546)	1,546	(766)	(766)	8.5
Contingency	(708)	708		-		(498)	(498)	8.6
Discretionary RR Fund	(268)			(268)			(268)	8.7
District Election	(46)		(34)	(80)		(34)	(114)	8.8
ICT Replacement	(782)	118	(200)	(864)	481	(191)	(574)	8.9
Industrial Units	(40)	40		-			-	8.10
NYCC Collaboration	(150)	100		(50)			(50)	8.11
Pensions Reserve	(367)	550	(183)	-		(742)	(742)	8.12
PFI Scheme	(2,360)	397	(1,795)	(3,758)	406	(291)	(3,643)	8.13
Planning Inquiries	-			-			-	8.14
Programme for Growth	(1,531)	8,557	(10,063)	(3,037)	1,837	(6,107)	(7,307)	8.15
ROS Maintenance	(80)			(80)		(42)	(122)	8.16
Sherburn Amenity Land	-			-			-	8.17
Spend to Save	(500)			(500)			(500)	8.18
Tadcaster Central Area	(67)	67		-			-	8.19
Wheeled Bin Hardship	-			-			-	8.20
Affordable Housing Local Plan	(194) (355)	351	(1,248) (145)	(1,091) (500)	162	(2,562) (50)	(3,491) (550)	8.21 8.22
Total	(14,098)	19,781	(20,011)	(14,328)	7,443	(14,232)	(21,118)	
Housing Revenue Account								
Carried Fw'd	(1,193)	1,193	(1,172)	(1,172)	1,334	(1,813)	(1,651)	8.5
Total	(1,193)	1,193	(1,172)	(1,172)	1,334	(1,813)	(1,651)	

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

8. Earmarked Reserves continued

- 8.1. Access Selby was a fund to hold savings achieved to date to provide resources for the delivery of services in future years. In light of the Corporate restructure, and future priorities, the balance has been transferred to a newly formed Local Plan reserve
- 8.2. The Asset Management reserve has been created to fund repairs and improvements to the Corporate Land & Buildings, Depots and Leisure Centres.
- 8.3. The Business Rates Equalisation reserve is to provide protection should the Council suffer early losses before the funding safety net is reached. It also holds accrued amounts for safety net payments until NNDR deficits are released to the General Fund.
- 8.4. The Car Loans Bond reserve exists to cover the potential event that an employee defaults on the repayment of their car loan.
- 8.5. A reserve to provide resources to fund budgets carried forward into 2018/19 for schemes which have been delayed from 2017/18.
- 8.6. To fund contingency items throughout the year.
- 8.7. The Discretionary RR Fund has been created to meet the costs of the new policy.
- 8.8. To spread the cost of funding expenditure on the District Elections every 4 years.
- 8.9. The ICT Replacement reserve is to fund the purchase new computer equipment and upgrade of systems.
- 8.10. To hold funds paid by industrial unit tenants for repairs and maintenance. Following a review of reserves, this has now been incorporated into the single Asset Management reserve
- 8.11. The NYCC Collaboration reserve has been created to meet implementation costs of the project.
- 8.12. To dampen the impact of future years' employers pensions costs increases.
- 8.13. To hold government grant and SDC contributions to pay for the housing PFI project .
- 8.14. To fund costs associated with Planning Inquiries. Following a review of reserves, it was agreed that this be transferred to the Programme for Growth reserve.
- 8.15. The Programme for Growth reserve provides funds for capital or 'one-off' revenue projects to support delivery of the Council's Corporate Plan.
- 8.16. The ROS Maintenance reserve holds funds received through S106 agreements for recreation and open spaces maintenance.
- 8.17. Balance of budget required for works on land at Sherburn undertaken during 1996. Following a review of reserves, it was agreed to transfer the balance to Programme for Growth
- 8.18. The Spend to Save reserve provides 'up front' investment for initiatives that generate revenue budget savings.
- 8.19. The Tadcaster Central Area reserve has been created to provide funds for its redevelopment. Following a review of reserves, this has now been incorporated into the Asset Management reserve
- 8.20. The Wheeled Bins Hardship Fund provides bins for those on low income/pensions who cannot afford to purchase. Following a review of reserves, it was agreed to transfer the balance to Programme for Growth.
- 8.21. Developers contributions received towards provision of affordable housing.
- 8.22. To fund delivery of the District wide Local Plan

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

9. Other Operating Expenditure

2016/17 £'000		2017/18 £'000
1,707	Payments of Precepts to Parishes	1,777
1,635	Levies payable (Drainage Boards)	1,663
521	Contribution of Housing Capital Receipts to Government Pool	514
413	(Gain) / Loss on Disposal of Non-Current Assets	(382)
-	(Gain) / Loss on Disposal of Intangible Assets	-
4,275	Total	3,572

10. Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
2,527	Interest Payable on Debt	2,504
18	Interest Element of Finance Leases	9
666	Net interest on the net defined benefit liability	284
	Income and Expenditure in relation to investment properties and changes in their fair value	13
	- <i>investment interest</i>	
	- <i>investment interest trsfr gf to hra</i>	
	- <i>investment interest recpt hra</i>	
	- <i>mortgage interest</i>	
	- <i>car loans interest</i>	
(275)	Investment Interest Income	(271)
2,935	Total	2,539

11. Taxation and Non-Specific Grant Income

2016/17 £'000		2017/18 £'000
(6,529)	Council Tax	(6,882)
(13,762)	Non-domestic Rates	(11,601)
12,106	NDR top-ups/tariffs and safety net income	9,578
(1,121)	Revenue Support Grant	(593)
-	Small Business Empty Property Rate Relief	-
(5,427)	Business Rates - Renewable Energy	(8,591)
(3,312)	Non Service Related Government Grants	(2,669)
-	Recognised Capital Grants and Contributions	-
(18,045)	Total	(20,758)

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.

2017/18	Council Dwellings £'000	Other Land and Buildings £'000	Assets under Construction £'000	Surplus Assets £'000	Infra-structure £'000	Community Assets £'000	Vehicles Plant & Equipment £'000	Total Valued Assets £'000	Leased Vehicles & Equipment £'000	Total £'000
Cost or Valuation										
at 31 March 2017	136,588	29,066	991	-	291	245	3,712	170,893	3,072	173,965
Adjustment to opening balance									-	-
Movement in 2017/18										
Additions	1,294	151	1,142		124	24	102	2,837	-	2,837
Transfers	1,941	-	(1,941)					-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	8,757	635						9,392	-	9,392
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	11,314	(771)						10,543	-	10,543
Derecognition - disposals	(1,275)	(76)						(1,351)	-	(1,351)
Value as at 31 March 2018	158,619	29,005	192	-	415	269	3,814	192,314	3,072	195,386
Accumulated Depreciation and Impairment										
at 31 March 2017	(1,656)	(882)	-	-	(167)	(44)	(2,036)	(4,785)	(2,761)	(7,546)
Adjustment to opening balance	-	-	-	-				-	-	-
Movement in 2017/18										
Transfers								-	-	-
Depreciation for the Year	(1,943)	(887)			(28)	(2)	(293)	(3,153)	(92)	(3,245)
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,501	594						2,095	-	2,095
Depreciation written out to the Revaluation Reserve	153	156						309	-	309
Impairment losses/(reversals) recognised in the Revaluation Reserve								-	-	-
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services								-	-	-
Derecognition - disposals								-	-	-
Other movements in Depreciation and Impairment		3						3	-	3
Value as at 31 March 2018	(1,945)	(1,016)	-	-	(195)	(46)	(2,329)	(5,530)	(2,853)	(8,383)
Net Book Value										
at 31 March 2018	156,674	27,990	192	-	220	223	1,485	186,784	219	187,004
at 31 March 2017	134,932	28,184	991	-	124	201	1,676	166,108	311	166,419

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2016/17	Council Dwellings £'000	Other Land and Buildings £'000	Assets under Construction £'000	Surplus Assets £'000	Infra-structure £'000	Community Assets £'000	Vehicles Plant & Equipment £'000	Total Valued Assets £'000	Leased Vehicles & Equipment £'000	Total £'000
Cost or Valuation										
at 31 March 2016	99,161	25,220	5,068	-	291	177	2,392	132,309	3,072	135,381
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
Movement in 2016/17										
Additions	1,928	65	1,641	-	-	68	136	3,838	-	3,838
Transfers	-	4,529	(5,718)	-	-	-	1,189	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,614	954	-	-	-	-	-	3,568	-	3,568
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	34,263	(581)	-	-	-	-	-	33,682	-	33,682
Derecognition - disposals	(1,378)	(1,121)	-	-	-	-	(5)	(2,504)	-	(2,504)
Value as at 31 March 2017	136,588	29,066	991	-	291	245	3,712	170,893	3,072	173,965
Accumulated Depreciation and Impairment										
at 31 March 2016	(1,191)	(713)	-	-	(144)	(42)	(1,758)	(3,848)	(2,398)	(6,246)
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
Movement in 2016/17										
Transfers	-	-	-	-	-	-	-	-	-	-
Depreciation for the Year	(1,654)	(786)	-	-	(23)	(2)	(278)	(2,743)	(363)	(3,106)
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,189	599	-	-	-	-	-	1,788	-	1,788
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-
Derecognition - disposals	-	18	-	-	-	-	-	18	-	18
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-	-
Value as at 31 March 2017	(1,656)	(882)	-	-	(167)	(44)	(2,036)	(4,785)	(2,761)	(7,546)
Net Book Value										
at 31 March 2017	134,932	28,184	991	-	124	201	1,676	166,108	311	166,419
at 31 March 2016	97,970	24,507	5,068	-	147	135	634	128,461	674	129,135

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

13. Depreciation Methodologies

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

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

14. Commitments Under Capital Contracts

The Council is required to disclose any significant commitments under capital contracts. These commitments relate to contractual obligations entered into but not discharged by 31 March 2018, 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 £28.277m, of which £1.453m was contractually committed at 31 March 2018. The table below analyses this sum into the individual programmes.

