

## **Audit and Governance Committee**

**Monday, 6<sup>th</sup> December 2021 at 6.30pm**

**Meeting to be held at Belle Vue Suite, Belle Vue Offices, Skipton**

**Committee Members:** The Chair (Councillor Hull) and Councillors Barrett, Handley, Harbron, Lis, Mercer, Noland, Place and Wheeler.

**Independent Person:** Greg Robinson

**Please note the following advice in advance of the meeting:**

The Government temporarily removed the legal requirement for local authorities to hold meetings in person during the Covid-19 pandemic. All local authorities were given new powers to enable meetings to take place virtually. The Council's powers to hold remote meetings expired on 7 May 2021.

Whilst the return to face to face meetings provides significant challenges, the Council has undertaken a great deal of work to ensure that face to face meetings are delivered in a COVID safe environment.

Due to social distancing measures, spaces for public attendance are limited and so registration is essential to secure a place.

Everyone who attends this meeting will be required to wear a face covering, unless exempt.

Council staff, elected members and members of the public are urged to take advantage of the national 'next step safely' campaign and access a free, rapid lateral flow test in advance of the meeting:

<https://www.nhs.uk/conditions/coronavirus-covid-19/testing/> Please note that whilst this is advised, it is not a requirement for entry to the meeting.

Anyone displaying Covid-19 symptoms is asked not to attend.

For more information email [committees@cravenc.gov.uk](mailto:committees@cravenc.gov.uk)

Thank you,

**Exclusion of the Public:** In accordance with the Council's Access to Information Procedure Rules, Members are recommended to exclude the public from the meeting during the consideration of agenda items \$9 and \$10 (b) on the grounds that it is likely that if members of the public were present that there would be disclosure to them of exempt information as defined in Paragraph 3 (relates to the financial or business affairs of any person including the Authority holding that information) of those Rules and Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

## AGENDA

1. **Apologies for Absence** – To receive any apologies for absence.
2. **Minutes** – To approve the minutes of the meeting held on 20 September 2021.
3. **Public Participation** – In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.
4. **Declarations of Interest** – All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests.

(Note: Declarations should be in the form of:

a “**disclosable pecuniary interest**” under Appendix A to the Council's Code of Conduct, or “**other interests**” under Appendix B or under Paragraph 15 where a matter arises at the meeting which relates to a financial interest of a friend, relative or close associate.

A Member of Council who has a disclosable pecuniary interest must leave the room and not take part in the discussion or vote. When declaring interests under Appendix B or Paragraph 15 of the Code, Members must move to the public seating area, not vote, and speak only if members of the public are also allowed to speak at the meeting.)

5. **Statement of Accounts 2020/2021 – Update Report** – Report of the Chief Finance Officer. Attached.  
  
Purpose of Report – To provide an update to Members on the audit process for the 2020/21 Statement of Accounts and to provide an overview of the budget outturn position for the same year (for context). Attached.
6. **Update from the Quarter 2 Meeting of the Council's Risk Management Group held on 12<sup>th</sup> October 2021.** Report of the Chief Finance Officer. Attached.  
  
Purpose of Report – To provide an update from the Council's Risk Management Group.
7. **Updated Risk Management Strategy** – Report of the Chief Finance Officer. Attached.  
  
Purpose of Report – To report on the Council's Risk Management Strategy as updated and presented to the Council's Risk Management Group on 12<sup>th</sup> October 2021.
8. **Exemptions from the Contract Procedure Rules Quarter 2 2021/2022** – Report of the Chief Finance Officer.  
  
Purpose of Report – To report on exemptions granted from the Contract Procedure Rules quarter 2 2021/2022.
9. **Request for the Exception to the Contract Procedure Rules for Property Services** – Report of the Director of Service. Attached.

Purpose of Report – To request that the Contract Procedure Rules are disapplied to allow the direct appointment of Align Property Partners for the provision of Property Services for 2022/23.

**10. Internal Audit**

**a) Internal Audit Progress Report as at 19 November 2021** – Report of the Audit Services Manager – Shared Internal Audit Service. Attached.

Purpose of Report – To update Committee on the progress made against the 2021/22 Internal Audit Plan up to 19 November 2021.

**\$b) Internal Audit Recommendations Progress Report** – Report of the Audit Services and Fraud Manager. Attached.

Purpose of Report – To update Committee on progress against recommendations made by the Internal Audit Team. (the Appendix to this report is considered exempt from publication.)

**c) Audit Service Report – Health and Safety 2021/22 C7/2021**

Purpose of Report – This audit has been undertaken as part of the annual audit plan for 2021/22 and has sought to determine compliance with key control objectives

**d) Update on Progress following the S.106 Audit**

Purpose of Report – To provide assurance that income is received per agreements and expended according to legislation.

**11. Any other items** which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act, 1972.

**12. Date and Time of Next Meeting** – Monday, 21<sup>st</sup> March 2022 at 6.30pm.

**Agenda Contact Officer:**

Vicky Davies, Senior Democratic Services Officer  
E-mail: [committees@cravenc.gov.uk](mailto:committees@cravenc.gov.uk)  
25<sup>th</sup> November 2021

**Recording at Council Meetings:** Recording is allowed at Council, Committee and Sub-Committee meetings which are open to the public, subject to

- (a) the recording being conducted with the full knowledge of the Chairman of the meeting; and
- (b) 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 Agenda Contact Officer prior to the start of the meeting. Any recording must be conducted openly and not disrupt proceedings.

## AUDIT AND GOVERNANCE COMMITTEE

20 September 2021

**Present** – The Chairman (Councillor Hull) and Councillors Handley, Lis, Mercer, Noland, Place.

**Officers** – Chief Finance Officer (s151 Officer), Solicitor to the Council and Monitoring Officer, Performance Manager and Exchequer, Finance Manager and Democratic Services and Scrutiny Officer.

Apologies for absence were received from Councillors Wheeler, Barrett, Harbron and Independent Person Greg Robinson.

Start: 6.30pm

Finish: 7.30pm

**Resolved** – That the minutes of the meeting held on 28 June 2021 were approved as a correct record.

### Minutes for Report

#### AC.405 Risk Management 2020/2021 Final Audit Report

Gill Hoyes submitted a report which presented the final Risk Management 2020/21 Audit. The Audit was undertaken as part of the annual plan for 202/21 and sought to determine compliance with key control objective KCO1, 'the Council's Risk Management function is operating effectively'. There were 9 recommendations, one priority one, seven priority two and one priority three, none of which were yet due for implementation.

**Resolved** – That, the final Risk Management 2020/2021 Audit Report is noted.

#### AC.406 Corporate Risks Local Government Reorganisation

The Chief Finance Officer (s151) introduced himself and handed over to the Performance Manager and Exchequer. The Performance Manager and Exchequer verbally updated Members on the Corporate Risks relating to Local Government Reorganisation, the report was due to go to the Risk Management Group Meeting which would then be presented to the Audit and Governance Committee.

**Resolved** – That, the progress of the Corporate Risks Local Government Reorganisation Report is noted.

#### AC.407 Internal Audit Recommendations Q1

Gill Hoyes introduced a report which presented the Internal Audit Plan 2021/22. Members noted that Internal Audit had recently taken over responsibility of the production of the report and the Audit and Fraud Services Manager intended to develop the format of the report to give a complete picture. Members noted that during 2020/21 the Internal Audit team

focused on ensuring that the arrangements for Covid-19 financial support were robust and fraud risk was minimised. There were three recommendations outstanding, none of which were priority 1, two recommendations were expected to be completed during Q2 2021/22.

**Resolved** – That, the progress against Internal Audit Recommendations at Q1 is noted.

AC.408

#### **Internal Audit Recommendations Q2**

The Audit Services and Fraud Manager introduced the Q2 Report which followed the previous Q1 Report. Members were pleased to be informed of the good progress made in order to clear outstanding actions. There were 14 recommendations outstanding, only one of which was priority 1. Members were pleased to note that 5 recommended actions were expected to be completed during Q2 2021/22. Members were pleased to hear the Audit Services and Fraud Manager was considering the addition of a summary column.

**Resolved** – That, the progress made against Internal Audit Recommendations at Q2 is noted.

AC. 409

#### **Internal Audit Progress Report 2021/2022**

The Audit Services and Fraud Manager presented a report which updated members on the progress made against the 2021/22 Internal Audit plan up to 6 September 2021. Members were pleased the position was looking positive and work was on course to finish as expected.

**Resolved** – That, the progress against the 2021/22 Internal Audit plan is noted.

AC.410

#### **Business Continuity & Disaster Recovery 2020/21 Final Audit Report**

The Audit Services and Fraud Manager introduced a report which presented the final Business Continuity and Disaster Recovery 2020/21 Audit Report. The Audit was undertaken as part of the annual audit plan for 2020/21 and sought to determine compliance with key control objectives KCO1, KCO2, KCO3, KCO4 and KCO5. There were eight recommendations none of which were priority one.

**Resolved** – That, the final Business Continuity & Disaster Recovery 2020/21 Audit Report is noted.

AC.411

#### **S106 Audit Report**

The Internal Auditor gave a detailed verbal update and overview of the S106 Audit Report as requested by the Committee at the previous meeting. Members noted the ten tests undergone in the review process. Members expressed serious concern with regards to the lack of responses from key senior officers and suggested the Chair of Planning Committee be notified of the Audit Report. Members also requested that officers report back to this Committee any further advancements.

**Resolved** – That the Chair of Planning is notified of the S106 Audit report and the verbal update is noted.

AC.412                    **General Data Protection Regulation (GDPR) 2019/20 Final Audit Report**

The Audit Services and Fraud Manager introduced a report which presented the final General Data Protection Regulation Audit Report which was undertaken as part of the annual audit plan for 2019/20 and sought to determine compliance with key control objectives KCO1 – KCO13 inclusive. Nine recommendations were made in total, five at Priority 2 and four at Priority 3.

**Resolved** – 1) That, the final General Data Protection Regulation 2019/20 Audit Report is noted.

\$AC.413                    **Data Security 2020/21 Final Audit Report**

The Audit Services and Fraud Manager introduced a report which presented the Data Security Audit Report which was undertaken as part of the annual audit plan for 2020/21 and sought to determine compliance with key control objectives KCO1 and KCO2. Members noted that during the Covid-19 pandemic cyber threats had increased but despite this the Audit was awarded a good level of assurance. Members were pleased to be informed that all recommendations had been implemented.

**Resolved** – That, the final Data Security Audit Report is noted.

AC. 414                    **Any Other Business**

The Solicitor to the Council and Monitoring Officer informed Members that this would be the Democratic Services and Scrutiny Officer's last Committee Meeting and thanked her for her support over the years.

**Minutes for Decision**

Chairman.

**Audit & Governance Committee –  
6<sup>th</sup> December 2021**



**Statement of Accounts 2020/21 - update  
report**

Report of the Chief Finance Officer (s151 Officer)

Ward(s) affected: All

**1. Purpose of Report**

- 1.1 To provide an update to members on the audit process for the 2020/21 Statement of Accounts and to provide an overview of the budget out-turn position for the same year (for context).

**2. Recommendations**

- 2.1 Members note the updates provided in this report in relation to the timeframe for the Audit of the Statement of Accounts 2020/21.
- 2.2 Members note the draft Statement of Accounts 2020/21 – as detailed at Appendix A.
- 2.3 Members confirm that the final authorisation of the Statement of Accounts 2020/21 is delegated to the Chief Finance Officer and the Chair of the Audit & Governance Committee, upon the formal conclusion of the audit of the accounts.

**3. The Report**

- 3.1 The Accounts and Audit Regulations 2015 previously required Members to approve the Council's audited statutory accounts by 31 July following the financial year-end. However, due to recommendations from the 'Redmond Review' it was confirmed that the statutory audit completion date was 30<sup>th</sup> November 2021.
- 3.2 The council has been liaising closely with the appointed external auditors about when the formal audit will take place for the 2020/21 accounts. As previously reported to members, external auditors across the country have had challenges meeting the amended statutory audit deadlines, with many local authority final accounts audits only just getting underway. In light of the later audit date, it is fair to say that the council has used the time to review the draft statement of accounts in light of some technical complexities that have arisen due to the one-off treatment of government grants that were

received to help deal with the Pandemic and have therefore completed the draft statement of accounts later than would normally be the case.

The draft Statement of Accounts submitted to the auditor should be signed by the Council's Chief Financial Officer by 31 August, or a notice be placed on the Website. Said Notice was issued by the Council given the later timescales involved this year.

The external auditors have confirmed that the audit will take place during December and January.

- 3.3 The 2020/21 accounts have been produced under the requirements of International Financial Reporting Standards (IFRS) basis.
- 3.4 The 2020/21 Draft Statement of Accounts were reviewed and signed-off for audit by the Chief Finance Officer (s151 Officer) on 8<sup>th</sup> November 2021.
- 3.5 The Statement of Accounts represents the culmination of the formal financial reporting obligation placed upon the Council and the content of the Accounts, as presented, is largely prescribed by statutory and professional guidance. Due to the Statement of Accounts being in draft format (ie, unaudited) they are not being presented to members for approval at this meeting. However, the draft Statement of Accounts (that has been submitted for external audit) is included at Appendix A – for members information.
- 3.6 The following points highlight the major movements in the Statement of Accounts for 2020/21, compared with 2019/20:
  - Net Cost of Services has increased by £0.284m to £8.595m (2019/20: £8.311m).
  - There is a Surplus on the Provision of Services of (£3.891m) (2019/20: Surplus of £0.368m).
  - Total Reserves have increased by £6.301m to £31.435m (2019/20: £25.134m).
  - The General Fund balance has remained at £995k.
  - Earmarked reserves have increased by £1.297m to £8.017m (2019/20: £6.720m).
- 3.7 To assist members with the interpretation of the outturn of the Council's Services for the 20/21 financial year, Appendix B shows the detailed comparisons. The slides compare the approved Revenue Budget for 2020/21 against the outturn for the year – and uses the same figures that were reported to Policy Committee on 14<sup>th</sup> September 2021, when the outturn position was formally reported. The format used in Appendix B should be more familiar with members than the prescribed format used in the Statement of Accounts.
- 3.8 It is important that the Council has sound financial, governance and resource management arrangements in place to ensure that resources are available and used to support the Council's priorities, improve services and secure value for money for our taxpayers.



- 3.9 Specifically, in respect of financial statements, members are expected to “exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny”.
- 3.10 The accounts were made available for public inspection on the 8<sup>th</sup> November, this inspection period will run until the 24<sup>th</sup> December. In the same period, questions to the auditor can be made by the district’s electorate.
- 3.11 The Audit and Governance Committee are recommended to note the current version of the Statement of Accounts. Mazars, the Councils appointed auditor will commence the audit work in December and complete the audit during January.
- 3.12 Progress on the final completion and certification of the accounts will be reported to the committee in due course. The Chief Finance Officer and Chair of the Audit & Governance Committee will sign-off the completed accounts, once the process is complete and the Audit Completion report is available. Given the change to the normal timeline of the audit, it is likely that the formal sign-off arrangements will not align to the committee meeting schedule – accordingly, there is a recommendation to grant delegated authority to facilitate the sign-off process to be completed as soon as possible at the conclusion of the audit.
- 3.13 The Annual Governance Statement (the draft copy of which was approved by this Committee at its meeting in June 2021) must be added to the published version of the audited statement of accounts. The final version of this will be included in the Final Statement of Accounts 2020/21, when it is certified.

#### **4. Financial and Value for Money Implications**

- 4.1 None

#### **5. Legal implications**

- 5.1 It is a statutory requirement for the Council to produce its annual statement of accounts for approval by a relevant committee which for this council is Audit & Governance.

#### **6. Contribution to Council Priorities**

- 6.1 Financial resilience through appropriate procedures and practices

#### **7. Risk Management**

None

## **8. Equality Impact Assessment**

- 8.1 The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

## **9. Consultations with Others**

None

## **10. Access to Information : Background Documents**

None

## **11. Appendices**

Appendix A – 2020/21 Unaudited Statement of Accounts

Appendix B – Slides showing the Revenue Budget 2020/21 Set Feb 20 vs Outturn for the 20/21 FY.

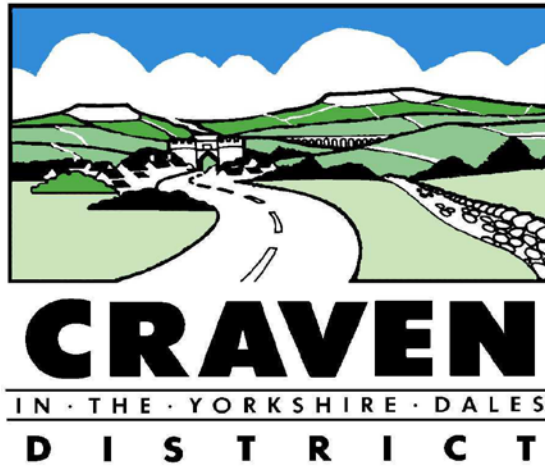
## **12. Author of the Report**

James Hordern, Finance Manager,

Telephone: 01756 706316

E-mail: [jhordern@cravenc.gov.uk](mailto:jhordern@cravenc.gov.uk)

*Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.*



# UNAUDITED STATEMENT OF ACCOUNTS

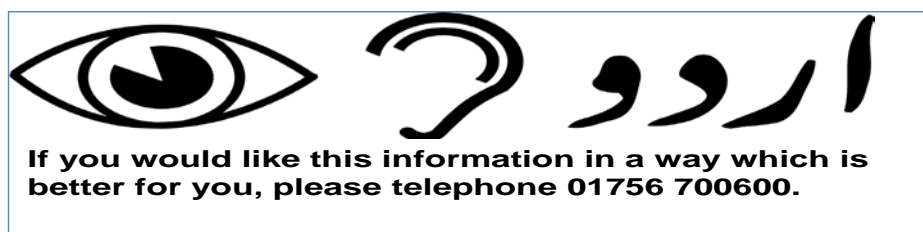
**2020/2021**

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Additional copies of the Statement of Accounts can be requested from:

Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ  
(01756) 706302. Or by e-mail to [contactus@cravenc.gov.uk](mailto:contactus@cravenc.gov.uk)



# **SECTION 1**

## **NARRATIVE REPORT & EXPLANATION TO THE FINANCIAL STATEMENTS**

## NARRATIVE REPORT

### About the District and the Council

#### The Craven District

Craven is one of the most beautiful areas in northern England. Its outstanding landscape is reflected in the designation of two thirds of the district being situated within the Yorkshire Dales National Park. The district is the most westerly in North Yorkshire, spread across 117,839 hectares of land that extends north from a boundary near Skipton, with West Yorkshire to the south-east, Lancashire to the west, and Cumbria to the north-west.

Craven is a rural district with a sparse population, June 2020 mid-year population estimates of the district were 57,338. The district has 27,927 households (31 March 21). Craven's largest town is Skipton and the majority of Craven's population is concentrated in the Skipton, West Craven and South Craven areas. Craven's other towns include Settle in Mid Craven, Ingleton and Bentham in North Craven and Grassington in Wharfedale. The district also has a number of smaller scattered villages and hamlets.

The rural nature and the ageing population of the district poses several challenges when delivering services to such a sparse population. Craven's total population has a greater proportion of people aged over 65 and a smaller proportion of people are aged 20-29 years compared to other areas of North Yorkshire.

#### About the Council

The Council operates under a three tier system of local government made up of North Yorkshire County Council, Craven District Council and Parish and Town Councils.

#### Political Structure of the Council

Craven District Council has 30 district councillors elected from 19 Wards. The Conservative Group has overall control of the Council. The Leader of the Council is Councillor Richard Foster and Deputy Leader Councillor Simon Myers.

The Council operates an "alternative" arrangement, and makes decisions through a modernised committee system. Decisions on major policy issues are made at the full Council meeting but most of its day to day responsibilities are delegated to committees, sub-committees and officers. The Council's main decision-making body is the Policy Committee.

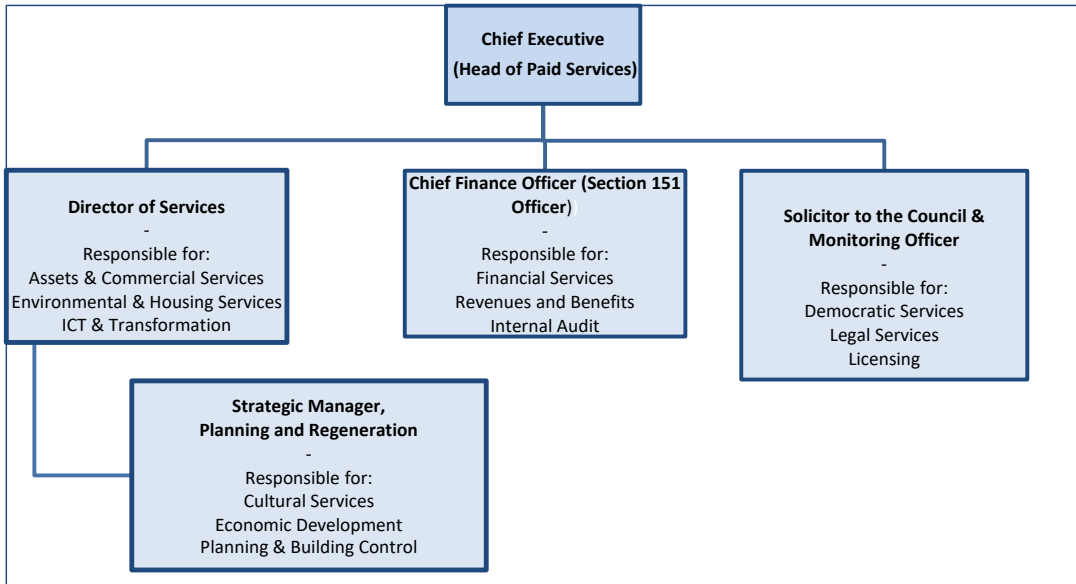
The following Committees are in place:

- Policy Committee and its sub-committees - exercise the Council's powers in making decisions or recommendations on all major non-regulatory matters.
- Select Committee - assists both in the development of new and reviews of existing council policies, as well as scrutinising decisions of the Council.
- Audit and Governance Committee - plays a key role within the Council's corporate governance arrangements and seeks to improve and maintain the corporate focus on the issues arising from risk management, internal control mechanisms, internal and external audit, and financial statements.
- Licensing Committee - considers all issues arising from the Licensing Act 2003 and all other licensing matters for which the Council is responsible, such as taxis (hackney carriages and private hire).
- Planning Committee - responsible for making decisions on planning applications, planning enforcement and other operational planning and building control matters, which require a decision by Councillors.
- Standards Committee - promotes and maintains high standards of conduct for District and Parish Councillors and advises Councillors on matters of conduct.

## NARRATIVE REPORT

### Management Structure

The Council's organisational structure supports the work of Councillors in the delivery of Council services. This is headed by the Corporate Leadership Team and is led by the Chief Executive, Paul Shevlin.



At 31 March 2021 the Council employed 217.00 full time equivalent (FTE) staff, increasing from 207.00 FTE at 31st March 2020. The Council recognises the value and importance of its staff in the delivery of services to the public. We have developed and are implementing our People Strategy to ensure we continue to have an effective, efficient and highly skilled workforce committed to delivering excellent services to our residents.

## Vision, Budgets and Performance

### The Council's Vision

**'For Craven to be an increasingly prosperous place with strong, vibrant communities that celebrate their unique rural and urban settings, and where all residents enjoy a good quality of life.'**

The Plan is a three year rolling plan which is reviewed annually in conjunction with the annual budget setting process. This ensures that the Council aligns its budgets to the delivery of our priorities. In February 2020, the Council updated its priorities in line with the updated Craven District Council Plan – 2020 & Beyond and these were also confirmed in February 2021. This revisions built on the themes already in place but included greater emphasis on achieving carbon neutrality. The revised priorities are:

- Carbon Neutral Craven
- Supporting the Wellbeing of our Communities
- Attracting & Retaining Younger People
- Financial Sustainability

### Budgets and Funding

The Council funds the services it provides through its Revenue Budget and capital expenditure through its Capital Programme.

The Council has in place a rolling Medium Term Financial Plan (MTFP) covering a four-year year period. It is reviewed regularly and refreshed annually to ensure we remain on track to deliver the services we provide. The latest version of the MTFP indicates a potential budget gap of £1m in 2022/23 growing to £1.5m by 2024/25. This is based on informed estimates but will depend significantly on future government policy and national funding reviews - which may be delayed until after 2022/23. During 2020/21, the country continued to respond to the Covid-19 pandemic, this has had a major impact on local finances in 2021/22 but the immediate financial consequences have been mitigated by central government grant support and support for some income losses. The known financial impacts of Covid-19 are set out in later sections of this report, though direct, longer term financial impacts continue to be difficult to predict.

## **NARRATIVE REPORT**

The Council's annual net revenue expenditure budget of £7,042k for 2020/21 was agreed by the Council in February 2020. This included expenditure on services of £6,024k. Capital expenditure totalling £4,495k was also agreed, included development of three new major schemes. Following slippage from 2019/20 and additional supplementary estimates, the final programme stood at £15,443k.

The Council funds its revenue expenditure from a number of sources including Council Tax. A £5 increase in Council Tax for the 2020/21 financial year was approved (based on average Band D equivalent).

The Council borrows money from a range of sources to fund capital expenditure and to manage short term working capital.

The Council's borrowing facilities for 2020/21 were as follows;

- Bank overdraft limit of £500,000 (short-term)
- Public Works Loans Board (long-term capital)
- London Money Markets (via brokers) for short and long-term borrowing
- Other Local Authorities

The maximum amount of external borrowing the Council can have at any one time is governed by the requirements of the Prudential Code and reported in the Council's annual Treasury Management Strategy Statement (TMSS). The Prudential Code controls borrowing by reference to an Authorised Limit and Operational Boundary, and these limits are reported in the TMSS. The Council agreed the Prudential Indicator limits for 2020/21 when the annual TMSS was approved. There was no new long-term borrowing during the year, though the latest estimates of capital expenditure indicate that new borrowing will be required during 2021/22.

(Financial performance against our budgets is explained further under Financial Performance 2020/2021)

### **Performance During 2020/2021**

The following sections explain more about how we have performed against our priorities and budgets.

The following categories represent the Councils Corporate Priorities. Under each heading are key milestones or targets to achieve to contribute towards the fulfillment of these agreed priorities.



### Enterprising Craven

#### **Improve the quality and capacity of the transport infrastructure serving the District**

Whilst the Council's statutory powers relating to transport are limited, the Council has used its planning powers, political influence and access to external funding to continue to promote the improvement of transport infrastructure across the District. The Local Plan was adopted in 2019 and includes the consideration of travel and transport infrastructure. We have successfully engaged consultants to develop a masterplan for the Skipton Station area. The regeneration programme described by the masterplan will provide an attractive new gateway to the town, enabling access by public transport and supporting lower carbon living in the town centre area.

The Council has continued to lobby for improvements to transport infrastructure, including the reopening of rail routes and lines towards Clitheroe and Colne. The joint project with the Canals and Rivers Trust to improve local canal towpaths to an acceptable standard for leisure cycling was completed in 2020. We have started a joint project with North Yorkshire County Council to improve active travel and public transport access to Skipton Station, making use of the Transforming Cities Fund to enable £6.5m of infrastructure improvements. We have also worked with North Yorkshire County Council to complete a Local Walking and Cycling Infrastructure Plan, containing bid-ready schemes and supporting evidence for future infrastructure funding bids.

#### **Enable the use of electric vehicle transport in Craven**

We have supported the development of a good Electric Vehicle charging network in Craven. In 2020 we installed rapid charge points in Skipton's High Street car park, with further charge points now agreed for Settle's Ashfield car park and Skipton's Coach Street car park for the second half of 2021. We have also accessed the On Road Charging Scheme to support the Yorkshire Dales National Park Authority's installation of fast charging points in 8 village locations across Craven, as well as providing advice and support to private sector providers, community groups, residents and developers.

The Council's maintenance team van was replaced with a Nissan ENV-200 electric van in 2019. There were no further opportunities on the vehicle replacement programme this year, however several smaller refuse collection vehicles with electric components are planned for 2021/22 which will enable a significant improvement in fuel consumption.

Action to enable electric taxi licensing was not possible during the pandemic and may not be possible during 2021/22, depending on resources required for the continuing recovery effort and for Local Government Reorganisation.

#### **Acknowledge, reward and promote best environmental practice across businesses and the voluntary sector**

The Council first agreed a Climate Emergency Strategic Plan in February 2020. This was fully reviewed and refreshed in March 2021, including wide engagement with business and community partners.

The Council did not run the Green Apple Award scheme, due to resource pressures resulting from the pandemic.

The Council's Economic Development Team have continued to connect businesses to support opportunities, particularly the business advice services commissioned by the Leeds City Region LEP partnership.

A range of community energy generation options have been explored, together with communities. This has resulted in a number of projects being taken forward to feasibility study stage across the District – exploring several potential sites for Anaerobic Digestion facilities, heat recovery from industrial facilities, water source heating in the Skipton Station triangle area and a successful bid to the Rural Community Energy Fund by the Carbon Neutral Churches Together in Craven group. This is in addition to the Council's own activity to install a wide range of renewable energy measures across its estate and for housing owned by Yorkshire Housing.

#### **Ensure all businesses and residents in Craven have access to a high quality broadband and telecommunications connection by 2022**

The Council has continued to support the North Yorkshire County Council-led programme of work to improve the speed and reliability of connection across the District. It is clear that this programme will not lead to universal access to high quality broadband by 2022 as hoped, partly due to delays caused by the pandemic and issues in supply chains during the EU transition. However, there continues to be a long-term strategy and plan in place for continuing improvement.

#### **Enable the development of 16 hectares of new employment land by 2030**

The Engine Shed Lane and Langcliffe Quarry developments are both well underway, providing much-needed economic development and infrastructure improvement opportunities to both of these communities.

The progress of further large economic development projects is currently on hold until a clear position is known in respect of Local Government Reorganisation.

#### **Provide affordable energy efficient homes**

The Council has employed an Empty Homes Officer, who has started work to bring empty homes in the District back into use. Unfortunately it has not yet been possible to find a suitable site for the first 'demonstrator' units for the Council's RIBA competition low carbon housing design. It is currently unclear whether it will be possible to progress with this project prior to Local Government Reorganisation.

The Council's Assets team has successfully tendered 6 former garage sites for redevelopment. For 3 developments (11 properties in total), contractors are currently on site with completion expected in the second half of 2021. The Council has been unable to use assets to directly develop 25 homes per annum on Council land this year, however has worked with developers to ensure that a substantial number of affordable homes have been made available as part of new developments.

## **NARRATIVE REPORT**

### **Reduce waste to landfill and increase re-use and recycling**

The Council is participating in a regional review of waste management strategy led by the Yorwaste consortium. A Waste Education Programme has not yet been delivered, however the team have assessed options for delivery and these will be presented to Council early in 2021/22.

Services have been individually reviewing the use of plastics. Use of single use plastics is now very low across the organisation, the most recent example being the Craven Museum who have reduced their use of plastic packaging material to one item (for which no substitute is available).

The Council completed a pre-feasibility study for Anaerobic Digestion and have bid for funding to explore 2 specific sites as part of the North Yorkshire Community Renewal Fund application.

Unfortunately fly-tipping and littering have increased during the pandemic. The Waste Management and Cleaner Neighbourhoods teams have allocated additional resources to addressing this.

## **Resilient Communities**

### **Enhance the quality of the trading environment within the district's core retail centres**

The development and delivery of economic action plans for market towns and villages has been delayed by the pandemic, however the Council has dedicated significant resources to ensuring that businesses trading in our core retail centres are able to bounce back safely following lockdown closure. This includes a specific, funded programme of work to reopen high streets safely as well as supporting the closure to traffic and safe reopening of Skipton market. The Council has also been central to the business grant distribution programme, providing a lifeline for many local traders.

The Council continues to support the work programme and development of Skipton BID, including participation on the BID board.

### **Facilitate and deliver high quality public events that align with Council priorities**

Most events in the public events calendar for 2020/21 did not take place due to the pandemic. The Cultural Services and Partnership Teams have worked hard to ensure that a full programme of events will return for 2021/22, aided by the reopening of the newly refurbished Skipton Town Hall and Museum. The Tour de Yorkshire was unfortunately cancelled in 2020/21.