Expenditure approved and contracted at 31-Mar-17 £'000		Expenditure approved and contracted at 31-Mar-18 £'000	Period of Investment
1,285	Modernisations to HRA land & buildings	1,453	1-3 years
1,285	Total	1,453	

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

15. Revaluations

The following statement shows the progress of the Council's programme for the revaluation of assets. The valuation of Council assets is undertaken by external valuers. Council dwellings valuation is carried out by G Tyerman BSc, MRICS of Mouchel, other land and buildings are valued by James Reynolds BA (Hons), MRICS of Stephenson. The basis of valuation is set out in the statement of accounting policies and the numbers below include the desktop review. No revaluation is undertaken in relation to Vehicles, Plant, Furniture and Equipment.

The five yearly full inspection and revaluation for all Land and Buildings other than Council Dwellings took place in 2014/15, Council dwellings were revalued in 2016/17.

	Council Dwellings £'000	Other Land and Buildings £'000	Total £'000
Valued at current value :	156,674	28,625	185,299

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.

2016/17 £'000		2017/18 £'000
500	Opening Balance	513
-	Transfers (to)/from Property, Plant and Equipment	-
13	Net gains/(losses) from fair value adjustments	(13)
513	Closing Balance	500

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

17. Intangible Assets

2016/17				2017/18		
Software Licenses £'000	Other Intangible £'000	Total £'000		Software Licenses £'000	Other Intangible £'000	Total £'000
			Balance at start of year			
454	192	646	Original Cost	477	192	669
(354)	(127)	(481)	Accumulated amortisation	(389)	(137)	(527)
100	65	165	Net carrying amount at start of year	88	55	142
23	-	23	Expenditure in Year	330	-	330
-	-	-	Disposals in Year	-	-	-
(35)	(10)	(46)	Amortisation for the year	(52)	(10)	(62)
-	-	-	Amortisation derecognised on disposal	-	-	-
88	55	142	Net carrying amount at end of year	366	45	410
			Comprising:			
477	192	669	Gross carrying amounts	807	192	999
(389)	(137)	(527)	Accumulated amortisation	(441)	(147)	(589)
88	55	142		366	45	410

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

18. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. Notes 20 and 46 provide further information.

	Long-Term		Current	
	31-Mar-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000
Investments				
Loans and receivables	-	-	-	-
Available-for-sale financial assets	1	-	-	-
Total investments	1	-	-	-
Debtors				
Loans and receivables	702	808	19	20
Financial assets carried at contract amounts	-	-	1,811	1,686
Total included in Debtors	702	808	1,830	1,706
Borrowings				
Financial Liabilities at amortised cost	(60,299)	(59,299)	(210)	(207)
Total included in Borrowings	(60,299)	(59,299)	(210)	(207)
Other Long-Term Liabilities				
Finance lease liabilities	(229)	(157)	(90)	(72)
Total Other Long-Term Liabilities	(229)	(157)	(90)	(72)
Creditors				
Financial liabilities carried at contract amounts	-	-	(2,527)	(2,886)
Total Creditors	-	-	(2,527)	(2,886)
Cash and Cash Equivalents				
Financial assets carried at contract amounts	-	-	36,517	54,517
Financial liabilities carried at contract amounts	-	-	(705)	(514)
Total Cash and Cash Equivalents	-	-	35,812	54,003

19. Long Term Debtors

	Long-Term		Current	
	31-Mar-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000
Soft Loans	68	46	8	8
Employee Loans		16	9	10
Mortgages - Ex Council Houses			2	2
Repair Assistance Loans	188	188	-	-
Loan to Selby Housing Trust	446	558	-	-
Other Loans			-	-
Total Long Term Debtors	702	808	19	20

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

20. Financial Instruments Gains, Losses and Fair Values

The gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

2016/17					2017/18			
Financial Liabilities	Financial Assets				Financial Liabilities	Financial Assets		
Liabilities at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	Total £'000		Liabilities at amortised cost £'000	Loans and receivables £'000	Available-for-sale assets £'000	Total £'000
2,544	-	-	2,544	Interest Expense	2,512	-	-	2,512
-	-	-	-	Losses on derecognition	-	-	-	-
-	-	-	-	Impairment Losses	-	-	-	-
2,544	-	-	2,544	Interest Payable & Similar Charges	2,512	-	-	2,512
-	(275)	-	(275)	Interest income	-	(271)	-	(271)
-	-	-	-	Gains on derecognition	-	-	-	-
-	(275)	-	(275)	Interest & Investment Income	-	(271)	-	(271)
-	-	-	-	Gains on Revaluation	-	-	-	-
-	-	-	-	Losses on Revaluation	-	-	-	-
-	-	-	-	Amounts recycled to the I&E Account after impairment	-	-	-	-
-	-	-	-	Surplus arising on the revaluation of financial assets	-	-	-	-
2,544	(275)	-	2,269	Net gain/(loss) for the year	2,512	(271)	-	2,241

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

The Link fair value of its debt is £74.766m.

- (a) estimated interest rates at 31 March 2017 of 3.5% - 8.4% for PWLB borrowing, 8.9% for LGS Stock.
- (b) in addition mortgages advanced to council tenants under the right to buy, the interest free loan to the voluntary services for the community house project, home improvement loans and employee car loans, which form part of the loans receivable total, are valued at carrying amount;
- (c) no early repayment or impairment is recognised;
- (d) where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- (e) the fair value of trade and other receivables is taken to be the invoiced or billed amount;

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

20. Financial Instruments Gains, Losses and Fair Values continued

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

	31 March 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB	53,856	68,035	52,833	67,058
Other Market Debt	6,708	8,323	6,500	7,708
Financial Liabilities	60,564	76,358	59,333	74,766

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 £82m. 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-17 £'000		31-Mar-18 £'000
8	Opening Balance	-
337 (345)	Purchases in Year Usage in Year	303 (303)
-	Closing Balance	-

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

22. Debtors & Prepayments

31-Mar-17 £'000		31-Mar-18 £'000
415	Amounts falling due in one year:	749
1,005	Central Government Bodies	1,836
3,283	Other Local Authorities	3,088
4,703	Other Entities and Individuals	5,673
(1,265)	Less Provision for Bad Debts	(1,198)
3,438	Total	4,475

23. Cash and Cash Equivalents

	Balance at 31-Mar-17 £'000	Balance at 31-Mar-18 £'000	Cash Movement £'000
Cash in hand	1	1	0
Cash at bank	(705)	(514)	191
Cash Equivalents	36,516	54,516	18,000
Total	35,812	54,003	18,191

The value of cash and cash equivalents have increased significantly mainly due to large balances held at the end of 2017/18 for items relating to Business Rates collection fund and receipt of Renewable energy business rates.

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 Union Referendum, 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-17 £'000		31-Mar-18 £'000
(2,283)	Central Government Bodies	(7,774)
(318)	Other Local Authorities	(964)
(3,119)	Other Entities and Individuals	(3,294)
(879)	Section 106 Receipts (see note 24.1)	(908)
(6,599)	Total	(12,940)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

24.1. Section 106 Receipts

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

	Balance at 31-Mar-17 £'000	Income £'000	Expenditure £'000	Balance at 31-Mar-18 £'000
Open Space Schemes	(505)	(267)	374	(398)
Health Care Facilities	(61)	(142)	189	(14)
Education	(158)	(1,157)	1,006	(309)
Public Transport / Traffic	(122)	(55)		(177)
Waste & Recycling	(33)	(40)	63	(10)
Total	(879)	(1,661)	1,632	(908)

24.1. Section 106 Receipts continued

Parish Councils can apply for the release of funds from the Open Space Schemes monies applicable to their Parish by submitting a proposed scheme to the Council. On approval of the scheme the monies will be paid over to the Parish Council in staged payments. The contributions from Developers relating to traffic management, public transport, education and health care schemes are received by the Council and then paid over to the appropriate authority. Section 106 receipts are also used to fund Affordable Housing, which are allocated to Council Earmarked reserves for future housing development schemes. The balance held at 31 March 2018 was £3.491m.

25. Provisions

	Redundancy & Retirement £'000	Property Searches £'000	NNDR Appeals £'000	Total £'000
Balance at 1 April 2016	(360)	(52)	(1,628)	(2,040)
Additional provisions made in 2016/17	(23)	-	(602)	(625)
Amounts used in 2016/17	357	20	705	1,082
Unused amounts reversed in 2016/17	3	-	-	3
Balance at 31 March 2017	(23)	(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				-
Balance at 31 March 2018	-	(33)	(1,334)	(1,367)

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

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

The provision for Redundancy and Retirement relates to the pension strain and costs associated with the corporate restructure and other projects. These payments were committed in 2016/17 and paid in 2017/18.