### **Reduce health and wellbeing inequalities**

The Council continues to be actively involved in the leadership of the Health and Care Partnership Board. Craven Communities Together proved a vital network in supporting the District's pandemic response.

The partnership Community Safety Hub has been established, with a core team co-located with the District and County Council

### **Make Craven's public spaces cleaner, safer and greener**

The Council successfully planted over 9,000 trees on its own estate, against a target of 7,000. In addition to this the Council has worked with Northern Forest partners to enable large programmes of tree planting and habitat restoration work, most notable together with the Broughton Hall Estate who planted over 250,000 trees in the first quarter of 2021.

The Council continues to work with Friends of Aireville Park to design and implement the Aireville Park Masterplan.

### **Enable community groups across the District to achieve their ambitions**

The Council has continued to distribute Ward Member grants through 2020/21, as well as using planning gain to support many community facilities and infrastructure improvements.

### **Improve access to and enjoyment of Craven's great heritage, culture and environment**

The comprehensive restoration and development of Skipton Town Hall as a modern performance venue, museum and creative space has been successfully completed. This will enable the Cultural Services team to work with our more rural communities to realise further benefits, including the livestreaming of events from the town hall to community venues.

It has not been possible to progress a Cultural Apprenticeship programme during the pandemic. The Leeds & Liverpool Canal Interpretation Plan has been delayed but is being progressed.

### **Creating a district that attracts people of working age to live and work**

The Great Place Lakes and Dales Scheme has continued to provide a range of exciting opportunities for younger people to participate in the local economy, with a particular focus on creative industries. The Council is currently supporting the team to access further external funding opportunities to continue this important work beyond the end of the initial funding period.

## **NARRATIVE REPORT**

### **Financial Resilience**

#### **Ensure expenditure is prioritised, regularly reviewed and reflects resident's priorities**

Budget consultation results are included in the February Policy report. Support was shown for the Council's newly identified priorities as included in the survey.

#### **Improve the Council's commercial acumen and generate additional income**

The Council's Savings Plan is regularly reviewed and challenged by CLT. Income targets have been severely affected by Covid-19 related restrictions, although the government's Sales, Fees & Charges compensation scheme, offering 70% compensation against 95% of eligible budgeted targets, has helped to ensure that the overall position was stable by the end of 2020/21, after a very turbulent start to the year. The Council continued to deliver shared-ownership housing developments during the year, generating permanent additional income streams.

#### **Maximise the Council's assets for the long-term sustainability of the Council and the District**

The Council continues to explore and develop small sites as appropriate across the district. Larger developments have progressed to planning permission stage and options to develop these are continually being assessed.

**The Council's Medium Term Financial Plan (MTFP)** sets out our medium term funding strategy and assumptions and identifies requirements to deliver a balanced annual budget. The MTFP is regularly reviewed and updated annually. Our Income and Savings Plan sets out the detail of how we intend to meet identified targets each year and progress against the plan is reported quarterly to the Policy Committee. The latest MTFP, approved in February 2021, sets a very uncertain picture as the outcomes of a number of different funding reviews are not complete. It is hoped that a number of the assumptions included prove to be overly pessimistic but until greater clarity is provided, a prudent, but potentially worst-case position has been included.

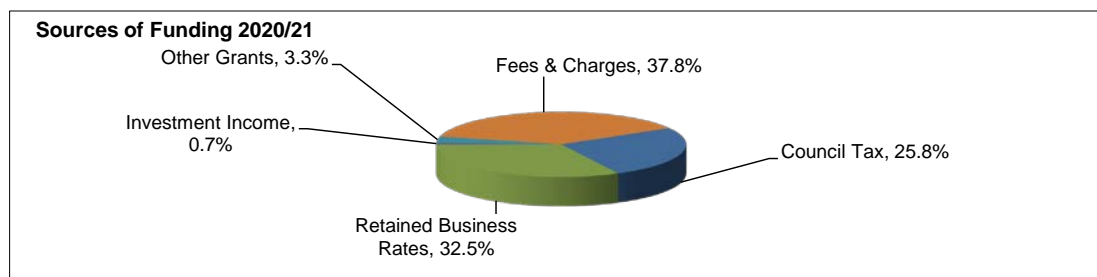
#### **Financial Performance 2020/2021**

The Council has managed to strengthen its financial position in 2020/21, even though the year has been particularly challenging and uncertain. However, this would not have been possible without central government intervention - particularly in respect of lost income, as this is a major part of the Council's net funding. The total forecasted net revenue expenditure for the Council during 2020/21 was £7,042k, this includes the net costs of services totalling £5,932k, but this position was supported during the year by Covid-19 expenditure grant funding of £768k and compensation for lost income of £1.8m.

## NARRATIVE REPORT

	Expenditure £'000	Income £'000	Net Exp. £'000
<b>Enterprising Craven</b> includes the costs of all Skipton Town Hall, Craven Museum & Exhibition Gallery, Art Development, Planning and Building Control, Economic Development, Tourist Information Centres and Hackney Carriage and Premises Licensing	2,108	(1,151)	957
<b>Financial Sustainability</b> includes costs of miscellaneous property, Skipton Bus Station and Council Depot sites, Belle Vue Square Offices, Corporate Senior Management Costs, costs of teams managing and maintaining the Council's property assets, other back office services of business support finance, legal, human resources, information services, and a range of other corporate costs	3,644	(314)	3,330
<b>Resilient Communities</b> includes the costs of a wide range of front line services delivered to the public including Craven Leisure, Public Conveniences, Car Parks, Garages, Bereavement Services, Waste and Recycling Collection, Street Cleansing, Environmental Health and Housing, Shared Ownership Housing, Elections, Democratic Services, Revenues and Benefits and Customer Services, Community Services and Communications and Partnerships	22,168	(17,859)	4,309
<b>Total Net Cost of Services</b>	27,920	(19,324)	8,595

The chart and table below show the sources of funding to the Council, to fund our expenditure which includes the cost of services. This includes Parish Precepts paid to Parish and Town Council's totalling £1,439k.



Sources of Income to the Council	2020/21 £'000
Revenue Support Grant	-
Retained Business Rates	6,555
Council Tax (including parishes precepts)	5,205
Investment Income	132
Non Specific Government Grants and Other Income	664
Fees & Charges	7,622
<b>Total</b>	<b>20,178</b>

Excluding parish precepts, in 2020/21, the Council received 3.3% of its net funding from government grants, 25.79% from Council Tax (excluding parish precepts), 32.49% from Retained Business Rates, 37.77% from Fees and Charges, and 0.65% from investment income.

## NARRATIVE REPORT

### The Council's Capital Programme

The Council Capital Programme sets out the investment the Council will make to improve and acquire assets to support delivery of services and the Council Priorities.

The Capital Programme was agreed by the Council's Policy Committee in February 2020, at £4,495k. However, as result of slippage brought forward, significant new projects, additional grant funding and supplementary estimates, the final programme stood at £15,443k. The projects within the Programme are shown in the table below.

The final expenditure against the Programme for 2020/21 stands at £9,187k, the variance of £6,256k is a result of a number of reasons, such as projects spanning two financial years, completing under budget, projects not able to progress and slippage against timescales for some projects, due to routine delays and as a result of the Covid-19 pandemic. Required slippage will be carried forward into the 2021/22 Capital Programme for continuing projects.

### Capital Programme

2019/20 Expenditure £'000	Areas of Capital Expenditure	2020/21 Budget £'000	2020/21 Expenditure £'000
	<b>Culture and Leisure Related</b>		
14	Aireville Park Facilities		
45	Craven Leisure (formerly Craven Pool & Fitness Centre)	35	22
202	Skipton Town Hall Redevelopment	734	
1,325	Skipton Town Hall Redevelopment ( Heritage Lottery Fund Scheme)	145	2,366
9	Craven District Boundary Signs		
-	Decarbonising Skipton: Green Future for Public Buildings	0	10
-	Grant to Greatwood and Horse Close	0	6
382	Leeds Liverpool Canal Towpaths & Skipton Waterfront	225	200
	<b>Economy, Housing and Environmental Related</b>		
31	Aireview House Homelessness Hostel Refurbishment		
40	Car Parks and Parking Machines	30	2
22	Market Town/Village Improvements	40	
698	Shared-ownership housing / Developing Council Assets	6,324	324
-	Growth Deal Works	3,412	3,463
50	Contribution to the Developing the Natural Aire project	75	78
0	Toilet Refurbishment - Ashfield Settle	75	
55	Flood Alleviation Projects	313	154
	<b>Waste and Recycling Related</b>		
77	Refuse Vehicles and Associated Equipment	418	97
	<b>Other Asset Infrastructure</b>		
122	IT Infrastructure	115	80
19	Langcliffe Quarry Development	28	1,644
18	Skipton Depot	2,693	239
2	Waltonwrays Crematorium Improvements	55	33
	<b>Grant Assistance to Residents</b>		
510	Disabled Facilities Capital Grants & Other Home Improvement Grants	727	470
<b>3,622</b>	<b>Total Capital Expenditure</b>	<b>15,443</b>	<b>9,187</b>

The Council finances this expenditure from a variety of sources. An analysis of how the Capital Programme Expenditure in 2020/21 has been financed is set out on the next page.

2019/20 £'000	Capital Programme - Methods of Financing	2020/21 £'000
491	Prudential Borrowing	2,055
2,404	Capital Grants	6,246
359	Capital Receipts	349
368	Revenue Contribution	537
<b>3,622</b>	<b>Total Financing</b>	<b>9,187</b>

## **NARRATIVE REPORT**

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

#### **Balance Sheet**

The Council's Balance Sheet shows that the net worth of the Council increased by just over £6.3 million to £31,435k at 31 March 2021 from £25,134k at 31 March 2020.

The value of our long term non-current assets which are made up of the Council's property, equipment and vehicles used to deliver Council services, and also other assets such as investments have increased by £6,725k to £48,698k at 31st March 2021 compared to £41,973k at 31 March 2020.

The value of current assets increased by £9,779k to £25,111k at 31st March 2021 from £15,332k at 31st March 2020. The majority of which being short term investments of £11,000k which increased by £2,000k from £9,000k at 31 March 2020, short term debtors at £11,118k an increase of £9,120k from 31 March 2020. This significant change is contributed by a large debt for the Central Government and the owing of Grant Funding to offset the Collection Fund shortfall for Business Rates. Current liabilities increased by £9,229k from £6,188k at 31st March 2020 to £15,487k at 31st March 2020. This was mainly due to an increase of short term creditors of £8,799k. The majority of which relates to the Collection Fund Outturn figures - this is somewhat offset by the debtors amount relating to the same.

The Council's long term liabilities have increased by £904k to £26,887k at 31st March 2021 compared to £25,983k at 31st March 2020. This is due to a increase in liabilities in the Council's share of the North Yorkshire Pension Fund which have increased to £21,393k at 31 March 2021 from £19,989k at 31 March 2020. The table "Scheme History" in Note 36 sets out the Council's estimated share of the North Yorkshire County Council's Pension Fund's assets and liabilities.

#### **Council Reserves**

At 31st March 2021 the Council's total reserves stood at £31,435k compared to £25,134k at 31st March 2020, an increase of £6,301k. This includes unusable reserves of £17,993k and usable reserves of £13,594k.

Usable reserves of £13,594k, includes £995k of unallocated general fund revenue reserves and £8,018k of earmarked general fund reserves. This reflects the decision to set aside to fund a range of projects including those to generate future savings and develop new working practices, resource to provide for potential cost pressures resulting from refunds required through the localisation of Business Rates, capital receipts reserves of £2,184k to fund the Capital Programme, and £2,245k of unapplied capital grants.

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. The Medium Term Financial Plan assumes increases to earmarked reserves over the next few years to ensure that future demands can be met. Medium term assumptions are revised in response to the emerging implications of dealing with the Covid-19 pandemic and will be further updated when more certainty over future funding is provided. The Section 151 Officer retains delegated authority to be able to allocate and draw on reserves throughout the year. Depending on outturns in the year, resources can be diverted to support the continuing impact of the Covid-19 pandemic.

#### **Impact of Covid-19**

The national response to dealing with Covid-19 continues to have a significant impact on the economy that is likely to be felt for some considerable time. Whilst there are signs of recovery, the fall in national output and a likely increase in unemployment will reduce government revenues when costs to deal with the ongoing impacts and borrowing resulting from the pandemic are significant. At a local level, the Council's revenues in the first quarter and last quarters of 2020/21 were drastically affected by a loss of income from numerous services but particularly from leisure and car parks. However, the loss was mitigated by government support through compensation for the majority of the losses.

Council Tax revenues have been impacted by an increase in Council Tax Support although collection rates generally have remained at expected levels. Business rates collection has been affected though the impact is likely to be more significant in 2021/22 and beyond as government support for business rates (through temporary reliefs) and wider support to businesses comes to an end. The impact of reductions in Council Tax and business rates will initially be accounted for through the Collection Fund over a three-year period and some support from government is available for losses through non-collection of both Council Tax and rates - but such support does not cover all losses and is likely to require local resources to manage the position in the short-medium term.

The cash-flow position has remained stable throughout the year - helped by government deferring the collection of rate income and paying some grants in advance for the year. There are no cash-flow issues forecast for 2021/22.

The Council did incur additional costs as a consequence of the pandemic but these are less significant compared to the impact of income and funding losses and were supported by government grants.

The wider impact of the pandemic on the value of fixed assets and liabilities, the impact on the pension fund and related assets and liabilities are presented within these accounts based on latest expert advice.

## **NARRATIVE REPORT**

### **Local Government Reorganisation (LGR)**

The Government has announced that local councils in North Yorkshire will be reorganised to form one council across the whole of the county, covering a population of 618,000. The announcement, made in Parliament on 21st July 2021, leaves York as a separate, small unitary council with 211,000 population. The Government decision follows a consultation held earlier this year on the future of local government in North Yorkshire and York. Government ministers had told councils in July 2020 that they wished to see local government in the area reorganised into unitary councils, which would provide all services to residents. The six district and borough councils of Craven, Harrogate, Richmondshire, Ryedale, Scarborough and Selby had joined together to propose an East & West model of local government.

North Yorkshire County Council and the district and borough councils of Craven, Hambleton, Harrogate, Richmondshire, Ryedale, Scarborough and Selby will continue to operate until March 2023. After this, they will cease to exist and the new unitary authority will come into operation. Council staff will continue to be employed by their current council until March 2023, after which the vast majority will be transferred to the new authority.

Craven District Council are required to continue to produce a Medium Term Financial Plan and general spending plans assume that Craven District Council will continue. Clearly, these will be revised in the light of a formal decision on the future of local government in the region.

### **Corporate Governance and Risks**

The Council has an embedded process to manage risks and assist the achievement of its objectives for service delivery and its priorities set out in the Council Plan. The Corporate Risk Register is subject to review and approval by the Council's Audit and Governance Committee, and monitoring of key risks is integrated into our performance monitoring arrangements and reports considered at the Audit & Governance Committee. In light of Covid-19, all risk registers have been reviewed and new risks assessed. During the last quarter of 2020/21, the Council reviewed its risk management arrangements and in June 2021, report to the Audit & Governance Committee on the findings of the review and a number of improvements to enhance its risk management arrangements and registers.

The Council's Local Code of Governance which sets out its governance framework bringing together an underlying set of legislative requirements, governance principles and management processes is kept under review to ensure it remains relevant. The Code provides a framework for the Council to achieve its vision and priorities. The Annual Governance Statement included at Appendix 1 of the Statement of Accounts sets out how we have met our arrangements as set out in the updated Local Code. We have not identified any significant governance risks through our annual review, though we have identified a number of intended improvement actions.

## EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts is produced to meet the requirement of the Accounts and Audit Regulations 2015.

The purpose of a local authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The statement should answer such questions as:

- What did the Authority's services cost in the year of account?
- Where did the money come from?
- What were the Authority's assets and liabilities at the year-end?

The following pages summarise the financial activities of Craven District Council in 2019/20 and comment upon the most significant matters reported in the accounts. This publication incorporates all of the financial statements and disclosure notes required by statute. The accounts have been produced in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19: Based on International Financial Reporting Standards (The Code), and the Service Expenditure Reporting of the Council.

The Council's accounts for the year 2020/21 comprise:

- **The Statement of Responsibilities for the Statement of Accounts (page 16).** Under the Code of Practice on Local Authority Accounting in the UK 2005, there is a requirement for the Council, in addition to the Chief Financial Officer, to certify its approval of the Statement of Accounts.
- **The Movement in Reserves Statement (MIRS) (page 19).** This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.
- **The Comprehensive Income and Expenditure Statement (CIES) (page 20).** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet (page 21).** The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example 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'.
- **The Cash Flow Statement (page 22).** The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.
- **The Notes to the Financial Statements (pages 23 to 75).** These provide additional information about the figures in the core financial statements.



## **EXPLANATION OF THE FINANCIAL STATEMENTS**

### **Supplementary Statements Comprising:**

- **The Collection Fund Account (page 77).** This reports the transactions of the Council as a billing authority. Amounts in respect of business rates and council tax due are shown, together with how these have been distributed to precepting authorities, the Council's General Fund and the Government.
- **Notes to the Collection Fund Account (pages 78 to 80).** These provide additional information about the figures in the Collection Fund.

### **Other Statements Comprising:**

- **The Independent Auditor's Report to Craven District Council - Audit Certificate and Opinion (pages 81 to 84)**
- **Glossary of Terms and Index of Notes (pages 85 to 91).** Terms used throughout this document are described in detail in these pages.
- **The Annual Governance Statement (Appendix 1 Page 93).** A statement explaining how the Council maintains an effective system of internal financial control.

### **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 Collection Fund Account.
- A capital programme to account for investment in assets needed for the delivery of Council services.

The way each of these is funded is also different:

- General Fund services are paid for from government grant, council tax and service charges.
- 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.

### **Non-Current Assets**

In accordance with the Council's 5-year rolling programme, a number of properties (land and buildings) were revalued in 2020/21. This resulted in valuation increases and decreases. Valuations were carried out by the Council's internal RICS-registered surveyor. In addition, an impairment review of properties was undertaken and it was found that no properties needed to be downwardly revalued due to impairment.

Investment Properties are revalued annually at fair value in accordance with International Accounting Standard 40.

### **RICS Material Uncertainty Declaration of March 2021.**

As a consequence of the COVID-19 Pandemic, The Royal Institution of Chartered Surveyors (RICS) issued a statement more particularly designed to urge caution regarding valuations for lending purposes however it serves as a general warning as to likely forthcoming market instability and re-adjustment. The restructuring of markets and the time frame for such adjustment is presently an unknown quantity. As such the valuer, when giving his opinions ensured the valuations in his report would be for the sole purpose of providing accounting values for inclusion in the authority's annual statement of accounts.

### **Prior Period Adjustments**

No Prior period adjustments have been made to the Council's 2019/20 published financial statements.

### **Further Information**

If you require further information concerning the Council's accounts, this is available from Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ (01756 700600) or by email to [contactus@cravencd.gov.uk](mailto:contactus@cravencd.gov.uk)

# **SECTION 2**

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

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

### **The Authority'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.
- 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 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 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 has also:

- Kept proper accounting records which were 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 18 - 75 gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31 March 2021.



**Graham Soulsby**  
CPFA  
Chief Finance Officer

**Date: 8th November 2021**

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## **Approval by Chair of Audit and Governance Committee**

This Statement of Accounts was approved by a resolution of the Audit and Governance Committee of Craven District Council on

**Councillor Wendy Hull**  
Chair of Audit and Governance Committee

**Date: 8th November 2021**

# **SECTION 3**

## **CORE FINANCIAL STATEMENTS**

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2019</b>	995	6,642	2,068	238	9,943	10,224	20,167
<b><u>Movement in Reserves during 2019/20</u></b>							
Surplus or (deficit) on provision of services	368	0	0	0	368	0	368
Other Comprehensive Expenditure and Income	0	0	0	0	0	4,599	4,599
<b>Total Comprehensive Expenditure and Income</b>	<b>368</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>368</b>	<b>4,599</b>	<b>4,966</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	(289)	0	404	182	296	(297)	(0)
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>78</b>	<b>0</b>	<b>404</b>	<b>182</b>	<b>664</b>	<b>4,302</b>	<b>4,966</b>
Transfers to/from Earmarked Reserves (note 8)	(78)	78	0	0	0	0	0
<b>Movement in Year</b>	<b>0</b>	<b>78</b>	<b>404</b>	<b>182</b>	<b>664</b>	<b>4,302</b>	<b>4,966</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>995</b>	<b>6,720</b>	<b>2,472</b>	<b>420</b>	<b>10,607</b>	<b>14,527</b>	<b>25,134</b>
<b><u>Movement in reserves during 2020/21</u></b>							
Surplus or (deficit) on provision of services	3,891	0	0	0	3,891	0	3,891
Other Comprehensive Expenditure and Income	0	0	0	0	0	2,410	2,410
<b>Total Comprehensive Expenditure and Income</b>	<b>3,891</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,891</b>	<b>2,410</b>	<b>6,301</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	(2,593)	0	(288)	1,825	(1,056)	1,056	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,298</b>	<b>0</b>	<b>(288)</b>	<b>1,825</b>	<b>2,835</b>	<b>3,466</b>	<b>6,301</b>
Transfers to/from Earmarked Reserves (note 8)	(1,298)	1,298	0	0	0	0	0
<b>Movement in Year</b>	<b>(0)</b>	<b>1,298</b>	<b>(288)</b>	<b>1,825</b>	<b>2,835</b>	<b>3,466</b>	<b>6,301</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>995</b>	<b>8,018</b>	<b>2,184</b>	<b>2,245</b>	<b>13,442</b>	<b>17,993</b>	<b>31,435</b>

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2019/20				2020/21			Notes
Expenditure £'000	Income £'000	Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	
2,386	(1,193)	1,193	Enterprising Craven	2,108	(1,151)	957	
3,474	(272)	3,202	Financial Sustainability	3,644	(314)	3,330	
19,480	(15,564)	3,916	Resilient Communities	22,168	(17,859)	4,309	
<b>25,340</b>	<b>(17,029)</b>	<b>8,311</b>	<b>Cost of Services</b>	<b>27,920</b>	<b>(19,324)</b>	<b>8,595</b>	
		946	<b>Other Operating Expenditure</b>			992	9
		454	<b>Financing and Investment Income &amp; Expenditure</b>			509	10
		(10,078)	<b>Taxation and Non-Specific Grant Income</b>			(13,987)	11
		<b>(368)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(3,891)</b>	
			<b>Other Comprehensive Income and Expenditure</b>				
		(2,600)	(Surplus) or deficit on Revaluation of Property, Plant and Equipment Assets			(2,849)	22.1
		440	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			-	22.1
		(2,439)	Remeasurement of net defined benefit / (liability)			439	36
		<b>(4,599)</b>	<b>Total Other Comprehensive Income and Expenditure</b>			<b>(2,410)</b>	
		<b>(4,967)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(6,301)</b>	

**BALANCE SHEET**

31-Mar-20		31-Mar-21		Notes
£'000		£'000	£'000	
36,360	Property Plant & Equipment and Community Assets	43,081		12
2,206	Investment Properties	2,266		12
1,884	Heritage Assets	1,884		12
407	Intangible Assets	451		15
1,018	Long Term Investments	1,018		16
98	Long Term Debtors	-		16
<b>41,973</b>	<b>Total Long Term Assets</b>		<b>48,698</b>	
9,000	Short Term Investments	11,000		16
-	Assets Held For Sale	-		19
52	Inventories and Work in Progress	68		
1,998	Short Term Debtors	11,118		17
4,282	Cash and Cash Equivalents	2,925		18
<b>15,332</b>	<b>Total Current Assets</b>		<b>25,111</b>	
-	Cash and Cash Equivalents	-		18
(48)	Short Term Borrowing	(548)		16
(5,757)	Short Term Creditors	(14,556)		20
(383)	Provisions	(383)		39
<b>(6,188)</b>	<b>Total Current Liabilities</b>		<b>(15,487)</b>	
(5,988)	Long Term borrowing	(5,488)		16
(6)	Other Long Term Liabilities	(6)		
(19,989)	Defined Benefit Pension Scheme	(21,393)		36
<b>(25,983)</b>	<b>Total Long Term Liabilities</b>		<b>(26,887)</b>	
<b>25,134</b>	<b>Net Assets</b>		<b>31,435</b>	
10,607	<b>Usable Reserves</b>		13,442	21
14,527	<b>Unusable Reserves</b>		17,993	22
<b>25,134</b>	<b>Total Reserves</b>		<b>31,435</b>	

Graham Soulsby  
CPFA  
Chief Finance Officer

Date: 8th November 2021

**CASH FLOW STATEMENT**

2019/20		2020/21	Notes
£'000		£'000	
368	<b>Net surplus/(deficit) on the provision of services</b>	3,891	
3,491	Adjustments to net surplus or deficit on the provision of services for non-cash movements	1,591	23
(759)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(61)	23
3,101	Net cash flows from operating activities	5,420	
(1,724)	Investing Activities	(4,686)	24
2,000	Financing Activities	(2,090)	25
3,377	Net Increase or (Decrease) in cash and cash equivalents	(1,357)	
905	Cash and cash equivalents at the beginning of the reporting period	4,282	
4,282	Cash and cash equivalents at the end of the reporting period	2,925	18



# **SECTION 4**

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

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

### **1. Accounting Policies**

#### **1.1. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

#### **1.2. Accruals of Income and Expenditure (Debtors and Creditors)**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Revenue relating to such items as Council Tax and 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.
- 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 as inventories on the balance sheet.
- In the event that consideration has been paid in advance of the receipt of goods or services or other benefit, an authority shall recognise a debtor (i.e. payment in advance) in respect of that outflow of resources.
- Authorities shall account for revenue recognition in accordance with IFRS 15 Revenue from Contracts with Customers. The authority will recognise revenue from contracts with service recipients in accordance with the following; Identify if a Contract exists; identify any performance obligations that may exist; determine a transaction price; allocate said price to performance obligations and recognise the price once a performance obligation has been satisfied.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- In the event that consideration is received but the revenue does not meet the recognition criteria as described above, the Council recognises it as a creditor (i.e. receipt in advance) in respect of that inflow of resources.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has 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 charged to a bad debts provision. Contributions to the provision are made by charging the service revenue accounts dependent upon the value of outstanding aged debts.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Year-end accruals and prepayments are made, as appropriate, subject to a de-minimis level of £500.

#### **1.3. Cash & Cash Equivalents**

Cash and Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council has adopted a policy of cash equivalents being short term investments of less than one month duration.

##### **1.3.1. Cash Flow**

Presentation of Cash Flow Statements can be done using either the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed, or the indirect method, whereby the net cash flow from revenue activities is derived as a means of a reconciliation from the surplus or deficit on the Comprehensive Income and Expenditure Statement for the year. The Council uses the Indirect Method.

##### **1.3.2. Capital Receipts**

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

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

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

#### **1.4. Council Tax and Non-domestic Rates (England)**

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be more or less than predicted. (The Council is a billing authority).

#### **Accounting for Council Tax and NDR**

The Collection Fund (England) Statement is included as a supplementary statement in the accounts. The transactions of the Collection Fund are wholly prescribed by legislation. Billing Authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement 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 MiRS.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

#### **1.5. Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies 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 had always been applied.

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

#### **1.6. 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 non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue (MRP) towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MiRS for the difference between the two.

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

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

#### **1.7. Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within twelve 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 cost of holiday entitlements (or any form of leave, e.g. time off in lieu and flexi-time) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **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 and are charged on an accruals basis to the appropriate service at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

##### **Post Employment Benefits**

Employees of the Council are members of the Local Government Pensions Scheme, administered by North Yorkshire County Council (NYCC).

##### **The Local Government Pension Scheme**

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the North Yorkshire Pension Fund 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 a discount rate of 2.3% on long dated AA rated Corporate

The assets of the North Yorkshire Pension Fund attributable to the council are included in the balance sheet at their fair value:

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

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

Service Cost Comprising:

- Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the CIES 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 – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements Comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses - changes in the 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 Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

#### **1.7. Employee Benefits continued.....**

Contributions paid to the North Yorkshire Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

#### **Discretionary Benefits**

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **1.8. Events After the Reporting Period**

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

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

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

#### **1.9. Financial Instruments**

##### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MiRS.

##### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

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

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

#### **1.9. Financial Instruments continued.....**

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

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

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

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

The authority recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

##### **Financial Assets Measured at Fair Value through Profit and Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices - market price
- other instruments with fixed and determinable payments - discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

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

#### **1.10. Government Grants and Contributions**

Whether paid on account, by instalment or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

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

#### **1.11. Heritage Assets**

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

The authority's heritage assets comprise artworks, literature, antiquities, machinery and equipment held in the museum, in storage for future exhibition, or in locations within the wider district.

Where carrying values can reasonably be determined, the values are included on the balance sheet as Non-Current Assets. Items held by the museum are subject to periodic insurance valuations which determine the carrying values for inclusion in the total of Non-Current Assets. Items which have an individual value below the de-minimis (currently £10,000) are not included in the value of Heritage Assets.

Heritage Assets are recognised and measured (including treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

Heritage assets are held in perpetuity with no defined useful life and consequently are not depreciated. The carrying amounts are reviewed where there is evidence of impairment and any impairment is recognised and measured in accordance with the authority's general policy on impairment - see note 1.18 in this summary of significant accounting policies.

#### **1.12. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events (e.g. software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of assets held by the Council can be determined by reference to an active market. In practice, no intangible assets held by the Council meets 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 in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service lines in the CIES. Any gain or loss arising on disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for sale proceeds greater than £10k) the Capital Receipts Reserve.

#### **1.13. Interests in Companies and Other Entities**

The Council has an interest in a company that has the nature of a joint venture arrangement, but considers it not sufficiently material to require the preparation of group accounts for 2019/20. This assessment is reviewed annually.

#### **1.14. Inventories and Long-term Contracts**

Inventories are included in the balance sheet at the lower of cost and net realisable value. The nature of the inventories means cost is assigned using the FIFO costing formula.

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 year.



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

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

#### **1.15. Investment Property**

Investment properties are those that are used solely to earn rental income 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. The Council's property portfolio is reviewed annually to identify any additional assets which meet or cease to meet this criteria.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participants perspective. 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 CIES. 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 any sale proceeds greater than £10k) the Capital Receipts Reserve.

#### **1.16. Accounting for Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings are considered separately for classification.

Arrangements that do not have the legal status of a lease, but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The Council as Lessee**

##### **Finance Leases**

Property plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception (or present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to property, plant and equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### **Operating Leases**

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

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

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

#### **1.16. Accounting for Leases continued.....**

##### **The Council as a Lessor**

##### **Finance Leases**

Where the Authority grants a finance lease over a property or 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 in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is 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), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – 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 in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the MIRS. 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 MIRS. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General fund Balance in the MIRS.

##### **Operating Leases**

Where the Authority 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 in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is no premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### **1.17. Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

#### **1.18. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used on a continuing basis for more than one financial year are classified as Property Plant and Equipment.

##### **Recognition:**

Expenditure on the acquisition, creation or enhancement of tangible non-current is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year (subject to a £10k de-minimis limit). Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

##### **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 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 acquisition is the carrying amount of the asset given up by the Council.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

#### 1.18. Property, Plant and Equipment continued.....

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 and Expenditure line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

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

- Infrastructure assets (e.g. highways and footpaths) if any are included in the Balance Sheet at depreciated historical cost.
- Community assets (e.g. parks, cemeteries, etc.) acquired prior to 1 April 1994 have been given a nil value. Assets acquired after 1 April 1994 are valued at historic cost.
- Heritage assets have been included in the balance sheet at last insurance valuation.
- Vehicles, plant and equipment are recorded in the Balance Sheet at historic cost net of depreciation. This is regarded as a reasonable indication of net current replacement cost.
- Shared Ownership dwellings - Council share only - current value, determined as the amount that would be paid for the asset at Market Value

Otherwise, net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties – market value.
- surplus assets – highest and best use.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years in accordance with the requirements of The Code. A 20% rolling revaluation programme has been implemented.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from a reversal of an impairment loss previously charged to a service revenue 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 reduction in the carrying amount of the asset is written down against the balance.
- where there is no balance in the Revaluation Reserve or an insufficient balance, the reduction in the carrying amount of the asset is first written down against the balance and then the remaining value is written down against the relevant service line in the CIES.