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.

2016/17		2017/18	Note
£'000		£'000	
	Usable Reserves		
(1,140)	General Fund	(1,653)	26.1
(15,500)	Earmarked Reserves	(22,769)	26.2
(2,267)	Housing Revenue Account - Core	(2,267)	26.3
-	Housing Revenue Account - Access Selby	-	26.3
(2,411)	Major Repairs Reserve	(4,330)	26.4
(4,029)	Capital Receipts Reserve	(4,941)	26.5
(268)	Capital Grants Unapplied	(509)	26.6
(25,614)	Total	(36,469)	

26.1. General Fund

This is a non-earmarked balance which is set aside to cover unforeseen events and the risk of inflation increases. The Council has a minimum level for this balance set at £1.5m. Any amounts above this may be used to support the budget and future council tax levels within the context of the Council's financial strategy. During 16/17, as part of the funding of the Pension Back-funding payment, Council approved a temporary reduction to this limit, with first call on Renewable Business Rates income being utilised to top the reserve back up to the minimum balance.

26.2. Earmarked Reserves

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

26.3. Housing Revenue Account

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

2016/17 £'000		2017/18 £'000	Note
	Unusable Reserves		
	Revaluation Balances		
(6,481)	Revaluation Reserve	(15,705)	27.1
4	Available-for-Sale Financial Instruments Reserve	4	27.2
	Adjustment Accounts		
(107,171)	Capital Adjustment Account	(119,420)	27.3
9	Financial Instruments Adjustment Account	7	27.4
-	Deferred Capital Receipts Reserve	-	27.5
11,357	Pensions Reserve	11,038	27.6
1,602	Collection Fund Adjustment Account	(1,473)	27.7
(100,680)	Total	(125,549)	

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.

2016/17 £'000		2017/18 £'000
(3,467)	Balance brought forward at 1 April	(6,481)
(3,630)	Upwards revaluation of assets	(9,961)
45	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	274
(3,585)	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	(9,687)
149	Difference between fair value depreciation and historical cost depreciation	309
421	Accumulated losses on assets sold or scrapped	154
571	Amount written off to the Capital Adjustment Account	463
(6,481)	Balance carried forward at 31 March	(15,705)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Unusable Reserves continued

27.2. Available-for-Sale Financial Instruments Reserve

The available-for-sale financial instruments reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised.

2016/17 £'000		2017/18 £'000
4	Balance brought forward at 1 April	4
-	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	-
-	Total movement on the reserve in Year	-
4	Balance carried forward at 31 March	4

27.3. Capital Adjustment Account

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

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

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

2016/17 £'000		2017/18 £'000
(68,881)	Balance brought forward at 1 April	(107,171)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
5,394	Charges for depreciation and impairment of non-current assets	3,244
(37,714)	Revaluation to reverse historic impairment of Property, Plant & Equipment previously charged to Income and Expenditure Account	(12,651)
46	Amortisation of intangible assets	62
(132)	Revenue expenditure funded from capital under statute	(32)
2,446	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	1,194
(29,960)		(8,183)
(571)	Adjusting amounts written out of the Revaluation Reserve	(309)
(30,531)	Net written out amount of the cost of non-current assets consumed in the year	(8,493)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Unusable Reserves continued

27.3. Capital Adjustment Account continued

2016/17 £'000		2017/18 £'000
(30,531)	Net written out amount of the cost of non-current assets consumed in the year	(8,493)
(87)	Capital financing applied in the year:	
(2,018)	Use of the Capital Receipts Reserve to finance new capital expenditure	(158)
	Use of the Major Repairs Reserve to finance new capital expenditure	(1,332)
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2)
	Application of grants to capital financing from the Capital Grants Unapplied Account	
(1,260)	HRA voluntary set aside for debt repayment	(1,260)
(3,499)	Minimum Revenue Provision - Borrowing	(181)
(373)	Minimum Revenue Provision - Leases	(91)
(643)	Capital expenditure financed from revenue	(755)
(7,881)	Total capital financing applied in the year	(3,780)
121	Loan Adjustments	10
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	13
(107,171)	Balance carried forward at 31 March	(119,421)

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.

2016/17 £'000		2017/18 £'000
13	Balance brought forward at 1 April	9
(4)	Soft Loan adjustment	(2)
(4)	Total movement on the account in Year	(2)
9	Balance carried forward at 31 March	7

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.

2016/17 £'000		2017/18 £'000
-	Balance brought forward at 1 April	-
-	Principal Repayments in year transferred to the Capital Receipts Reserve	-
-	Balance carried forward at 31 March	-

27.6. Pensions Reserve

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

2016/17 £'000		2017/18 £'000
20,442	Balance brought forward at 1 April	11,357
(57)	Remeasurement of the net defined benefit liability	(1,329)
1,913	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,877
(10,941)	Employer's pensions contributions and direct payments to pensioners payable in the year	(867)
11,357	Balance carried forward at 31 March	11,038

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

2016/17 £'000		2017/18 £'000
(1,271)	Balance brought forward at 1 April	1,602
2,873	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(3,075)
1,602	Balance carried forward at 31 March	(1,473)

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.

2016/17 £'000		2017/18 £'000
31,134	Depreciation, amortisation, impairment and revaluations	9,322
(1,356)	Movement in creditors	197
565	Movement in debtors	583
90	Movement in provision for bad debts	68
(8)	Movement in inventories	-
460	Movement in provisions	213
1,913	Movement in pensions liability	548
(2,479)	Carrying amount of non-current assets sold	(1,351)
8,294	Other non-cash items charged to the provision of services	(1,478)
38,613		8,102

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.

2016/17 £'000		2017/18 £'000
1,994	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,603
322	Capital grants credited to the (surplus)/deficit on the provision of services	179
-	Any other items for which the cash effects are investing or financing cash flows	-
2,316		1,782

The cash flow for operating activities include the following items:

2016/17 £'000		2017/18 £'000
(275)	Interest received	(271)
2,527	Interest paid	2,504
2,251		2,233

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

29. Cash Flow Statement - Investing Activities

2016/17 £'000		2017/18 £'000
3,725	Purchase of property, plant and equipment, investment property and intangible assets	3,067
-	Purchase of short-term and long-term investments	-
19	Other payments for investing activities	127
(2,006)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,626)
(111)	Proceeds from short-term and long-term investments	(3)
(322)	Other receipts from investing activities	(179)
1,305	Net cash flow from investing activities	1,386

30. Cash Flow Statement - Financing Activities

2016/17 £'000		2017/18 £'000
-	Cash receipts of short and long-term borrowing	
-	Other receipts from financing activities	
373	Cash payments for the reduction of the outstanding liabilities relating to finance leases	19
	Repayment of short and long-term borrowing	1,001
(8,205)	Other payments for financing activities	(5,620)
(7,832)	Net cash flow from financing activities	(4,600)

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

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)
Net Cost of Services	(15,041)	(867)	(3,075)	(18,983)
Other Operating Expenditure	24	1,877	-	1,901
Difference between General Fund Surplus or Deficit and Expenditure Statement Surplus or Deficit	(15,017)	1,010	(3,075)	(17,082)

2017/18 Expenditure and Income Analysed by Nature

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

Expenditure/Income

	£'000
Income	
Fees, charges and other service income	(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)
Total Income	(58,875)
Expenditure	
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
Total Expenditure	34,013
(Surplus) / or Deficit on Provision of Services	(24,862)

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

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

2016/17 Expenditure and Income Analysed by Nature

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

Expenditure/Income

	£'000
Income	
Fees, charges and other service income	(6,200)
Interest and investment income	(1,626)
Income from NDR & Council Tax	(14,126)
Benefits Subsidy	(15,704)
Government Grants	(4,360)
HRA Property Rent	(12,708)
Total Income	(54,724)
Expenditure	
Employee Benefits Expenses	7,086
Premises	1,322
Supplies & Services	8,868
Transport	287
Benefit Payments	15,716
Interest Payments	4,561
Third Party Payments	137
Depreciation, amortisation, Impairment and Revaluation	(31,822)
Precepts & Levies	3,342
Capital Receipts Pool Payment	521
Total Expenditure	10,018
(Surplus) / or Deficit on Provision of Services	(44,706)

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.

2017/18			Total Remuneration excluding pension contributions 2017/18 £'000	Employer's pension contributions £'000	Total Remuneration including pension contributions 2017/18 £'000
Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'000			
Chief Executive - Ryedale District Council to 17 Sep 2017	16		16		16
Chief Executive WEF 18 Sep 2017	57	3	60	9	69
Director of Corporate Services & Commissioning	80	1	81	13	94
Director of Economic Regeneration & Place	80	1	81	13	94
Head of Business Development & Improvement	55	1	56	9	65
Head of Commissioning, Contracts & Procurement	55	1	56	9	65
Head of Community, Partnerships & Customers	55	1	56	9	65
Head of Operational Services	55	1	56	9	65
Head of Planning to 2 Feb 2018	46		46	-	46
Head of Planning	10		10	2	12
Planning Consultant / Interim Head of Planning	115		115	-	115
Solicitor to the Council	61	1	62	10	72
	685	10	695	83	778

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

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

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 2017/18 (4 in 2016/17), incurring liabilities of £18k (£40k in 2016/17). The number of exit packages and total cost per band are shown in the following table. These costs have arisen due to the Council's organisational and functional review. The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)			Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
			2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£'000		£'000						£'000	£'000	
0	-	20,000	1	-	3	2	4	2	40	18
20,001	-	40,000	-	-	-	-	-	-	-	-
40,001	-	60,000	-	-	-	-	-	-	-	-
60,001	-	80,000	-	-	-	-	-	-	-	-
80,001	-	100,000	-	-	-	-	-	-	-	-
100,001	-	150,000	-	-	-	-	-	-	-	-
Total			1	-	3	2	4	2	40	18

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

33. Surpluses / Deficits on Significant Trading Operations

Trading operations are activities of a commercial nature financed substantially by charges to recipients of the service. The Council does not have any significant trading operations.

34. Agency Services

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

35. Members Allowances

The cost of Members Allowance payments is included within the Corporate and Democratic Core costs and in 2017/18 amounted to £198k (£194k in 2016/17). The 2017/18 figures include a £500 allowance paid to the vice chair (2016/17 £1k Vice Chair). The payments can be allocated as follows:

2016/17 £'000		2017/18 £'000
187	Allowances	190
7	Expenses	8
194	Total	198

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:

2016/17 £'000		2017/18 £'000
45	Fees due to the External Auditors with regard to external audit services carried out by the appointed auditor.	45
13	Fees payable to the External Auditors for the certification of grant claims and returns.	13
58	Total	58

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

37. Grant Income

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

2016/17 £'000		2017/18 £'000
	<u>Credited to Taxation and Non-specific Grant Income</u>	
(1,121)	Revenue Support Grant	(593)
	Council Tax Freeze Grant	
	Small Business Empty Property Rate Relief	
(5,427)	Renewable Energy Business Rates	(8,591)
	Non-Service Related Government Grants	
(2,452)	New Homes Bonus	(1,976)
	Council Tax Reduction Grant	
(159)	New Burdens Grants	(161)
(186)	Transformation Challenge Reward Grant	
(515)	Sect. 31 NNDR Relief Grants	(446)
	Other Small Grants	(85)
	Capital Grants and Contributions	
	Grant receipt for Hardware for Register of Electors	
(9,860)	Total	(11,852)
	<u>Credited to Services</u>	
	Other Government Grants:-	
(9,201)	Rent Allowances	(8,778)
(6,207)	Rent Rebates	(6,036)
(323)	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	(179)
(41)	Supporting People	(44)
(354)	Housing Benefits Admin & Counter Fraud Grant	(297)
(278)	Private Finance Initiative	(278)
(51)	Other Small Grants	(31)
(16,455)	Total	(15,643)

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

	Long-Term		Current	
	31-Mar-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000
<u>Grants Receipts in Advance</u>				
Individual Electoration Registration	-		(10)	(10)
Better Care Fund	-		(69)	(69)
Transformation Challenge Award	-		(287)	(23)
Total	-	-	(366)	(102)

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 2017/18 is shown in Note 35.

Some Members are directors and/or trustees of various entities in their own private capacity. During 2017/18 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	2016/17 Transactions £'000	2016/17 Balance Owed £'000		No. of Members With an Interest	2017/18 Transactions £'000	2017/18 Balances Owed £'000
1	34	-	Selby AVS	-	-	
-	-	-	Selby District Vision	1	1	
2	(110)	446	Selby Housing Trust	2	290	528
-			Selby & District Rail User Group	1	1	
3	1,635		Various Selby District Drainage Boards	2	1,663	
1	6	-	Stephenson Estate Agents	1	6	
-			Groundwork North Yorkshire	1	37	
-						
7	1,564	446	Total	8	1,998	528

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 2017/18 there were no material related party transactions requiring disclosure in relation to officers who have the authority and responsibility for planning, directing and controlling the activities of the Council.

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

38. Related Party Transactions continued

Other Public Bodies

During the year the Council made payments to other public bodies, which are not considered to be related parties as they are subject to common control by central government and include payments of precepts to North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority.

The internal audit, counter-fraud and information governance services is being provided by Veritau North Yorkshire Limited. The Council has a share-holding of £2.5k in Veritau North Yorkshire Limited which was acquired when the North Yorkshire Audit Partnership ceased, paid for by the Council's share of the balances remaining in the former partnership.

The Council is a full partner along with Scarborough, Hambleton, Richmondshire and Ryedale District Council (the host authority) to provide Building Control services on behalf of the five councils. A joint committee manages the Partnership with an equal number of representatives from each council. The agreed financial arrangements are that each partner is required to pay a fixed fee for non-chargeable services and receive a share of any surpluses over the maximum agreed reserve balance of £250,000. The Partnership produce their own set of accounts and these can be requested from Ryedale District Council.

During 2017/18 Selby District Council has paid a management fee of £61k (£62k in 2016/17) 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 2018 as £178k of which £36k belongs to Selby (31 March 2017 reserve of £63k with Selby's share being £13k).

The Council made net payment of loan principal to Selby & District Housing Trust loans in 2017/18 of £110k. At the end of 2017/18 the loans balances increased to £528k and is repayable over a 30 year period at an interest rate of between 4.2% and 4.6%. The Council has made loans to Selby and District Housing Trust to cover the cost of developing affordable housing for rent in the district. The Trust has also commissioned the Council to manage these dwellings on their behalf during the year and in addition one hour per week is provided for Company Secretary and Accountant duties. The Development Manager post is grant funded.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

39. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table following (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2016/17 £'000		2017/18 £'000	2017/18 £'000
58,371	Opening Capital Financing Requirement		54,400
	Capital investment		
2,883	Property Plant & Equipment - Council Owned	1,695	
-	Property Plant & Equipment - Leased	-	
956	Assets Under Construction	1,142	
23	Intangible assets	331	
409	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grants	214	
(3)	Long term debtor Loan	110	
4,268	Total Capital Investment		3,492
	Sources of finance		
(84)	Capital receipts	(342)	
(45)	Government grants and other contributions	(134)	
(2,981)	Sums Set Aside from Revenue (Assets/Soft Loans/REFCUS)	(2,093)	
(1,260)	HRA voluntary set aside for debt repayment	(1,260)	
(3,404)	MRP / Loans Fund Principal	(181)	
(95)	MRP - Lease Principal	(91)	
(370)	Reduction in lease liability re Leisure & Street Scene Vehicles	-	(4,101)
54,400	Closing Capital Financing Requirement		53,790
	Explanation of movements in year		
-	Increase in underlying need to borrow (supported by government financial assistance)	-	
1,158	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)	
(3,499)	MRP / Loans Fund Principal	(181)	
(370)	MRP - Lease Principal	(91)	
-			(610)
(3,971)	Increase / (decrease) in Capital Financing Requirement		(610)

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 2017/18 the Council funded £324k (£406.4k in 2016/17) 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-17 £'000		31-Mar-18 £'000
-	Vehicles, Plant, Furniture & Equipment (Vehicles)	-
310	Vehicles, Plant, Furniture & Equipment (Equipment)	219
310		219

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 17/18.

31-Mar-17 £'000		31-Mar-18 £'000
(91)	Finance lease liabilities (net present value of minimum lease payments):	(72)
(229)	Current	(157)
(15)	Non-current	(13)
	Finance costs payable in future years	
(335)		(241)

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

	Minimum Lease Payments Payments		Finance Lease Liabilities	
	31-Mar-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000
Not Later Than One Year	100	80	91	74
Later than One Year and not later than five years	80	161	228	154
Later than Five years	-		-	
	180	241	319	228

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 2017/18 was £86k (£96k in 2016/17).

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

31-Mar-17 £'000		31-Mar-18 £'000
81	Not later than one year	81
131	Later than one year and not later than five years	50
-	Later than five years	
212		131

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

31-Mar-17 £'000		31-Mar-18 £'000
96	Minimum lease payments	86
-	Contingent rents	
-	Sub lease payments (receivable)	
96		86

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

31-Mar-17 £'000		31-Mar-18 £'000
22	Central Services to the Public	24
3	Environmental and Regulatory Services	3
71	Local Authority Housing (HRA)	60
96		87

Authority as a Lessor

Finance Leases

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

40. Leases continued

Operating Leases

The Council acts as a lessor for a number of industrial units. These units are intended to be used as set-up premises for fledging businesses, and long-term tenants are not expected. The income received from these tenants during the year was £92.2k (£97.4k in 2016/17).

The future minimum lease payments receivable under non-cancellable leases in future years are, for 2018/19, 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 2017/18 the authority made payments of £405.6k (£393k in 2016/17). The contract expires in 2035.

42. Impairment Losses

During 2017/18 the Council has not recognised any impairment losses (as was the case in 2016/17). 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. During 2016/17 the early repayment of the pension fund deficit of £9.4m was included in the £10.9m employers contributions to the scheme.