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

#### **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 reduction in the carrying amount of the asset is written down against that balance;
- where there is no balance in the Revaluation Reserve or an insufficient balance, the reduction in the carrying amount of the asset is written down against the relevant service line in the CIES.

Assets having major components will be reviewed for componentisation when revaluation occurs as part of the rolling 5-year programme, or when major capital improvements are undertaken. Componentisation affects all assets recognised under IAS16, IAS17 and IFRIC12.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, 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 for 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.

Depreciation is provided for on all non-current and intangible assets on a straight-line basis over the period of their useful economic life.

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

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

#### **1.18. Property, Plant and Equipment continued.....**

Where an asset has major components with different estimated useful lives, 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

#### **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 significant components which should be recognised. A component is considered significant when the cost of the component is 20% or greater than the total cost of the asset and has a differing useful life. Each component is depreciated separately and where there is more than one significant component of the same asset which has the same useful life and depreciation method, such components may be grouped in determining the depreciation charge. Assets with a value less than £50k will not be considered for componentisation (on the basis of materiality) unless the circumstances are deemed appropriate.

#### **Remaining Useful Asset Life:**

The calculation of depreciation takes into consideration the expected remaining useful life of each asset.

- For depreciable buildings, the asset lives range between 2 and 100 years depending on the type of asset and its current use.
- For intangible assets a standard 5 year life has been used for the calculation of annual amortised amounts.
- For vehicles a 10 year life has been used and for smaller items of plant, a 7 year life has been used. For major plant an asset life up to 20 years may be used if appropriate.

#### **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. These are assets that have been declared surplus to the Council's operational requirements, are being actively marketed and have an estimated sale date within twelve months of the balance sheet date. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Assets Held for Sale are included as current assets on the Balance Sheet at the lower of the carrying amount or the fair value of the asset less the costs to sell the asset. Impairment or revaluation losses on initial classification or subsequent write down to fair value are charged directly to the CIES even if the asset has been previously re-valued. Any balance on the Revaluation Reserve remains until the asset is sold. No depreciation is charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the CIES 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 relating to the asset sold are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government, including mortgage receipts. 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 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 appropriated to the Capital Adjustment Account via the MIRS.

#### **1.19. Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

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 in the CIES when the authority has an 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.

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

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

#### **1.19. Provisions, Contingent Liabilities and Contingent Assets continued.....**

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 met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

#### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 recognised in the Balance Sheet but disclosed in a note to the accounts.

#### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the authority 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 authority.

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.

#### **1.20. Reserves**

The Council has both capital and revenue reserves, some of which can be used to finance current expenditure.

The Council 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. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets such as the Revaluation Reserve, the Capital Adjustment Account and the Financial Instruments Adjustment Account, and for pension costs and employee benefits, and do not represent usable resources for the Council.

Capital reserves of capital grants, contributions and usable capital receipts, can only be used to finance capital expenditure.

#### **1.21. 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 revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the General Fund in the MIRS so there is no impact on the level of Council Tax.

#### **1.22. Value Added Tax (VAT)**

VAT is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs and therefore charged to revenue or capital as appropriate. VAT receivable is excluded from income.

#### **1.23. Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

#### **1.23. Fair Value Measurement continued.....**

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted in active markets for identical assets or liabilities that the authority can access at the measurement date).
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. For the 2020/21 Statement of Accounts there are a number of accounting changes that need to be reported. These relate to:

Annual Improvements to IFRS Standards 2015-2017 Cycle

□

Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement

These amendments are minor, and they are not expected to have a material impact on the Statement of Accounts.

IAS 28 Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value. This is to clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Council has a Joint Venture with Barnfield Construction and for 2020/21 this is not material. The position will be reviewed on an annual basis once the JV commences it's project work.

### **3. Critical Accounting Judgements In Applying Accounting Policies**

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

#### **Classification of Leases**

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

#### **Arrangements Containing a Lease - Implied Leasing**

The Council does not have any outsourced contracts where there are leases.

#### **Local Government Funding**

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or capital appreciation. These properties have been assessed using these criteria which is subject to interpretation.

#### **Assets Held For Sale**

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

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

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

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

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

#### **Valuation and Revaluation of Property Plant and Equipment**

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, and the expected period that each asset will be used for its existing purpose. The Authority will ensure that its assets are maintained to a usable standard to ensure remaining useful lives will not be shortened due to neglect.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Remaining useful lives are reviewed following major expenditure, and future policy.

RICS Material Uncertainty Declaration of March 2021.

As a consequence of the COVID-19 Pandemic, RICS issued a statement more particularly designed to urge caution regarding valuations for lending purposes however it serves as a general warning as to likely forthcoming market instability and re-adjustment. The restructuring of markets and the time frame for such adjustment is presently an unknown quantity. As such the valuer, when giving his opinions ensured the valuations in his report would be for the sole purpose of providing accounting values for inclusion in the authority's annual statement of accounts.

The valuer has reported valuations on the basis of 'material valuation uncertainty' (as per VPS3 and VPGA 10 of the RICS red book). The consequence of which means there is less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

#### **Fair Value Measurements**

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's in-house valuer or external valuer).

The fair value of investment property is done as Level 2. The values have been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

Alongside the valuers report, and to ensure that consideration had been given to a change in valuations due to the COVID-19 impact on the market, a Property Market Report was produced. The purpose of the report was to give context around the potential impact of pandemic on valuations that would have been carried out throughout the year and to make sure that at the reporting date the potential impact was disclosed, where the fair value hierarchy is at level 2. The value of the investment properties at the reporting date was £2,206k and the valuer place a possible market adjustment of 5% on those assets under the Tenanted Commercial, industrial markets, this potentially could change the value by around £110k. This is below the threshold for materiality but disclosed based upon it's nature and potential impact.

#### **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.

#### **COVID-19 impact**

This year to mitigate the risk on changes to the asset valuations, as a result of the pandemic, the pensions valuation report was requested to reflect valuations as at the year end, rather than based on in year estimates. This was to ensure that any assumptions or valuations used by the actuary in calculating the plan assets would be more accurate. This would reduce the likelihood of a significant misstatement of the pension scheme position at the year end.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1,666k.

The Council's net pension liability included in the balance sheet and disclosed in note 36 includes an estimate of the total value of the Council's share of the North Yorkshire Pension Fund's property assets. The valuation of the Fund's property fund assets has been impacted by Covid-19 and reported on the basis of 'material valuation uncertainty' as per the requirements of VPGA 10 of the RICS Red Book Global. As a consequence, there is less certainty and a higher degree of caution should be attached to the Council's share of these Pension Fund assets. The Council's actuary has estimated that the value of the Council's share of these Pension Fund Property investment assets was £4.055m, as at the 31 March 2021.



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

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

#### **Arrears**

At 31 March 2020, the Authority had a balance of sundry debtors for £423k and housing benefit overpayments of £157k. A review of all balances suggested that an impairment of doubtful debts of £358k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, a doubling of the amount of impairment for doubtful debts (for non-public body sundry debtors) would require an additional £45k to be set aside as an allowance.

#### **Employee Benefits Accrual**

The employee benefits accrual cost was calculated for years from 2008/09 to 2016/17. There is little or no variation year on year. The amount involved is deemed not to be material and therefore no adjustment has been made to the accrual included within the accounts. The calculation will be performed and reviewed each year and should it be deemed material an adjustment to the accrual will be made in the accounts. The level of leave at the end of 2020/21 has not altered materially from 2016/17.

#### **Surplus Asset Revaluation**

As part of The Council's current Surplus Assets there have been two assets that have been subject to a valuation in 2020/21. The valuation is based on the valuers opinion of the value of the Land and buildings that present and the potential it has for development. At the reporting date the current valuation is valid, but as the development is subject to scrutiny and potential change throughout 2021/22 and beyond there is potential for this value to change.

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

In the period there have been no material items in the context of the overall income and expenditure of the Council.

### **6. Events After The Reporting Period**

The unaudited Statement of Accounts was authorised for issue on 8th November 2021 by the Chief Finance Officer. Events taking place after this date are not reflected in the financial statements or notes. Where events take place before this date, provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

All events between the balance sheet date and the issue date have been considered and there are no Adjusting Post Balance Sheet events to disclose.

#### **COVID-19 Impact;**

Due to the continuing presence of COVID-19 being recognised within the 2020/21 financial year and that some of its impacts and some of the actions taken by Government were known by the reporting date, this is potentially an adjusting event. As stated throughout the document where possible and where the impact of the pandemic is likely to impact on the assets and liabilities at the reporting date, disclosures have been made. However as new information about the likely severity and duration of the effects of COVID-19 will continue to emerge for some time, actual impacts are somewhat unknown.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2020/21	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	1,152			(1,152)
Revaluation gains/(losses) on Property, Plant and Equipment	(386)			386
Movements in the fair value of Investment Properties	(60)			60
Amortisation of intangible assets	55			(55)
Capital grants and contributions applied	(9,949)			9,949
Revenue expenditure funded from capital under statute	4,439			(4,439)
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	13			(13)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(89)			89
Capital expenditure charged against the General Fund	(537)			537
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,090)		2,090	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(265)	265
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(61)	61		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(349)		349
Other cash receipts				-

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2020/21	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b> Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b> Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements				-
<b>Adjustments primarily involving the Pensions Reserve:</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 36)	2,370			(2,370)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,405)			1,405
less prepayment of 2018/2019 employers' contributions payable				-
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b> Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	15			(15)
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	3,941			(3,941)
Cost of Services	<b>(2,593)</b>	<b>(288)</b>	<b>1,825</b>	<b>1,056</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2019/20	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	1,322			(1,322)
Revaluation gains/(losses) on Property, Plant and Equipment	60			(60)
Movements in the fair value of Investment Properties	1			(1)
Amortisation of intangible assets	38			(38)
Capital grants and contributions applied	(1,826)			1,826
Revenue expenditure funded from capital under statute	1,140			(1,140)
Soft Loans	-			-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	241			(241)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(88)			88
Capital expenditure charged against the General Fund	(368)			368
Movements in Donated Assets	-			-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(760)		760	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(578)	578
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(759)	759		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(359)		359
Other cash receipts		4		(4)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool				-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				-

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2019/20	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b> Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b> Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements				-
<b>Adjustments primarily involving the Pensions Reserve:</b> Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 36)	2,392			(2,392)
Employer's pensions contributions and direct payments to pensioners payable in the year	(940)			940
less prepayment of 2018/2019 employers' contributions payable	(577)			577
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b> Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	57			(57)
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(222)			222
Cost of Services	<b>(289)</b>	<b>404</b>	<b>182</b>	<b>(297)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 8. Earmarked Reserves

This consists of sums earmarked for specific purposes, e.g. funding of specific projects and service developments of strategic importance. This note sets out the amounts set aside during the accounting period and the amounts posted back to meet expenditure over the same period. The significant reserves and their intended purpose are described in more detail below:

	Balance at 31-Mar-19 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-20 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-21 £'000	See Notes Below
Bishopdale Court	5			5			5	
Building Control Reserve	25		-	25			25	
Buildings Reserve	460	(62)	52	450	(57)	52	445	8.1
Business Rates Equalisation	1,150			1,150			1,150	8.2
Contingency	100	-		100		62	162	
Edith Stead Bequest Reserve	2			2			2	
Elections	28	(7)		21			21	8.3
Enabling Efficiencies Fund	302	(32)		270	(20)	587	836	8.4
ERDF Funds	48			48			48	8.5
Future Year Budget Support	171	(77)	146	240		200	440	8.6
Capacity Resilience Reserve	-	-	-	-	-	300	300	8.13
Insurance	80		10	90		10	100	
IT Reserve	511	(122)	30	419	(89)	30	359	8.7
Local Authority Business Growth Incentive	9			9			9	
Local Plan / Planning Reserve	440			440			440	8.8
New Homes Bonus	2,319	(257)	444	2,506	(303)	564	2,767	8.9
Partial Exemption Reserve	600			600			600	8.10
Revenue Expenditure Reserve	54	-	-	54			54	8.11
Vehicle Replacement Reserve	338	(77)	30	291	(68)	30	254	8.12
<b>Total</b>	<b>6,642</b>	<b>(634)</b>	<b>712</b>	<b>6,720</b>	<b>(537)</b>	<b>1,835</b>	<b>8,017</b>	

8.1. The Buildings Reserve has been created to fund repairs and improvements to the Council's buildings.

8.2. The Business Rates Equalisation reserve is to provide protection should the Council suffer early losses before the funding safety net is reached.

8.3. The Elections Reserve has been created to smooth the costs of elections which the Council holds 3 years out of every 4 when one third of the Councilors seats are up for election are up for election.

8.4. The Enabling Efficiencies Fund is used to fund the implementation of the Council's savings plan which will generate short/longer term savings.

8.5. ERDF Funds are grants from the Government for Economic Development Initiatives.

8.6. The Future Year Budget Support reserve has been created from planned income and savings generated from the Council's income and savings plan and will be used to support future years budgets to mitigate the impact of reductions in government grant funding.

8.7. The ICT Replacement reserve is to fund the purchase of new computer equipment and upgrade of systems.

8.8. Local Plan / Planning Reserve is used to fund costs relating to the local plan, including the public consultation process and other planning cost pressures.

8.9. New Homes Bonus Reserve is used to fund local infrastructure improvements, the return of empty homes into use and to support local community, voluntary and business sectors to deliver a range of community activities and projects for the benefit of local residents.

8.10. Partial Exemption Reserve carries funds to offset the impact on revenue services if the Council's partial exemption de-minimis threshold of 5% is exceeded meaning that VAT on purchases cannot be recovered for certain Council services.

8.11. Revenue Expenditure Reserve is for funds to cover expenditure commitments that have slipped to the following financial year.

8.12. Vehicle replacement reserve is used to fund replacements of the vehicle fleet.

8.13. The Capacity Resilience Reserve has been created to provide the council with some additional funding to help deal with resourcing issues that may be experienced as the LGR project progresses during 2021/22 and 2022/23.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. Other Operating Expenditure

2019/20		2020/21
£'000		£'000
1,405	Parish Precepts	1,439
(0)	Receipts from covenants & other capital cash	-
60	Revaluations (Gain) / Loss Chargeable to the CIES	(386)
(519)	(Gains) / Losses on Disposal of non-Current assets	(61)
946	<b>Total</b>	992

### 10. Financing and Investment Income and Expenditure

2019/20		2020/21
£'000		£'000
256	Interest Payable and similar charges	256
(186)	Interest Receivable and similar income	(132)
492	Net interest on the net defined benefit liability (asset)	445
(108)	Changes in the fair value of investment properties	(60)
-	Other investment income	-
454	<b>Total</b>	509

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

2019/20		2020/21
£'000		£'000
(5,324)	Council Tax	(5,189)
(2,715)	Non Ring-fenced Government Grants	(4,080)
(686)	Capital Grants and other contributions	(5,511)
(9,221)	Retained Business Rates	(10,449)
7,868	Business Rates Tariff/(Top Up)	11,242
(10,078)	<b>Total</b>	(13,987)

### 12. Property, Plant and Equipment

#### 12.1. Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

	Estimated Useful Life (years)
<b>Buildings</b>	
Operational Buildings, up to	100
Non-Operational Buildings, up to	50
Garages	10
<b>Other Assets</b>	
Vehicles and smaller items of Plant & Equipment	10
Major items of plant and equipment, up to	20

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**12.2. Property, Plant and Equipment; Heritage Assets & Investment Properties**

**Movement on Fixed Assets**

The tables below and on the following page show the movement in value of the Council's non-current assets. Properties owned by the Council are valued on a rolling programme basis except for investment properties which are valued annually at the balance sheet date. Valuations for 2018/19 have been undertaken in-house by a RICS-qualified valuer.

**Community Assets** include allotments and the cemeteries at Waltonwray's and Ingleton. **Heritage Assets** with significant value and which have been capitalised comprise the Shakespeare First Folio and a selection of the Roebuck Collection of paintings.