2016/17 £'000	North Yorkshire Pension Fund	2017/18 £'000
	Comprehensive Income and Expenditure Statement	
	<i>Net Cost of Services:</i>	
1,020	current service cost	1,572
208	past service costs (gains)	-
-	settlement and curtailments	-
19	administration expenses	21
	<i>Financing and Investment Income and Expenditure:</i>	
666	net interest expense	284
1,913	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,877
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
(6,474)	return on plan assets	(2,930)
(5,618)	experience (gain) / loss	432
210	actuarial (gains) / losses arising on changes in demographic assumptions	-
11,825	actuarial (gains) / losses arising on changes in financial assumptions	1,169
(57)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(1,329)
	Movement in Reserves Statement	
(1,913)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,877)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
10,941	employers' contributions payable to the scheme	867

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:

2016/17 £'000		2017/18 £'000
67,879	Present value of the defined benefit obligation	71,165
(56,522)	Fair value of plan assets	(60,127)
11,357	Net liability arising from defined benefit obligation	11,038

Reconciliation of the Movements in the Fair Value of Scheme Assets

2016/17 £'000		2017/18 £'000
39,941	Opening Fair Value of Scheme Assets	56,522
1,351	Interest income	1,460
	Remeasurement gain/(loss)	
	- the return on plan assets, excluding the amount included in the net interest expense	2,930
6,474		
10,941	Contributions from employer	867
307	Contributions from employees into the scheme	339
(2,473)	Benefits Paid	(1,970)
(19)	Other	(21)
56,522	Closing Fair Value of Scheme Assets	60,127

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

2016/17 £'000		2017/18 £'000
(60,383)	Opening Balance at 1 April	(67,879)
(1,020)	Current Service Cost	(1,572)
(2,017)	Interest Cost	(1,744)
(307)	Contributions from Scheme Participants	(339)
	Remeasurement gain / (loss)	
5,618	- Experience Gains / (Losses)	(432)
(210)	- Actuarial Gains / (Losses) arising from changes in demographic assumptions	-
(11,825)	- Actuarial Gains / (Losses) arising from changes in financial assumptions	(1,169)
(208)	Past Service Costs	-
-	Curtailements	-
2,473	Benefits Paid	1,970
(67,879)	Closing Balance at 31 March	(71,165)

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:

2016/17 £'000		2017/18 £'000
57	Cash and Cash Equivalents	120
36,965	Equity Instruments	38,963
	Bonds	
1,752	- Corporate	-
8,026	- Government	9,921
9,778	Sub-total Bonds	9,921
4,804	Property	4,810
4,918	Other	6,313
56,522	Total Assets	60,127

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. North Yorkshire Pension Fund liabilities have been assessed by AON Hewitt Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

43. Retirement Benefits continued

The main assumptions used in their calculations have been:

At 31-Mar-17		At 31-Mar-18
	<i>Longevity at 65 for current pensioners (in years):</i>	
22.8	Men	22.9
26.3	Women	26.4
	<i>Longevity at 65 for future pensioners (in years):</i>	
25.0	Men	25.1
28.6	Women	28.7
2.00%	Rate of CPI inflation	2.10%
3.25%	Rate of increase in salaries	3.35%
2.00%	Rate of increase in pensions	2.10%
2.60%	Rate for discounting scheme liabilities	2.60%

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

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

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	1,760	1,977
Rate of inflation (increase or decrease by 0.1%)	1,754	1,645
Rate of increase in salaries (increase by 0.1%)	209	207
Rate of increase in pensions (increase by 0.1%)	1,754	1,645
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,645	1,754

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 (64.8% of scheme assets) and fixed income (16.5%) with investments also in property and alternatives, the proportions being not materially dissimilar to the comparative year. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

43. Retirement Benefits continued

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 24 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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

The Council anticipates to pay £0.896m expected contributions to the scheme in 2018/19.

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

Further information can be found in the North Yorkshire Pension Fund's Annual Report which is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.

44. Contingent Liabilities

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

45. Contingent Assets

There are no contingent assets relating to the Council as at 31 March 2018.

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 2018 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 2018 that this was likely to crystallise.

No credit limits were breached during the reporting period and the Council did not have and does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council has a robust debt recovery policy for its customers and has provisions for bad debts in its accounts which are reviewed on a regular basis to ensure that they are adequate.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

At 31-Mar-17 £'000		At 31-Mar-18 £'000
1,072	Less than 30 days	1,071
25	30 - 60 days	40
277	60 - 90 days	266
-	90 - 120 days	11
438	over 120 days	298
1,811		1,686

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

At 31-Mar-17 £'000		At 31-Mar-18 £'000
1,000	Less than one year	-
	Between one and two years	-
6,500	Between two and five years	6,500
52,833	More than five years	52,833
60,333		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 31-Mar-17 £'000		At 31-Mar-18 £'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	-
12,632	Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Statement)	12,383

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.

2016/17 £'000		2017/18 £'000
(6,603) (129)	Council Tax precept for year (District & Parish) (Surplus)/Deficit payable/repayable in year	(6,903) (84)
(6,732)	Total Council Tax payable to Council in year	(6,987)
203	Movement in Collection Fund Adjustment Account in year	105
(6,529)	Council Tax due to Council	(6,882)

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.

2016/17 £'000		2017/18 £'000
(13,045) (717)	Non-domestic rates due for year (Surplus)/Deficit payable/repayable in year	(10,385) (1,216)
(13,762)	Non-domestic rates due to Council	(11,601)

49. Capital Expenditure Financed from Revenue

The capital programme can be financed from a variety of sources, one of which is revenue. In 2017/18 £2,092k of capital expenditure was funded from revenue (£2,980k in 2016/17), £1,363k of which was from the Housing Revenue Account (£2,150k in 2016/17), -£25k (£252K in 2016/17) from the General Fund and £754k from various General Fund and HRA reserves (£598k in 2016/17).

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.

2016/17 £'000		2017/18 £'000	Notes
	<u>Expenditure</u>		
2,438	Repairs & Maintenance	1,286	
2,381	Supervision & Management	2,932	
52	Rents, rates, taxes and other charges	61	
(33,645)	Depreciation and Impairment of non-current assets	(10,616)	2
6	Debt Management costs	6	
74	Movement in the allowance for bad debts	69	3
(28,694)	Total Expenditure	(6,262)	
	<u>Income</u>		
(12,319)	Dwelling rents	(12,025)	
(100)	Non-dwelling rents	(98)	
(194)	Charges for Services and Facilities	(187)	
(21)	Contributions towards expenditure	-	
(12,634)	Total Income	(12,310)	
(41,328)	Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement	(18,572)	
102	HRA services share of Corporate & Democratic Core	157	
71	HRA Share of other amounts included in the whole authority Cost of Services but not allocated to specific services	7	
(41,155)	Net Expenditure / (Income) for HRA Services	(18,408)	
	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	-	
2,414	Interest payable and similar charges	2,413	11
(38)	Interest and investment income	(62)	
208	Net interest on the net defined benefit liability	97	
-	Capital grants and contributions receivable	-	
(38,571)	(Surplus) / Deficit for the year on HRA services	(15,960)	

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2016/17 £'000		2017/18 £'000	Notes
(2,267)	Balance on the HRA at the end of the previous year	(2,267)	
(38,571)	(Surplus) / Deficit for year on the HRA Income and Expenditure Statement.	(15,960)	
38,893	Adjustments between accounting basis and funding under statute	15,681	
322	Net (Increase) / Decrease before transfers to or from reserves	(279)	
(322)	Transfers to / (from) earmarked reserves	279	
-	(Increase) / Decrease in year on the HRA	-	
(2,267)	Balance on the HRA at the end of the current year	(2,267)	

NOTE TO THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2016/17 £'000		2017/18 £'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.		
(266)	Gain / (loss) on sale of HRA non-current assets.	381	
2,501	Capital expenditure funded by the Housing Revenue Account	1,613	
-	Capital expenditure funded by Earmarked Reserves	-	
	<i>Reversal net charges post employment benefits</i>		
	<i>Actual charge in year</i>		
2,267	HRA share of contributions to / (from) the Pensions Reserve	(108)	
(519)	Transfer to / (from) Major Repairs Reserve	1,919	4
34,910	Transfer to / (from) the Capital Adjustment Account	11,876	
38,893	<u>Total Adjustments between accounting basis and funding under statute</u>	15,681	
	<u>Transfers to or (from) earmarked reserves</u>		
(21)	Transfer to / (from) Housing Carry Forward Budget Reserve	479	
(351)	Transfer to / (from) Other Reserves	(250)	
50	Transfer to / (from) ICT Reserve	50	
(322)	<u>Total Transfers to / (from) reserves</u>	279	

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Revenue Account (HRA) Self Financing

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

2. Depreciation & Impairments

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

2016/17 £'000		2017/18 £'000
(36,003) 97	Council Dwellings Other Land, Buildings & Assets	(11,922) 115
(35,906)	Total	(11,807)

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

2016/17 £'000		2017/18 £'000
(35,910) 4	Operational Non-operational	(11,813) 6
(35,906)	Total	(11,807)

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:

2016/17 £'000		2017/18 £'000
2,289 - - - - - -	Dwellings Garages Ousegate Hostel Edgerton Lodge Hostel Community Centres Non-operational Land Other Operational Buildings	1,191
2,289	Total	1,191

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 £48k was made during the year in respect of rent arrears in 2017/18 (£20k in 2016/17). The total rent arrears provision at 31 March 2018 amounted to £155k (£229k 2016/17). In addition, a further provision has been created for general non rent HRA debtors totalling £21k (£55k in 2016/17).

4. Major Repairs Reserve

The following is a statement of the movements in this reserve during the financial year 2017/18:

2016/17 £'000		2017/18 £'000
(2,928)	Opening Balance	(2,410)
	Amount transferred to the reserve from the Capital Adjustment Account	
	Amount transferred to / (from) the reserve to the Housing Revenue Account:	
(3,980)	- non-current assets	(3,283)
2,348	- Pension Deficit	-
	Debits to the reserve in respect of HRA capital expenditure on:	
2,150	- houses	1,364
(2,410)	Closing Balance	(4,329)

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-16 £'000	31-Mar-17 £'000		01-Apr-17 £'000	31-Mar-18 £'000
963	963	Land	963	1,152
97,912	134,949	Council Dwellings	134,949	156,676
867	1,427	Other Buildings	1,427	1,274
99,742	137,339	Total	137,339	159,102

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-16 £'000	31-Mar-17 £'000		01-Apr-17 £'000	31-Mar-18 £'000
		Operational		
		Dwellings		
97,912	134,949	Other Land & Buildings	134,949	156,676
1,554	1,996		1,996	2,039
276	394	Non-operational	394	387
99,742	137,339	Total	137,339	159,102

Vacant Possession Value

The vacant possession value of the houses within the Housing Revenue Account as at 1 April 2017 was £389.228m (£336.296m at April 2016). 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 £1,604k (£1,147k 2016/17) were received by the Housing Revenue Account in 2017/18. The total can be broken down as follows:

2016/17 £'000		2017/18 £'000
	Disposal of Assets:	
	Other HRA Property & Assets	
1,147	Houses	1,381
-	Land	223
1,147		1,604
-	Principal Repaid on Housing Advances	-
-	Repayment of discount received on Right to Buy sales	-
1,147	Total	1,604

7. Capital Expenditure

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

2016/17 £'000		2017/18 £'000
	Capital expenditure	
-	Vehicles, Plant & Equipment	
956	Housing Development Schemes	1,107
-	Intangible Assets	250
132	Land and Infrastructure	128
2,019	Improvements to Council Dwellings	1,236
3,107	Total	2,721
	Sources of finance	
(351)	Other Reserves	(250)
(519)	Prudential Borrowing	(949)
(87)	Capital Receipts	(158)
(2,150)	Revenue contributions	(1,364)
-	Major Repairs Reserve	
(3,107)	Total	(2,721)

8. Rent Arrears

During the year 2017/18 rent arrears as a proportion of gross rent income have reduced to 2.39% (£287k) from 3.28% (£407k) in 2016/17.

31-Mar-17 £'000		31-Mar-18 £'000
407	Rent Arrears at 31 March	287
9	Hostel Arrears	8
(262)	Rent Credits	(259)
(1)	Hostel Credits	(2)
153	Total	34

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. £32k has been incurred during 2017/18 on estate management projects.

10. Housing Stock

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

31-Mar-17 (number)			31-Mar-18 (number)
528	Houses and Bungalows	- 1 Bedroom	529
886		- 2 Bedroom	899
1,015		- 3 Bedroom	998
37		- 4 Bedroom	36
2		- 5 Bedroom	2
223	Flats, Bedsits and Maisonettes	- 1 Bedroom	214
371		- 2 Bedroom	363
1		- 3 Bedroom	1
2	Multi Occupied Dwellings (Hostels)		2
3,065	Total		3,044

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.

2016/17 £'000		2017/18 £'000
2,414	Interest Payable on the HRA average Capital Financing Requirement (CFR) for the year at the Consolidated Rate of Interest (CRI) calculated in accordance with the determination	2,413
2,414	Total	2,413

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 2017/18 the impairment charge is £1.191m (£2.289m in 2016/17).

THE COLLECTION FUND

2016/17			2017/18		
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000	Notes
		Income			
(49,487)	-	Income from Council Tax (net of benefits and transitional relief)	(52,106)		2
-	(40,923)	Income from NNDR (net of discretionary and mandatory reliefs)		(41,408)	3
-	-	Transitional protection payments			
(49,487)	(40,923)	Total Income	(52,106)	(41,408)	
		Expenditure			
49,626	22,728	Precepts and demands	52,083	20,539	4
-	16,306	Payment to central government		12,943	
-	106	Transitional protection payments		5,163	
		Bad and doubtful debts			5
271	243	- Write offs	156	54	
105	(115)	- Movement in bad debts provision	44	33	
		Provision for appeals			6
-	(256)	- Movement in appeals provision		(476)	
-	118	Transfers to General Fund			
		- Costs of collection		112	
		Contributions			
1,002	(7,417)	- Towards previous year's Collection Fund Surplus	614	(3,088)	
51,004	31,713	Total Expenditure	52,897	35,280	
1,517	(9,210)	(Surplus) / Deficit for the year	791	(6,128)	
		COLLECTION FUND BALANCE			
(1,411)	10,695	Balance Brought Forward	106	1,485	
1,517	(9,210)	(Surplus) / Deficit for the year	791	(6,128)	
106	1,485	Balance Carried Forward	897	(4,643)	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	946.58
A	7,541	6/9	5,027	1,135.89
B	7,163	7/9	5,571	1,325.21
C	7,288	8/9	6,478	1,514.52
D	5,332	1	5,332	1,703.84
E	4,224	11/9	5,163	2,082.47
F	2,316	13/9	3,345	2,461.10
G	869	15/9	1,448	2,839.73
H	51	18/9	102	3,407.68
Total	34,808		32,479	
Impact of anticipated changes to council tax base				
Reduction due to the council tax reduction scheme			(1,505)	
Less allowance for non-collection			(406)	
COUNCIL TAX BASE			30,568	

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 (£1,645.73 for 2016/17) 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 2018 was 90.656m (96.601m in 2016/17). The national non-domestic multiplier for the year was 47.9p (49.7p in 2016/17), with a reduction to 46.6p (48.4p in 2016/17) for small businesses. This gives a total sum collectible of £43.424m (£48.01m in 2016/17) before taking into account reliefs and allowances.

4. Precepts and Demands

2016/17			2017/18	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
34,492	2,935	North Yorkshire County Council	36,360	2,330
6,544		North Yorkshire Police Authority	6,765	
1,987	326	North Yorkshire Fire & Rescue Authority	2,054	259
6,603	19,467	Selby District Council (including parishes)	6,904	17,950
49,626	22,728	Total	52,083	20,539
-	16,306	Central Government	-	12,943
49,626	39,034	Total	52,083	33,482

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.

2016/17			2017/18	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
271	243	Write-offs during the year	156	54
(376)	(128)	Contributions to provisions during the year	(200)	(87)
(105)	115	Net (increase)/decrease in provision in year	(44)	(33)
(511)	(542)	Balance at 1 April	(616)	(427)
(616)	(427)	Balance at 31 March	(660)	(460)

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.

2016/17			2017/18	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
36	97	Write-offs during the year	21	22
(50)	(51)	Contributions to provisions during the year	(26)	(35)
(14)	46	Net (increase)/decrease in provision in year	(5)	(13)
(68)	(217)	Balance at 1 April	(82)	(171)
(82)	(171)	Balance at 31 March	(87)	(184)

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.

2016/17			2017/18	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
-	1,761	Amounts charged to provision	-	1,312
-	(1,505)	Contributions to provision during the year	-	(836)
-	-	Unused amounts reversed during the year	-	-
-	256	Net (increase)/decrease in provision in year	-	476
-	(4,071)	Balance at 1 April	-	(3,815)
-	(3,815)	Balance at 31 March	-	(3,339)

NOTES TO THE COLLECTION FUND

7. Collection Fund Debtors & Prepayments

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

	Balance at 31-Mar-17 £'000	Movement in 2017/18 £'000	Balance at 31-Mar-18 £'000
Council Tax Debtors	2,550	114	2,664
Council Tax Prepayments	(1,153)	81	(1,072)
Non Domestic Rates Debtors	961	(290)	671
Non Domestic Rates Prepayments	(595)	(10)	(605)
Net	1,763	(105)	1,658

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.

2016/17			2017/18	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
		<u>Debtors</u>		
338	544	Balance at 1 April	339	384
1	(160)	Movement in year	10	(116)
339	384	Balance at 31 March	349	268
		<u>Prepayment</u>		
(132)	(125)	Balance at 1 April	(153)	(238)
(21)	(113)	Movement in year	13	(4)
(153)	(238)	Balance at 31 March	(140)	(242)

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

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

2016/17			2017/18	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
75	134	North Yorkshire County Council	626	(418)
13	-	North Yorkshire Police Authority	117	-
4	15	North Yorkshire Fire & Rescue Authority	35	(46)
-	742	Central Government	-	(2,322)
14	594	Selby District Council (including parishes)	119	(1,857)
106	1,485	Total	897	(4,643)

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

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 Gillian Marshall, 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.

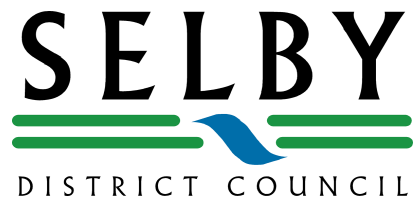
Vested Rights

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.