<b>2020/21</b>	<b>Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Community Assets</b>	<b>PPE, SA &amp; CA TOTAL</b>	<b>Investment Property</b>	<b>Heritage Assets</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Tangible Assets</b>								
Cost or Valuation at 31 March 2020	35,755	7,810	1,339	873	45,777	2,206	1,884	49,867
<b>Movement in 2020/21</b>								
Additions	4,514	136	-	-	4,650	-	-	4,650
Donations			-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,013	-	-	-	2,013	-	-	2,013
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	388	-	-	(2)	386	60	-	446
Derecognition - disposals	(13)	-	-	-	(13)	-	-	(13)
Reclassification	-	-	-	-	-	-	-	-
<b>Value as at 31 March 2021</b>	<b>42,657</b>	<b>7,945</b>	<b>1,339</b>	<b>870</b>	<b>52,813</b>	<b>2,266</b>	<b>1,884</b>	<b>56,963</b>
<b>Accumulated Depreciation and Impairment</b>								
at 31 March 2020	5,170	4,222	25	-	9,417	-	-	9,417
<b>Movement in 2020/2021</b>								
Depreciation for the Year	808	345	-	-	1,152	-	-	1,152
Depreciation written out to the Revaluation Reserve	(836)	-	-	-	(836)	-	-	(836)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	(0)	-	-	-	(0)	-	-	(0)
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
<b>Value as at 31 March 2021</b>	<b>5,141</b>	<b>4,567</b>	<b>25</b>	<b>-</b>	<b>9,733</b>	<b>-</b>	<b>-</b>	<b>9,733</b>
<b>Net Book Value</b>								
<b>at 31 March 2021</b>	<b>37,516</b>	<b>3,379</b>	<b>1,314</b>	<b>870</b>	<b>43,081</b>	<b>2,266</b>	<b>1,884</b>	<b>47,230</b>
<b>at 31 March 2020</b>	<b>30,585</b>	<b>3,588</b>	<b>1,314</b>	<b>873</b>	<b>36,360</b>	<b>2,206</b>	<b>1,884</b>	<b>40,450</b>



**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**12.2. Property, Plant and Equipment; Heritage Assets & Investment Properties**

**Movement on Fixed Assets**

The tables below and on the following page show the movement in value of the Council's non-current assets. Properties owned by the Council are valued on a rolling programme basis except for investment properties which are valued annually at the balance sheet date. Valuations for 2018/19 have been undertaken in-house by a RICS-qualified valuer.

**Community Assets** include allotments and the cemeteries at Waltonwray's and Ingleton. **Heritage Assets** with significant value and which have been capitalised comprise the Shakespeare First Folio and a selection of the Roebuck Collection of paintings.

<b>2019/20</b>	<b>Land &amp; Buildings</b>	<b>Vehicles Plant &amp; Equipment</b>	<b>Surplus Assets</b>	<b>Community Assets</b>	<b>PPE, SA &amp; CA TOTAL</b>	<b>Investment Property</b>	<b>Heritage Assets</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Tangible Assets</b>								
Cost or Valuation at 31 March 2019	31,561	7,612	1,249	1,333	41,755	2,207	1,884	45,846
<b>Movement in 2019/2020</b>								
Additions	2,198	198	-	-	2,396	-	-	2,396
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,280	-	90	(440)	1,930	-	-	1,930
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(40)	-	-	(20)	(60)	(1)	-	(61)
Derecognition - disposals	(244)	-	-	-	(244)	-	-	(244)
Reclassification	-	-	-	-	-	-	-	-
<b>Value as at 31 March 2020</b>	<b>35,755</b>	<b>7,810</b>	<b>1,339</b>	<b>873</b>	<b>45,777</b>	<b>2,206</b>	<b>1,884</b>	<b>49,867</b>
<b>Accumulated Depreciation and Impairment</b>								
at 31 March 2019	4,422	3,881	25	-	8,327	-	-	8,327
<b>Movement in 2019/2020</b>								
Depreciation for the Year	981	341	-	-	1,322	-	-	1,322
Depreciation written out to the Revaluation Reserve	(230)	-	-	-	(230)	-	-	(230)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	(3)	-	-	-	(3)	-	-	(3)
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
<b>Value as at 31 March 2020</b>	<b>5,170</b>	<b>4,222</b>	<b>25</b>	<b>-</b>	<b>9,417</b>	<b>-</b>	<b>-</b>	<b>9,417</b>
<b>Net Book Value</b>								
<b>at 31 March 2020</b>	<b>30,585</b>	<b>3,588</b>	<b>1,314</b>	<b>873</b>	<b>36,360</b>	<b>2,206</b>	<b>1,884</b>	<b>40,450</b>
<b>at 31 March 2019</b>	<b>27,140</b>	<b>3,731</b>	<b>1,224</b>	<b>1,333</b>	<b>33,428</b>	<b>2,207</b>	<b>1,884</b>	<b>37,519</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 12.3. 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 2021, 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.

	Expenditure approved and contracted at 31-Mar-21 £'000	Period of Investment
Home Improvement & Repair Grants	118	1-3 years
Growth Deal Expenditure	1,713	1-3 years
Improvements to Property	1,522	1-3 years
<b>Total</b>	<b>3,354</b>	

### 12.4. Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations were carried out by an internal valuer. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. No items of vehicles, plant, furniture or equipment required revaluation.

	Land and Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Surplus Assets £'000	Community Assets £'000	Investment Property £'000	Heritage Assets £'000	Total £'000
<b>Carried at historical cost:</b>		3,379		-	-	-	3,379
<b>Valued at fair value as at:</b>							
<b>31-Mar-21</b>	10,310	-		3	2,266	-	12,579
<b>31-Mar-20</b>	11,831	-	95	867	-	-	12,793
<b>01-Apr-19</b>	2,903	-	1,219	-	-	-	4,122
<b>01-Apr-18</b>	4,173	-	-	-	-	1,514	5,687
<b>31-Mar-17</b>	8,299	-		-	-	370	8,669
<b>Total Cost or Valuation</b>	37,516	3,379	1,314	870	2,266	1,884	47,230

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 12.5. Surplus Assets

#### Fair Value Hierarchy

The Council's Surplus Assets have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 1 Accounting Policy 1.23 for an explanation of the fair value levels).

#### Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets

The fair value for surplus properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar properties in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

In estimating the fair value of the Council's surplus properties, the highest and best use of the properties is their current use.

### 13. Heritage Assets

Heritage assets are included in the Balance Sheet at their insurance valuations. Revaluation should usually occur every five years with the last full scale valuation in 2014. There have been interim insurance valuations in 2017/18 which have adjusted the amounts held in the Asset Register for the Roebuck Collection of Artwork and the Shakespeare First Folio. There was due to be a full revaluation of Heritage Assets in 2019/20, however due to the Capital Works at the Town Hall and Museum and the majority of the Assets being in storage or inaccessible this has been postponed until in the development works are complete. this was likely to be 2020/21 however with the capital works being delayed due to the Coronavirus Pandemic in 2020, this has yet to be possible. It is intended once the Museum opens in the summer of 2021 valuations will be scheduled as soon as practical. There were no disposals of capitalised heritage assets in the year.

### 14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

	2019/20	2020/21
	£'000	£'000
Rental Income From Investment Property	117	252
Direct Operating expenses arising from investment property	(8)	(12)
<b>Net Gain / (Loss)</b>	<b>109</b>	<b>240</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or in the Council's right to the remittance income and the proceeds of disposal. 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.

	2019/20	2020/21
	£'000	£'000
Balance at start of the year	2,207	2,206
Additions:		
Purchases	-	-
Construction	-	-
Subsequent Expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	(1)	60
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	-	-
Other Changes	-	-
<b>Balance at end of Year</b>	<b>2,206</b>	<b>2,266</b>

#### Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 1 Accounting Policy 1.23 for an explanation of the fair value levels).

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. Investment Properties continued.....

#### Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

However due to the Global Pandemic relating to Coronavirus (COVID-19) it is likely that the market activity in the investment property and rental markets will be impacted upon. The valuer has provided the value of the investment properties based upon the known market conditions at the date of valuation, however he has also issued a RICS material Uncertainty Declaration notice. This gives indications regarding the potential market adjustment as a result of the Countries lockdown and it's impact on the national and local economy.

### 15. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licenses) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, they are therefore carried at amortised cost.

2019/20 Software Licenses £'000		2020/21 Software Licenses £'000
1,603	<b>Cost</b>	
87	Historic Cost brought forward 1 April	1,690
-	Additions	98
-	Reclassifications	-
-	Disposals	-
1,690	Historic Cost carried forward 31 March	1,788
	<b>Amortisation and Impairments</b>	
1,245	Accumulated amortisation and impairment brought forward	1,283
38	Charge for year	55
-	Reclassifications	-
-	Disposals	-
1,283	Accumulated amortisation and impairment carried forward	1,338
<b>407</b>	<b>Balance Sheet at 31 March</b>	<b>451</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 16. Financial Instrument Balances

#### Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are detailed below. The council has categorised its financial instruments in accordance with IFRS 9. Consequently the council now recognises and measures financial assets as either fair value profit and loss, fair value through other comprehensive income or amortised cost. Note 38 provides additional details regarding financial instruments.

Financial Assets	Non-Current		Current	
	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000
<b>Investment</b>				
Fair value through profit or loss	18	18	-	-
Amortised cost	1,000	1,000	9,000	11,000
Fair Value through other comprehensive income	-	-	-	-
<b>Total Investments</b>	<b>1,018</b>	<b>1,018</b>	<b>9,000</b>	<b>11,000</b>
<b>Debtors</b>				
Amortised cost	98	-	1,079	3,782
<b>Total Debtors</b>	<b>98</b>	<b>-</b>	<b>1,079</b>	<b>3,782</b>
<b>Total Financial Instruments</b>	<b>1,116</b>	<b>1,018</b>	<b>10,079</b>	<b>14,782</b>
Non-financial instrument balances	-	-	1,228	8,274
<b>Total</b>	<b>1,116</b>	<b>1,018</b>	<b>11,307</b>	<b>23,056</b>

Financial liabilities	Non-Current		Current	
	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000
<b>Borrowings</b>				
Fair value through profit or loss	-	-	-	-
Amortised cost	5,988	5,488	48	548
<b>Creditors</b>				
Amortised cost	-	-	1,639	7,192
<b>Total financial liabilities</b>	<b>5,988</b>	<b>5,488</b>	<b>1,687</b>	<b>7,740</b>
Non-financial liabilities	-	-	4,118	5,551
<b>Total</b>	<b>5,988</b>	<b>5,488</b>	<b>5,805</b>	<b>13,291</b>

#### Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows: The interest earned from financial assets held at amortised cost during 20/21 was £122k The interest earned from loans held at amortised cost amounted to £9k. The net gain from financial assets measured at fair value through profit or loss during the year was £1.4K.

The interest expense on financial liabilities held at amortised cost during the year amounted to £256k.

#### The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value, as shown in the above table, all other financial assets and liabilities held by the council 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 take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans payable from the Public Works Loan Board (PWLb), premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures, and these are compared to the fair value based on new borrowing rates as calculated by Link Asset Services.

No early repayment or impairment is recognised;

Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 16. Financial Instrument Balances continued.....

The fair value of trade and other payables is taken to be the billed amount, hence the fair value will be the same as the carrying amount.

The fair values calculated using Link Asset Services' method (new borrowing rate) are as follows	31 March 2019		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities held at amortised cost	5,988	8,339	5,988	8,868

The fair values calculated using PWLB's method (premature repayment rate) are as follows	31 March 2019		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities held at amortised cost	5,988	12,160	5,988	10,566

The fair value is higher than the carrying amount because the authority's portfolio of loans are all at fixed rates where the interest rate payable is higher than for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial assets held at amortised cost	10,000	10,000	12,000	12,000

The fair value is the same as the carrying amount because the authority's portfolio of investments consists predominantly of fixed rate loans where the interest rate receivable is similar to the rates available for similar loans at the balance sheet date.

### 17. Short-Term Debtors

The following table shows the amounts owed to the Council for which payments have not been received by 31 March 2021. Payments to Government departments and the HM Customs have been grouped in Central Government Bodies. The other entities and individuals are made up of any debtors or prepayments that do not fall under the other categories. These include Council Tax and Rental debtors, as well as general debtors, joint projects and any accrued income.

There has been a significant increase in the amount of short-term debtors from 2019/20 to 2020/21. The majority of the shift within the Central Government Classification is the Central Share owed in relation to the Collection Fund outturn for 20/21. It is anticipated that these funds will be received in 21/22 and form part of the smoothing of the deficits as a result of the COVID-19 response to Business Rate payments. The increase within the Other LA and Public Bodies class is due to the expenditure on Capital projects where the Council is able to recover the monies from third parties. The debtor arises as there is a timing difference between the expenditure being incurred and the monies being received.

31-Mar-20 £'000		31-Mar-21 £'000
1,250	Central Government Bodies	6,364
491	Other Local Authorities / Public Bodies	3,309
582	Other Entities and Individuals	1,804
<b>2,323</b>		<b>11,476</b>
(325)	Less Provision for Bad Debts	(358)
<b>1,998</b>	<b>Total</b>	<b>11,118</b>

#### 17a. Debtors for Local Taxation

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

31-Mar-20 £'000		31-Mar-21 £'000
212	Less than three months	1,180
580	Three months to one year	390
941	More than one year	15
<b>1,733</b>		<b>1,585</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

Balance at 31-Mar-20 £'000		Balance at 31-Mar-21 £'000
7	Cash held by the Authority	10
4,275	Bank Current Accounts	2,915
0	Short-term Deposits	-
<b>4,282</b>		<b>2,925</b>

### 19. Assets Held For Sale

There are no items fulfilling the criteria of Assets Held for Sale as at 31 March 2021.

### 20. Creditors

The significant movement in the Central Government classification is due to the Outturn of the Collection Fund for 20/21. This has resulted in a payment due to Central Government of £5,056k. However due to the nature of the Collection fund and the anticipation of grant funding from Central Government this figure will be reduced in 21/22 as a consequence of smoothing the measures adopted to lessen the impact of the COVID-19 pandemic on Business rate payers. The Other Entities and Individuals class has also increased significantly and this is as a result of recognising the expenditure relating to capital expenditure in 20/21.

The following analysis identifies the Council's major creditors (payable within 12 months):

31-Mar-20 £'000		31-Mar-21 £'000
2,216	Central Government Bodies	8,124
884	Other Local Authorities / Public Bodies	402
2,657	Other Entities and Individuals	6,030
<b>5,757</b>	<b>Total</b>	<b>14,556</b>

### 21. 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 22.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, and revenue earmarked reserves are set out in detail in note 8. Descriptions of each reserve are shown after the table.

2019/20 £'000		2020/21 £'000	Note
	<b>Usable Reserves</b>		
995	General Fund	995	21.1
6,720	Earmarked Reserves	8,018	21.2
2,472	Capital Receipts Reserve	2,184	21.3
420	Capital Grants Unapplied	2,245	21.4
<b>10,607</b>	<b>Total</b>	<b>13,442</b>	

#### 21.1. 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 £1.0m. 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.

#### 21.2. 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.

#### 21.3. 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.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 21. Usable Reserves continued.....

#### 21.4. 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.

### 22. 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.

Details of each of the reserves, together with movements in the year, are shown below the table.

2019/20 £'000		2020/21 £'000	Note
	<b>Unusable Reserves</b>		
	Revaluation Balances		
12,710	Revaluation Reserve	15,035	22.1
21,667	Capital Adjustment Account	28,168	22.2
(19,989)	Pensions Reserve	(21,393)	22.3
-	Deferred Capital Receipts Reserve	-	22.4
197	Collection Fund Adjustment Account	(3,759)	22.5
(58)	Accumulated Absences Account	(58)	22.6
<b>14,527</b>	<b>Total</b>	<b>17,993</b>	

#### 22.1. 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.

2019/20 £'000		2020/21 £'000
<b>11,246</b>	<b>Balance brought forward at 1 April</b>	<b>12,710</b>
2,600	Upwards revaluation of assets	2,849
(440)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	-
<b>2,160</b>	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	<b>2,849</b>
(696)	Difference between fair value depreciation and historical cost depreciation	(524)
-	Accumulated gains on assets sold or scrapped	-
<b>(696)</b>	Amount written off to the Capital Adjustment Account	<b>(524)</b>
<b>12,710</b>	<b>Balance carried forward at 31 March</b>	<b>15,035</b>



**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**22. Unusable Reserves continued.....**

**22.2. 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

2019/20		2020/21
£'000		£'000
<b>20,558</b>	<b>Balance brought forward at 1 April</b>	<b>21,667</b>
-	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-
(1,322)	Charges for depreciation and impairment of non-current assets	(1,152)
(38)	Amortisation of intangible assets	(55)
(60)	Revaluation losses on Property, Plant and Equipment	386
(1,140)	Revenue Expenditure Funded From Capital Under Statute	(4,439)
(241)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(13)
(2,801)		(5,272)
696	Adjusting amounts written out of the Revaluation Reserve	524
<b>(2,105)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(4,749)</b>
	Capital financing applied in the year:	
359	Use of the Capital Receipts Reserve to finance new capital expenditure	349
1,826	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,949
578	Application of grants to capital financing from the Capital Grants Unapplied Account	265
84	Minimum Revenue Provision - Borrowing	89
368	Capital expenditure charged against the General Fund	537
<b>3,215</b>	<b>Total capital financing applied in the year</b>	<b>11,189</b>
(1)	Movements in the market value of Investment Properties debited or credited to the CIES	60
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>21,667</b>	<b>Balance carried forward at 31 March</b>	<b>28,168</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. Unusable Reserves continued.....