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Annual Governance Statement 2017/18



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 21st April 2015 and covers the period 2015-2020. 3 years into the plan we have reviewed progress and agreed the areas we will focus on over the remaining 2 years.
- 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 will continue through 2018/19.
- 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.
- A revised counter fraud strategy along with a counter fraud and corruption policy was agreed by Executive on 6 April 2017 and will be reviewed periodically. The Council also has a separate whistleblowing and anti money laundering policy. The Council also now employs Veritau to provide a counter fraud service.
- In 2017/18 the Council updated its whistleblowing policy to reflect changes in legislation. An intranet and poster campaign took place in November 2017 to notify staff, however no whistleblowing reports were received in 2017/18.
- 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 Council has recently undergone a significant re-structure, resulting in a number of senior management changes. The new management structure was implemented in April 2016 and the remainder continued into 2017.
- The re-structure involved the abolishing of the Access Selby Board and structure, however the Access Selby brand was retained for trading purposes with the functions previously within it now reporting to two newly created posts of Director of Corporate Services & Commissioning and Director of Regeneration & Place.
- As part of the restructure, the Solicitor to the Council was 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 CFO 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 10 year Financial Strategy which provides the framework for financial planning – identifying 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;
 - 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 Report (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 the year.
 - 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 25th May 2018. This involves the Solicitor to the Council, as designated Senior Information Risk Owner (SIRO) and other senior officers.

The working group also includes representatives from Veritau, who have been engaged as the Council's Data Protection Officer (DPO), a requirement of the GDPR. The SIRO is continuing to provide 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 are currently under review following a corporate peer challenge in November 2017;
 - 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 some significant weaknesses in the control environment which have been identified in relation to specific audits. We have recommended no new issues for inclusion in the Annual Governance Statement, however there have been

updates to existing issues as a result of internal audit work in 2017/18;

- 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 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, five issues have been identified for improvement. 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. The aim is to address these improvements during the 2018/19 financial year.

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 31 March 2019	A report on proposed changes was considered by the Executive on 24 May 2018 – these included: <ul style="list-style-type: none"> • Use of ‘deep dive’ reviews to focus on key issues • Strengthening of links between scrutiny and the Executive • Focussed training for scrutiny members • Development of a role profile for the Chair of Scrutiny
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"> • Assign clear roles and responsibilities; • Approve and implement the necessary policies and procedures; • Deliver a targeted training programme; • Ensure adequate reporting arrangements; and • Consider appropriate disciplinary procedures for data breaches. 	Solicitor to the Council 8 June 2018 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.
Non-compliance with the	Internal Audit	Agreed actions:	Head of Business	A further audit was

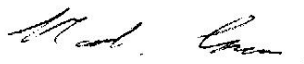
Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
Payment Card Industry Data Security Standard (PCI DSS)	report	<ul style="list-style-type: none"> • Management responsibility has been defined • The cardholder data environment will be mapped and documented • Policies and procedures will be developed in relation to PCI DSS • Dependencies on third parties will be explored and assessed • Responsibility for completing annual self-assessment questionnaires will be assigned 	<p>Development and Improvement</p> <p>Amended deadline to be agreed</p>	<p>carried out in 2017/18. Whilst the report has yet to be finalised, significant weaknesses remain in this area. The recent takeover of Northgate Paris – the supplier of our current payments system – by Civica may present an opportunity to resolve many of the compliance issues. Once we are clear as to our options to reduce the risks around non-compliance, Leadership Team will be asked to confirm their preferred direction. The deadline for addressing the risks identified by Audit will be confirmed at that time.</p>
Creditors	Internal Audit report	A number of duplicate invoices and payments were identified during the previous audit. In addition, a high number of orders were found to be raised outside of the e-procurement system.	<p>Head of Operational Services</p> <p>31 December 2018</p>	A further audit of Creditors was completed in 2017/18 and found reasonable progress had been made. No further duplicate payments were identified, however a high number of orders

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
		An action plan was agreed and good progress has been made towards this with an update provided to the Audit and Governance Committee in April 2017.		are still being raised outside of e-procurement. Further work to address this where possible, will be undertaken through 2018.
Payroll reconciliation	Internal and External Audit reports	Delays to and errors within the payroll costing file	Head of Finance 31 July 2018	Ongoing issues have been escalated within NYCC and at the beginning of 2017/18 issues had been resolved and the file was being sent on time. However as the year has continued new issues have arisen and the number of errors identified in the costing file on receipt has increased. An internal audit in 2017/18 found that costing issues continue to be an issue. The majority of unidentified issues have now been resolved and the payroll provider is currently investigating the reasons for the

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
				remaining issues and will report back by the end of July. In addition, a requirement for further segregation of duties was identified which will also be addressed.



Janet Waggott
Chief Executive



Councillor Mark Crane
Leader of the Council

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Statement of Accounts 2017/18 – 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 2017/18" (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2 Narrative Statement

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

3 Statement of Responsibilities for the Statement of Accounts

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

4 Movement in Reserves Statement

- 4.1 This statement shows the movement in the year on the different reserves held by the Council analysed into "usable reserves" (those that can be applied to fund

expenditure or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

Description	2016/17 £'000	2017/18 £'000	Variance £'000	Comment
(Surplus) / Deficit on Provision of Services	(44,705)	(24,862)	19,843	See paragraph 5.2.
Other Comprehensive Income & Expenditure	(3,642)	(10,862)	(7,220)	A significant element of the £10,862k relates to the upward revaluation of fixed assets, primarily Council Dwellings of £9,687k. This revaluation does not create real cash gains, however under accounting guidance they need to be credited to the Income and Expenditure Account.
Total Comprehensive Income & Expenditure	(48,347)	(35,724)	12,623	
Balance on Total Authority Reserves at 31 March	(126,293)	(162,017)	(35,724)	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 credit of £10,214k).
- 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 £24,861k)

- Net surplus on revaluation of Non-Current Assets of £10,862k (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £35,724k).

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 £48,347k at the end of 2016/17 to a surplus of £35,724k at the end of 2017/18, a net decrease in surplus of £12,623k - the variances identified above make up the majority of this movement. The most significant items relating to asset valuations in 16/17 and 17/18, mainly affecting Council Dwellings; in 16/17 the valuation index for Social housing increased significantly creating an Exceptional Item (£37m).

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	2016/17 £'000	2017/18 £'000	Variance £'000	Comment
Property Plant & Equipment.	166,420	187,004	20,584	<p>The main cause of this increase in valuation is due to a net revaluations of £22,340k relating primarily to Council dwelling stock, less depreciation (- £3.242m) and the disposal of council assets sold during the year at a value of (- £1,351m).</p> <p>The value of assets has also been increased by capital expenditure of £2.837m. The main areas of acquisition and enhancement related to the HRA housing development</p>

APPENDIX B

				new build programme (£1.142m), and improvements to existing stock (£1.294m)
Intangible Assets	141	410	269	Increase in value reflects investment in IT systems, primarily Asset Management System (£249K). This is offset by depreciation of £62k.
Long Term Debtors	701	808	107	Movement mainly attributable to the issue of Loans to Selby District Housing Trust.
Short Term Debtors	3,438	4,475	1,037	The most significant movement relates to amounts due to be recovered from Council Tax preceptors as a result of the collection fund deficit at year end.
Cash and Cash Equivalents	35,812	54,003	18,191	Increase in cash balances due to the receipt of Renewables Business Rates, and NNDR collection fund balances due to be distributed in 18/19.
Short Term Creditors	(6,599)	(12,940)	(6,341)	The increase is primarily due to NNDR collection fund balances which are due to be distributed to Central Government and Precepting Authorities in 18/19.
Provisions	(1,580)	(1,367)	213	Decrease in provisions due to reduced provision for NNDR appeals.
Long Term Borrowing	(60,300)	(59,299)	(1,001)	PWLB loan repaid during 17/18.
Defined Benefit Pension Scheme	(11,357)	(11,038)	319	The year-end actuarial valuation of the Council's pension liabilities. Whilst the

APPENDIX B

			<p>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.</p>
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Description	2016/17 £'000	2017/18 £'000	Variance £'000	Comment
Usable Reserves	(25,613)	(36,468)	(10,855)	Net increase in earmarked reserves during 2017/18 is mainly attributable to renewables business rates income being used to top reserves up as planned, following the pension deficit pay-off in 16/17. The remainder is through planned contributions and savings generated during the year.
Unusable Reserves	(100,681)	(125,549)	(24,868)	Significant movements in Unusable Reserves include: adjustments to the Capital Adjustment Account & Revaluation Reserve for the revaluation of Council Land & Buildings (£22.3m), offset by charges for depreciation and amounts written out on disposal £4.4m; movements in the pensions reserve (£2.3m) following the annual year-end actuarial valuation of the Council's Pension Fund assets and liabilities and the collection fund adjustment account (£3.1m) 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 2016/17