#### 22.3. 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.

2019/20 £'000		2020/21 £'000
<b>(21,553)</b>	<b>Balance brought forward at 1 April</b>	<b>(19,989)</b>
2,439	Remeasurements of the net defined benefit liability / (asset)	(439)
(2,392)	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,370)
940	Employer's pensions contributions and direct payments to pensioners payable in the year	1,405
577	Adjustment for the Pension Deficit Prepayment	
<b>(19,989)</b>	<b>Balance carried forward at 31 March</b>	<b>(21,393)</b>

#### 22.4. 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.

#### 22.5. Collection Fund Adjustment Account

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account.

2019/20 £'000		2020/21 £'000
<b>31</b>	<b>Balance brought forward at 1 April</b>	<b>197</b>
166	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(3,956)
<b>197</b>	<b>Balance carried forward at 31 March</b>	<b>(3,759)</b>

#### 22.6. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2019/20 £'000		2020/21 £'000
<b>(58)</b>	<b>Balance brought forward at 1 April</b>	<b>(58)</b>
<b>(58)</b>	<b>Balance carried forward at 31 March</b>	<b>(58)</b>

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**23. Cash Flow Statement - Operating Activities**

2019/20 £'000		2020/21 £'000
	The cash flows for operating activities include the following items:	
(186)	Interest Received	(132)
256	Interest Paid	256
70		124

2019/20 £'000		2020/21 £'000
<b>368</b>	Net Surplus / (deficit) on the provision of services	<b>3,891</b>
	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	
1,420	Depreciation, impairment and downward valuations	1,207
103	(Increase) / decrease in long term debtors	98
659	Increase / (decrease) in creditors	8,799
(457)	(Increase) / decrease in debtors	(9,121)
67	Increase / (decrease) in provisions	0
5	(Increase) / decrease in inventories	(16)
1,452	Movement in pension liability	965
241	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(13)
1	Changes in the value of Investment Properties	(60)
-	Other non-cash items charged to the net surplus or deficit on the provision of services	(270)
<b>3,491</b>		<b>1,591</b>
	The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:	
(759)	Proceeds from the sale of property, plant and equipment, investment property and intangibles	(61)
<b>3,100</b>	<b>Net Cash Flows From Operating Activities</b>	<b>5,420</b>

**24. Cash Flow Statement - Investing Activities**

2019/20 £'000		2020/21 £'000
(2,483)	Purchase of property, plant and equipment, investment property and intangible assets	(4,748)
759	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	61
-	Proceeds from short-term and long-term investments	-
<b>(1,724)</b>	<b>Net Cash Flows From Investing Activities</b>	<b>(4,687)</b>

**25. Cash Flow Statement - Financing Activities**

2019/20 £'000		2020/21 £'000
-	Cash receipts of short-term and long-term borrowing	
-	Repayments of short-term and long-term borrowing	-
2,000	Other payments for financing activities	(2,090)
<b>2,000</b>	<b>Net Cash Flows From Financing Activities</b>	<b>(2,090)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
885	309	1,193	<b>Enterprising Craven</b>	802	155	957
2,697	505	3,202	<b>Financial Sustainability</b>	3,059	271	3,330
1,832	2,084	3,916	<b>Resilient Communities</b>	3,007	1,302	4,309
<b>5,414</b>	<b>2,898</b>	<b>8,311</b>	<b>Net Cost of Services</b>	<b>6,868</b>	<b>1,727</b>	<b>8,595</b>
<b>(5,491)</b>	<b>(3,187)</b>	<b>(8,678)</b>	<b>Other Income and Expenditure</b>	<b>(8,166)</b>	<b>(4,320)</b>	<b>(12,486)</b>
<b>(77)</b>	<b>(289)</b>	<b>(367)</b>	<b>Surplus or Deficit</b>	<b>(1,297)</b>	<b>(2,593)</b>	<b>(3,891)</b>
<b>7,637</b>			<b>Opening General Fund Balance 31 March (including Earmarked Reserves)</b>	<b>7,714</b>		
<b>(77)</b>			<b>Plus Surplus/Less Deficit on General Fund Balance in Year</b>	<b>(1,297)</b>		
<b>7,714</b>			<b>Closing General Fund Balance 31 March (including Earmarked Reserves)</b>	<b>9,012</b>		

#### **Note 26a to the EFA 20 21 - adjustments between funding and accounting basis**

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustments (Note 2) £'000	Other (Note 3) £'000	Total Adjustments £'000
Enterprising Craven	66	88	-	155
Financial Sustainability	128	142	-	271
Resilient Communities	1,013	289	-	1,302
<b>Net Cost of Services</b>	<b>1,207</b>	<b>520</b>	<b>-</b>	<b>1,727</b>
Other Income & Expenditure from the Funding	(8,721)	445	3,956	(4,320)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income &amp; Expenditure</b>	<b>(7,514)</b>	<b>965</b>	<b>3,956</b>	<b>(2,593)</b>

Other (Note 3) Analysis:

£ '000

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

15

Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements

3,941

3,956

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. Expenditure and Funding Analysis continued.....

#### Note 26a to the EFA 19 20 - adjustments between funding and accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustments (Note 2) £'000	Other (Note 3) £'000	Total Adjustments £'000
Enterprising Craven	47	262	-	309
Financial Sustainability	84	421	-	505
Resilient Communities	1,229	855	-	2,084
<b>Net Cost of Services</b>	<b>1,360</b>	<b>1,537</b>	<b>-</b>	<b>2,897</b>
Other Income & Expenditure from the Funding	(2,359)	(662)	(165)	(3,187)
<b>Difference between General Fund Surplus or</b>	<b>(999)</b>	<b>875</b>	<b>(165)</b>	<b>(289)</b>

Other (Note 3) Analysis:

£ '000

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

57

Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements

(222)

(165)

#### **1. Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### **2. Net Change for Pensions Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 Employee

☐ For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

☐ For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

#### **3. Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

☐ For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

☐

• The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or deficits on the Collection Fund.

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**26. Expenditure and Funding Analysis continued.....**

**Note 26b to the EFA 20 21 - Segmental Income & Expenditure**

	Enterprising Craven £'000	Financial Sustainability £'000	Resilient Communities £'000	Other Income & Expenditure from the Funding Analysis £'000	Total £'000
Revenues from External Customers	(1,148)	(283)	(17,260)	-	(18,692)
Revenues from transactions with other operating segments of the authority	-	-	(324)	-	(324)
Interest Revenue	-	-	-	(132)	(132)
Interest Expense	-	-	-	256	256
Depreciation & Amortisation	66	128	1,013	-	1,207
	(1,082)	(155)	(16,572)	124	(17,685)

**Note 26b to the EFA 19 20 - Segmental Income & Expenditure**

	Enterprising Craven £'000	Financial Sustainability £'000	Resilient Communities £'000	& Expenditure from the Funding Analysis £'000	Total £'000
Revenues from External Customers	(1,188)	(272)	(14,977)	-	(16,437)
Revenues from transactions with other operating segments of the authority	(7)	-	(587)	-	(594)
Interest Revenue	-	-	-	(186)	(186)
Interest Expense	-	-	-	256	256
Depreciation & Amortisation	47	84	1,229	-	1,360
	(1,148)	(188)	(14,335)	70	(15,601)

**Note 26c Segmental Income: Income received on a segmental basis**

	2019/20 Income from Services £ '000	2020/21 Income from Services £ '000
Enterprising Craven	(1,193)	(1,151)
Financial Sustainability	(272)	(314)
Resilient Communities	(15,564)	(17,859)
<b>Total Income Analysed on a Segmental Basis</b>	<b>(17,029)</b>	<b>(19,324)</b>

**27. Expenditure and Income Analysed by Nature**

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

	2019/20 £ '000	2020/21 £ '000
<b>Expenditure</b>		
Employee benefits expenses	9,817	9,590
Other services expenses	13,500	13,063
Support service recharges	-	-
Depreciation, amortisation, impairment	1,420	821
Interest payments	748	701
Precepts and levies	1,405	1,439
Payments to Housing Capital Receipts Pool	-	-
Gain on the disposal of assets	(518)	(61)
<b>Total Expenditure</b>	<b>26,372</b>	<b>25,553</b>
<b>Income</b>		
Fees, charges and other service income	(8,565)	(7,622)
Interest and investment income	(186)	(132)
Income from council tax, nondomestic rates, district rate income	(6,678)	(4,396)
Government grants and contributions	(11,310)	(17,295)
<b>Total income</b>	<b>(26,739)</b>	<b>(29,444)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(367)</b>	<b>(3,891)</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. Members Allowances

The Accounting Code of Practice requires disclosure of the total sum paid in the year under the Members Allowances Scheme. The total amount paid to Members (Basic Allowance, Special Responsibility Allowance and travel/subsistence payments) in 2020/21 is £173,795 (compared to £173,620 in 2019/20). The table analyses these payments.

2019/20 £'000		2020/21 £'000
170	Allowances	173
4	Expenses	-
<b>174</b>	<b>Total</b>	<b>173</b>

### 29. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

Post Title	Salary (including fees & allowance)	Returning Officer Fees	Bonuses	Benefits in Kind (car allowance)	Total Remuneration excluding pension contributions	Pension Contribution	Total Remuneration including pension contributions
	£		£		£	£	£
<b>2020/21</b>							
Chief Executive	105,669	-	5,000		110,669	28,220	138,889
Director of Services	83,423				83,423	21,273	104,696
Chief Finance Officer (Section 151 Officer)	52,552				52,552	14,522	67,074
Solicitor to the Council (Monitoring Officer)	61,452				61,452	15,670	77,122
Strategic Manager - Planning and Regeneration	58,952				58,952	15,033	73,985
<b>2019/20</b>							
Chief Executive	104,832	6,157	4,250	-	115,239	18,955	134,194
Director of Services	81,190	-	-	-	81,190	14,370	95,560
Chief Finance Officer (Section 151 Officer) Entering July 19	35,701	-	-	-	35,701	6,319	42,020
Chief Finance Officer (Section 151 Officer) Exiting June 19	15,213				15,213	2,693	17,906
Solicitor to the Council (Monitoring Officer)	59,874	-	-	-	59,874	10,598	70,472
Strategic Manager - Planning and Regeneration	57,375	-	-	-	57,375	10,155	67,530

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**29. continued .....**

The authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2019/20 Total	Remuneration Band			2020/21 Total
	£		£	
1	50,000	to	54,999	1
0	55,000	to	59,999	0
0	60,000	to	64,999	0
0	65,000	to	69,999	0
0	70,000	to	74,999	0
0	75,000	to	79,999	0
0	80,000	to	84,999	0

**Termination Benefits**

One exit package was approved in 2020/21 at a cost of £13,982

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		
		2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £	2020/21 £	
£	£									
0	-	20,000	2		2	1	4	1	42,304	13,982
20,001	-	40,000	-	-	-	-	-	-	-	-
40,001	-	60,000	-	-	-	-	-	-	-	-
60,001	-	80,000	-	-	-	-	-	-	-	-
80,001	-	100,000	-	-	-	-	-	-	-	-
Total			2	-	2	1	4	1	42,304	13,982



**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**30. External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors, Mazars:

2019/20 £'000		2020/21 £'000
35	Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year.	47
13	Fee variation relating to previous years audit	
-	Fees payable to Mazars with regards to V.A.T advice	-
9	Fees payable to Mazars for the certification of grant claims and returns for the year	10
<b>57</b>	<b>Total</b>	<b>57</b>

**31. Grant Income**

An analysis of Government and Other Grants Included in the CIES for 2020/21 is shown below:

2019/20 £'000		2020/21 £'000
	<b><u>Credited to Taxation and Non-specific Grant Income</u></b>	
-	Revenue Support Grant	-
	Non-Service Related Government Grants	
517	New Homes Bonus	564
1,918	NNDR - Small Business Rate Relief, Retail Relief and Other S. 31 Grants	3,407
-	Transitional Grants	100
-	Transparency code set up	8
280	Rural Services Support Grant	-
<b>2,715</b>	<b>Total Revenue Grants</b>	<b>4,080</b>
686	Capital Grants	5,511
	<b><u>Credited to Services</u></b>	
	Other Government Grants:-	
	SFC Compensation Grant	1,875
	Local Authority Covid Support grant	258
6,794	DWP Grant for HB	6,335
557	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	682
35	Homes England grants	-
89	Housing Benefits Admin & Other Benefit Reforms Grants	90
118	NNDR Collection	118
42	Local Council Tax Support Admin Subsidy	42
45	New Burdens	90
53	Weight management grant	40
204	Homelessness (Prevention/rough sleeping)	52
-	Environmental Health-Enforcement & Compliance	21
-	Flood Alleviation Grant	7
7	Information & Technology grant	3
	Reopening High Street Fund	36
	Community Led Funding	10
35	Brexit Preparation Grant	
63	Aireville Park Grants	
17	Custom build & Brownfield Sites Grant	
20	Neighbourhood Planning Grant	
6	Individual Electoral Registration	-
9	LADS (Data Sharing)	
	<b><u>Non-government Grants:</u></b>	
7	Arts Council Funding	68
	Nation Lottery Funding-Rural Culture: Creating a Hub for Craven	28
607	HLF-Great Places Lakes and Dales	36
285	HLF-Museum	-
-	Historic England	18
<b>12,394</b>	<b>Total</b>	<b>19,400</b>

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 31. Grant Income continued....

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them at the balance sheet date that will require 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 that have been received from the Government such as Disabled Facilities Grants, 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. The balances at the year-end which are included as part of creditors are as follows:

	Long-Term		Current	
	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000
<b>Grants Receipts in Advance (Capital Grants)</b>				
Disabled Facilities Grant	-	-	547	789
Section 106, Planning Gain	-	-	56	74
Heritage Lotter Fund Grant			203	56
<b>Total</b>	<b>-</b>	<b>-</b>	<b>806</b>	<b>919</b>

	Long-Term		Current	
	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000
<b>Grants Receipts in Advance (Revenue Grants)</b>				
Local Services Grant	-	-	104	963
<b>Total</b>	<b>-</b>	<b>-</b>	<b>104</b>	<b>963</b>

### 32. 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. In this context related parties include:

- Central Government
- Members
- Officers
- Other Public Bodies
- Entities controlled or significantly influenced by 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. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2021 are shown in Note 31.

#### Members

Members of the Council have direct control over the Council's financial and operating policies, and annually are asked to declare any third party interests (e.g. directorships, chairpersonships, etc.).

During 2020/21, there were services provided by the Council, to organisations of which Members had a declared interest. The agreements are in place with no bias, and no discounts or benefits were afforded to these organisations. The material transactions are included below.

#### Officers

During the year 2020/21 one Officer declared an interest of acting as a director of Skipton Business Improvement District as a representative of Craven District Council. One officer is a director of Craven Barnfield Regeneration Ltd, one officer is a Director for the Northern Housing Consortium Ltd, one officer is an Estate Trustee for Tarn Moor Trust. Another officer has had a family member work as a private contractor for CDC and another officer's family members have received Covid Grants for their own business.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. Related Party Transactions continued.....

#### Other Public Bodies

The Council collects Council Tax to fund its own revenue requirements and to distribute to other precepting authorities. These being North Yorkshire County Council, The Police & Crime Commissioner for North Yorkshire, North Yorkshire Fire and Rescue Service and various Town & Parish Councils. For further details see Collection Fund Note 5.