Description	2016/17 £'000	2017/18 £'000	Variance £'000	Comment
Net (Surplus)/ Deficit on the provision of services	(44,705)	(24,862)	(19,840)	See paragraph 5.2.
Adjustments to net (surplus)/deficit on the provision of services for non- cash movements	(38,613)	8,102	46,715	Comprises a number of non-cash movements including depreciation, revaluations for Council Dwellings. The adjustment also includes various movements in balance sheet headings such as creditors, debtors, inventories, provisions and pension fund liability changes. The main variance is due to a significant revaluation upwards of the Council's Council Dwelling Stock in 2016/17
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	2,316	1,782	(534)	Includes the movement in capital grants, capital receipts and contributions used to fund capital expenditure. The reduction is due to slightly lower proceeds from disposal of assets than in the prior year when Hurricane Close was disposed of.
Investing Activities	1,305	1,386	2,453	Relates to activities such as the purchase of fixed assets, proceeds from sale of assets and other investment activity proceeds. The main variances relate to reduced capital expenditure on fixed assets during the year (£658k), proceeds from disposals (£380k), and reduction in

				proceeds from Short term investments £108k as all cash balances are now included in the sweeping arrangement with NYCC and therefore included in Operating Activities.
Financing Activities	(7,832)	(4,600)	3,232	Reflects movement in net debtors/creditors on council tax and NNDR, and repayment of Long Term loans of £1m

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 2017/18 after a planned drawdown from the Business Equalisation reserve of £377k to balance an anticipated deficit. The actual position for the year shows that a surplus of £414k 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 £1.185m to the Major Repairs Reserve (MRR). The actual out-turn was a surplus of £1.919m. The surplus was wholly allocated to the MRR. The reasons for the variations are set out in the Narrative Statement (page 10) but mainly related to 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 £3.492m.



Report Reference Number: A/18/8

To: Audit and Governance Committee
Date: 25 July 2018
Author and Lead Officer: Gillian Marshall Solicitor to the Council

Title: The General Data Protection Regulation – update on implementation

Summary:

In April 2018 the Committee considered a report on the Council's preparations for implementing the General Data Protection Regulation (GDPR). GDPR is the biggest change in data protection law for 20 years. It came into force on 25th May 2018, bringing stronger privacy rights for individuals and more prescriptive compliance obligations on those processing personal data, including local authorities.

The Committee noted the ongoing work and requested a further update at this meeting. This report updates Members on progress since that date.

Recommendations:

- i. To note the contents of the report and actions undertaken.**

Reasons for recommendation

To ensure the Committee is updated on the implementation of the GDPR in accordance with its Terms of Reference.

1. Introduction and background

- 1.1 The GDPR was the biggest change in data protection law for 20 years. It came into force on 25th May 2018, bringing stronger privacy rights for individuals and more prescriptive compliance obligations on those processing personal data, including local authorities. It was introduced to keep pace with the modern digital landscape. It is supplemented by the Data Protection Act 2018 which became law shortly before the coming into force of the GDPR. The GDPR extends the data rights of individuals, and requires organisations to develop clear policies and procedures to protect personal data, and adopt appropriate technical and organisational measures to safeguard information.

2. The Report

- 2.1 A working group was formed to oversee the preparations for Implementation

of the changes. The Group is led by Emma Garland, Information Governance Officer for Veritau Ltd. Veritau Ltd was appointed as the Council's Data Protection Officer. The project sponsors are Gillian Marshall Solicitor to the Council and Stuart Robinson Head of Business Development and Improvement. The group includes staff from the following teams; Democratic Services and Elections, Planning, Commissioning Contracts and Procurement, Customer, Business and Revenues Service, Corporate Policy, Legal Service, Data and Systems and Housing and Community Services.

- 2.2 The working group has been meeting since January and working on an action Plan for implementation. The plan is being monitored via the corporate performance system. A report on progress is attached at Appendix A.
- 2.3 Members will note that at the time of the April Committee report progress on implementation stood at 29%. The current progress is at 82%. In terms of implementation Members are advised that the Information Commissioner has described the GDPR implementation date as the start of a journey not a date at which full compliance is required. Indeed full compliance could not have been achieved due to the late passing into law of the Data Protection Act 2018.
- 2.4 The approach taken by the working group was to identify those key aspects which needed to be in place by 25 May 2018. These included revised policies and procedures for the key new rights and an update to the council's website. These aspects were completed prior to the implementation date.
- 2.5 A critical element was to develop a register of the Information Assets owned or managed by the Council which would also identify how the information is collected and stored, when it is disposed of and who it is shared with. An initial version of the Information Asset Register (IAR) already existed within the Council but required updating. The updated IAR was in place by 25 May but further work is required on information storage and deletion protocols and privacy notices. This work is being undertaken through 1 to 1 meetings between service managers and the Data Protection Officer.
- 2.6 The Committee is next scheduled to receive an information governance update in January 2019. By that stage we expect the action plan will have been completed and that we will have moved into the maintenance stage. The working group will then become the Corporate Information Governance Group to ensure that the Council continues to comply with the law and best practice.

3. Implications

3.1 Legal Implications

The ICO has the power to take enforcement action against the Council for breaches of the data protection act. There are a number of tools available including monetary penalties, criminal prosecution, non-criminal enforcement and audit.

3.2 Financial Implications

The Information Commissioner also has the power under GDPR to levy a fine of up to £17 000 000 or 4% of annual turnover (whichever is higher).

3.3 Impact Assessment

One of the council's core values is being trustworthy. Customers (and staff) expect the Council to treat their data with appropriate care and in compliance with the law.

4. Conclusion

4.1 That preparations for full compliance are on track.

5. Background Documents

None.

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Appendices:

Appendix A – Action Plan

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GDPR Action Plan Progress Report - July 2018




Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

Page 277

Rows are sorted by Code

Code	Action Title	Managed By	Due Date	Status Icon	Progress Bar	Latest Update
GDPR	GDPR Action Plan 2017-2018	Gillian Marshall; Stuart Robinson	31-Aug-2018		<div style="width: 82%;"><div style="width: 82%;"></div></div> 82%	
GDPR_1.0	Information Asset Management	Chris Smith	31-Aug-2018		<div style="width: 66%;"><div style="width: 66%;"></div></div> 66%	Information Asset Register is in place. We now have a rolling programme in place with Veritau to meet each Asset Owner to remove any gaps in the information provided. This programme will aim to complete the register with all gaps removed by August 2018.
GDPR_2.0	Policies & Procedures	Michelle Dinsdale; (audit) Veritau	24-Aug-2018		<div style="width: 85%;"><div style="width: 85%;"></div></div> 85%	Policy suite has been created and approved by leadership team. Ongoing project to update existing policies for GDPR. A caveat will be added on the policies

Code	Action Title	Managed By	Due Date	Status Icon	Progress Bar	Latest Update
						webpages which will state policies has been updated.
GDPR_3.0	Human Resources	Andrew Crabbe	31-Jul-2018		<div style="width: 81%;"><div style="width: 81%;"></div></div> 81%	<p>Ongoing – audit completed and staff communicated with in terms of GDPR principles for record keeping in HR</p> <p>HR Team attended GDPR training via Expert HR and proactively applying GDPR principles to all HR practices.</p> <p>Framework created for subject access – ready for posting on HR intranet site</p>
GDPR_4.0	Fair Processing and consent	Michelle Dinsdale; (audit) Veritau	24-Aug-2018		<div style="width: 50%;"><div style="width: 50%;"></div></div> 50%	Consent will be reviewed following discussions with the Asset Owners by the deadline of 24/08/18
GDPR_5.0	Data Processors	Aimi Brookes; (audit) Veritau	18-May-2018		<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	Contracts Team are reviewing suppliers and contracts register to identify data processing activities. They will then write out to these partners with an information statement. They will seek to vary high risk contracts.
GDPR_6.0	Information Rights	Caroline Fleming; (audit) Veritau	27-Jul-2018		<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	<p>Preferred option on sending information securely electronically has been agreed. Veritau to provide guidance on secure redactions. Further Adobe Acrobat licences have been purchased for users across the organisation.</p> <p>Still awaiting further clarity on GDPR modules from software suppliers. Northgate and IDOX are still in the process of creating a module for Local Authorities. The majority of Councils are currently using an in-house solution.</p>
GDPR_7.0	Information Security	Michelle Dinsdale; Caroline Fleming	30-Apr-2018		<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	This forms part of the Policy Suite that is currently being reviewed and the process maps that will be supplied by Veritau.
GDPR_8.0	Training & Awareness	Andrew Crabbe; Caroline Fleming	25-May-2018		<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	<p>Training for all staff has been completed</p> <p>HR policies have been amended to reflect that</p>

Code	Action Title	Managed By	Due Date	Status Icon	Progress Bar	Latest Update
						training should take place BEFORE unsupervised access to any information is given. Should also monitor where an employee changes job role as new systems and data usage.
GDPR_9.0	Roles & Responsibilities		23-Feb-2018		<div style="width: 100%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div>100%</div>	
GDPR_10.0	DP Bill - competent authority	Caroline Fleming	24-Aug-2018		<div style="width: 25%;"><div style="background-color: #4f81bd; height: 10px; width: 25%;"></div>25%</div>	Areas of the Council which have law enforcement duties (Competent Authority) will be identified on Asset Register.
GDPR_11.0	Additional Controls	(audit) Veritau	22-Jun-2018		<div style="width: 100%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div>100%</div>	Areas of the council that utilise Data Matching and Data Profiling activity needs to be noted on the Asset Register A separate register (reference on IAR) will map where council uses and has access to CCTV

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