Craven District Council Councillors who were also North Yorkshire County Councillors are as follows; Cllr Barret, Cllr Heseltine, Cllr Ireton, Cllr Mulligan and Cllr Solloway. In the year Craven District Council received of £1.255m in income and had £442k of expenditure relating to North Yorkshire County Council.

Cllr Heseltine, Cllr Jacquin, Cllr Madeley, and Cllr Solloway are all members of Skipton Town Council. Transactions relating to Skipton Town Council were £25k in income and expenditure of £521k of which £519k related to parish precept payments.

Cllr Brown is a Governor at Craven College from which we received income of £6k and had expenditure of £5k. Craven Council gave the College a loan £400k in 2017/18, of which £97k remains outstanding. Cllr Brown is also a member of the Friends of the Dales who received £20k in Covid grants.

Cllr Lis is a director of the Yorkshire Millennium Trust and National Parks UK Ltd. Cllrs Foster & Cllr Heseltine both also have an interest in YDNPA. Transactions relating to the YDNPA were £7k in income and £71k in expenditure. The expenditure includes £20k worth of Covid grants. There was also expenditure of £10.05k to the Yorkshire Millennium Trust of which £10k

Cllr Foster is a member of the Yorkshire & Humber Local Authorities Employers Association with which the Council had expenditure of £1k, and also a member of the District Councils Network with which the council incurred expenditure of £0.7k.

Cllr Brown, Cllr Wheeler, Cllr Morrell, Cllr Shuttleworth and Cllr Sutcliffe are all board members of Airedale Drainage Board with which Craven Council had expenditure of £12k.

Cllr Heseltine, Cllr Jacquin and Cllr Lis all sit on the committee for Yorkshire Housing Group Ltd from which we received income of £18k and had £3k of expenditure.

Cllr Hull has an interest in Settle Carlisle Railway Development company which has received £19k in Covid grants

Cllr Rose is a Trustee for Broughton road Community centre, of which they received £22k in Covid grants.

Each councillor had a ward member district grant allowing them to give up to £1,000 to support a community project within their ward. A total of £39,953. was given out as ward grant, the details of which can be found on the council's website.

Cllr Myers and Cllr Foster are associated with the West Yorkshire Combined Authority - to which £7k was paid out.

Cllr Myers has an interest in Welcome to Yorkshire of which the Council had expenditure of £30k. There was also expenditure of £23k to R N Myres and Son Ltd of which Cllr Myers is a director.

Cllr Mulligan is a director for Community First Yorkshire Ltd of which the council had £0.3k worth of expenditure.

Details of all the members interests can be found on the councils website or on the Register of Members' Interest, open for public inspection at the Council offices.

The Council does not administer any pension fund.

In partnership with Barnfield Investment Properties Ltd, the Council during 2017/18 has established a joint venture company to be known as Craven Barnfield Regeneration Partnership Ltd. This partnership continued in 2020/21, the details of this are given in note 40.

The table below summarise those material transactions which were a cost to the Council during the year. The table also shows the balances owed to/(from) these parties at the year end.

2019/20 Transactions £'000	2019/20 Balance Owed £'000		2020/21 Transactions £'000	2020/21 Balance Owed £'000
1,405	-	Parish Precepts	1,438	-
940	-	North Yorkshire Pension Fund (Employer Contributions)	1,405	-
<b>2,345</b>	-	<b>Total Payments</b>	<b>2,843</b>	-

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 33. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table following, 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.

2019/20 £'000		2020/21 £'000	2020/21 £'000
<b>6,462</b>	<b>Opening Capital Financing Requirement</b>		<b>6,865</b>
	<b>Capital investment</b>		
2,396	Property Plant & Equipment	4,650	
87	Intangible assets	98	
1,140	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - non CDC Assets, grants & repair assistance loans	4,439	
<b>3,622</b>	<b>Total Capital Investment</b>		<b>9,187</b>
	<b>Sources of finance</b>		
(359)	Capital receipts		(349)
(2,404)	Government grants and other contributions		(6,246)
(368)	Sums Set Aside from Revenue		(537)
(88)	MRP / Loans Fund Principal		(89)
<b>6,865</b>	<b>Closing Capital Financing Requirement</b>		<b>8,831</b>
	<b>Explanation of movements in year</b>		
491	Increase in underlying need to borrow (unsupported by government financial assistance)		2,055
(88)	MRP / Loans Fund Principal		(89)
<b>403</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>		<b>1,966</b>

### 34. Leases

#### Authority as a Lessee

##### Finance Leases

The Council's offices at Belle Vue square are held on a 999 year finance lease which was fully paid in 2011/12. The value is included within land and buildings note 12. Craven District Council has no other finance leases for which it is a lessee.

##### Operating Leases

Craven District Council leases land in Bentham with which it provides car parking facilities. The annual rent is £1,416 and no parking income is derived. The expenditure was charged to the Comprehensive Income & Expenditure Statement in 2019/20.

#### Authority as a Lessor

##### Finance Leases

Craven District Council has no finance leases for which it acts as a lessor.

##### Operating Leases

The Council acts as a lessor for a number of properties including industrial units, shops, offices and dwellings. The income received from these tenants during the year was £173k (£200k in 2019/20).

Minimum, undiscounted lease payments that are non-cancellable to be received on an annual basis for the next 5 years, and a total of amounts beyond 5 years, are:

Within one year £'000	Between two and five years £'000	Greater than five years £'000
207	682	7,339

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

### 35. Impairment Losses

During 2020/21 the Council has recognised no impairment losses charged to the Surplus/Deficit of the Provision of Services, as was the case during 2019/20.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

The Council participates in the Local Government Pension Scheme, administered by North Yorkshire County Council and called the North Yorkshire Pension Fund.

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned are set out in The Local Government Pension Scheme Regulations 2013 and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

Unfunded pension arrangements relate to termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme, under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations. These liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

#### Funding and Governance Arrangements

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2012 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2019 and the contributions to be paid until 31 March 2024 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

The Fund Administering Authority, North Yorkshire County Council, is responsible for the governance of the Fund. Policy is determined in accordance with the Pensions Fund Regulations.

#### Principal Risks to the Authority of the Scheme

The principal risks to the authority 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 the amounts required by statute as described in the accounting policies note.

#### Transactions Relating to Retirement Benefits

The Council makes contributions towards the cost of post employment benefits, as part of the terms and conditions of employment of its officers. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

2019/20 £'000	North Yorkshire Pension Fund	2020/21 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<i>Net Cost of Services:</i>	
1,884	current service cost	1,894
16	past service costs	31
	<i>Financing and Investment Income and Expenditure:</i>	
492	net interest on the net defined benefit liability (asset)	445
<b>2,392</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,370</b>
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
1,330	Remeasurements (experience (gain)/loss on liabilities)	(904)
(1,340)	Remeasurements (experience (gain)/loss on financial assumptions)	14,085
(2,628)	Remeasurements (experience (gain)/loss on demographic assumptions)	-
199	Remeasurements (experience gain on assets)	(12,742)
<b>(47)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,809</b>
	<b>Movement in Reserves Statement</b>	
2,392	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	2,370
(940)	<b>Actual Amount charged against the General Fund Balance for pensions in the year:</b> employers' contributions payable to the scheme	(1,405)

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. Defined Benefit Pension Schemes continued.....

#### Transactions Relating to Retirement Benefits continued.....

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 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:

#### Assets and Liabilities in Relation to Post-employment Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded		Unfunded	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
<b>1 April b/fwd.</b>	<b>73,991</b>	<b>72,910</b>	<b>226</b>	<b>209</b>
Current Service Cost	1,884	1,894	-	-
Interest on Pension Liabilities	1,751	1,655	5	5
Member contributions	334	345	-	-
Past Service Cost/(gain)	16	31	-	-
Remeasurements (experience (gain)/loss on liabilities)	1,331	(856)	(1)	(48)
Remeasurements (experience (gain)/loss on financial assumptions)	(1,334)	14,074	(6)	11
Remeasurements (experience (gain)/loss on demographic assumptions)	(2,626)	-	(2)	-
Curtailments	-	-	-	-
Benefits Paid	(2,437)	(2,344)	(13)	(14)
<b>31 March c/fwd</b>	<b>72,910</b>	<b>87,709</b>	<b>209</b>	<b>163</b>

Reconciliation of fair value of the scheme assets:

	Funded		Unfunded	
	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000
<b>1 April b/fwd</b>	<b>53,241</b>	<b>53,130</b>	<b>-</b>	<b>-</b>
Interest on plan assets	1,264	1,215	-	-
Remeasurements (assets)	(199)	12,742	-	-
Administration expenses	-	-	-	-
Employer Contributions	927	1,391	13	14
Member Contributions	334	345	-	-
Benefits/transfers paid	(2,437)	(2,344)	(13)	(14)
<b>31 March c/fwd</b>	<b>53,130</b>	<b>66,479</b>	<b>-</b>	<b>-</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experience in the respective markets. The actual return on scheme assets in the year was £13,957k (2019/20 £1,065k).

#### Scheme History

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Present Value of Liabilities	(69,683)	(71,302)	(74,217)	(73,119)	(87,872)
Fair Value of Assets	45,818	50,158	53,241	53,130	66,479
<b>Surplus / (Deficit) in the Scheme</b>	<b>(23,865)</b>	<b>(21,144)</b>	<b>(20,976)</b>	<b>(19,989)</b>	<b>(21,393)</b>

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment (retirement) benefits. The total liability of £21m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 36. Retirement Benefits continued .....

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. For example, the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2021/22 is £1.244m (2020/21 £1.352m).

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The assessment of the North Yorkshire Pension Fund liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2019.

The main assumptions used in their calculations have been:

	2019/20	2020/21
Rate of CPI inflation	2.0%	2.7%
Rate of increase in salaries	3.25%	3.95%
Rate of increase in pensions	2.0%	2.7%
Discount Rate	2.3%	2.1%
Longevity at 65 for current pensioners (in years):		
Men	21.8	21.9
Women	23.9	24.0
Longevity at 65 for future pensioners (in years):		
Men	23.5	23.6
Women	25.7	25.8

	31-Mar-20		31-Mar-21	
	£'000	%	£'000	%
<b>Split of Assets between Investment Categories:</b>				
Equities (Quoted)	31,081	58.5%	38,425	57.8%
Government Bonds (Quoted)	10,149	19.1%	10,771	16.2%
Corporate Bonds (Quoted)	-	0.0%	1,396	2.1%
Property (Quoted)	3,878	7.3%	4,055	6.1%
Cash (Quoted)	2,178	4.1%	2,194	3.3%
Other (Quoted)	2,178	4.1%	5,385	8.1%
Other (Unquoted)	3,666	6.9%	4,255	6.4%
<b>Total</b>	<b>53,130</b>	<b>100.00%</b>	<b>66,479</b>	<b>100.00%</b>

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.

<b>Impact on the Defined Benefit Obligation in the scheme</b>	
<b>Increase in assumption</b>	
<b>£'000</b>	
Longevity increase of 1 year	3,158
Rate of inflation increase by 0.1%	1,491
Rate of increase in salaries increase 0.1%	175
Rate for discounting scheme liabilities increase by 0.1%	(1,666)

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

### **36. Retirement Benefits continued .....**

#### **Asset and Liability Matching 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 (58% of scheme assets), with investments also in bonds (18% of scheme assets), property (6% of scheme assets) and other 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.

#### **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 2022.

The council anticipates to pay £1.244m expected contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for the scheme members is 19.2 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.

### **37. Contingent Liabilities**

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2021.

#### **Non Domestic Rates**

The Council has made a provision for NDR appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

#### **Planning Appeals**

The Council is currently involved in planning application appeal. The appeal is based on a planning decision in the 2019/20 financial year. It is not possible to accurately quantify the financial liability arising.



## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. 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.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Council's treasury team operates under the treasury management policy, annual treasury management strategy and investment strategy approved by the Council.

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the councils' Annual Investment Strategy.

The Council manages its credit risk by not investing in any counterparty that does not meet its identified minimum credit criteria, spreading the investment portfolio as widely as possible, maximum investment limits per counterparty, time limits for investments and investing with credit-rated counterparties or those with sufficient asset-backed capital.

Regarding the credit criteria the council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However it does not rely solely on the current credit ratings of counterparties as it also uses credit watches and credit outlooks from credit rating agencies, Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £2.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum would 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 the 31 March 2021 that this was likely to crystallise.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits, but deposit protection arrangements would limit losses should any arise.

The Council generally only allows credit for customers when there are standing order or direct debit payment arrangements in place, and deals with the credit risk associated with them by making bad debts provisions within the accounts. Details of the provisions are covered in a separate note.

Collateral – during the reporting period the Council held collateral as security in the form of a legal charge placed against the property of a long-term debtor.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions and the age of the debts.

	Amount at 31 Mar 2021  £'000 (A)	Historical experience of default  % (B)	Historical experience adjusted for market conditions at 31 Mar 2021  % (C)	Estimated maximum exposure to default and uncollect- ability 31 Mar 2021 £'000 (A x C)	Estimated maximum exposure default and uncollect- ability 31 Mar 2020 £'000
Deposits with banks and financial institutions	12,100	0.01	0.01	1	3
Customers:					
- Government & Local Authorities	4,496	0	0	0	0
- Other	338	0.6	0.6	2	2
				3	5

**EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**

**38. Nature and Extent of Risks Arising From Financial Instruments continued.....**

No credit limits were exceeded during the reporting period by banks and financial institutions and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The amount owed by customers past its due date for payment can be analysed by age as follows:

At 31-Mar-20 £'000		At 31-Mar-21 £'000
166	Up to 1 month	193
29	1-2 months	31
4	2-3 months	8
16	3-6 months	22
49	over 6 months	84
264		338

**Liquidity Risk**

The Council manages its liquidity position through the setting and approval of prudential indicators and the approval of treasury and investment strategy reports. Alongside this it also has comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowing from either the Public Works Loans Board or the money market. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Treasury Management Strategy approved by the Council each year allows flexibility for the treasury team to ensure that resources are available to fund commitments. The risk that the Council is facing, all be it some way off, is that £4.3m of its debt becomes due for repayment in 2057 and potentially will need to be replaced.

The maturity analysis of financial liabilities is as follows:

At 31-Mar-20 £'000		At 31-Mar-21 £'000
500	Less than one year	500
500	Between one and two years	-
4,988	Between two and five years	500
	More than five years	4,988
5,988		5,988

All trade and other payables are due to be paid in less than one year.

**Market Risk**

**Interest Rate Risk**

The Council 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 financial penalty which would be incurred should the debt be repaid 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 continuing to be low, generating investment income remains particularly challenging, and a mix of short term and longer term deposits have been made to enable any increases in interest rates to be maximised.

During times of falling interest rates the Council will look to invest ahead of the falls and for longer periods. However, if borrowing is required then this will either be delayed or kept short. If there is potential for rates to rise then investments are kept short so that advantage can be taken of increased rates.

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

### 38. Nature and Extent of Risks Arising From Financial Instruments continued.....

#### Interest Rate Risk continued.....

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

At 31-Mar-19 £'000		At 31-Mar-20 £'000
-	Increase in interest payable on variable rate borrowings	-
131	Increase in interest receivable on variable rate investments	131
-	Increase in government grant receivable for financing costs	-
131	Impact on Surplus of Deficit on the Provision of Services	131
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on Other Comprehensive Income & Expenditure	-
(1,286)	Increase/(Decrease) in fair value of fixed rate borrowings (no impact on Consolidated Income and Expenditure Statement)	(1,386)

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 most common financial instruments where capital is at risk are equities and gilts.

The Council does not invest in the equity share market.

The in-house treasury team do not purchase Gilts (Government backed securities) as this is a specialist market.

#### 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

### 39. Provisions

2019/20 £'000	<b>Business Rates</b>	Business Rates £'000	Other £'000	2020/21 TOTAL £'000
<b>316</b>	<b>Balance brought forward at 1 April</b>	364	19	<b>383</b>
<b>67</b>	Increase/(decrease) in provision in year		-	-
<b>383</b>	<b>Balance carried forward at 31 March</b>	<b>364</b>	<b>19</b>	<b>383</b>

#### **Business Rates**

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2014.

Craven District Council, as the business rates billing authority, acts as an agent on behalf central government, North Yorkshire County Council, North Yorkshire Fire & Rescue Service and themselves and are required to make a provision for any refunds that may become payable to ratepayers following successful appeals against the rateable value of their properties on the ratings list.

The Council retains a 40% share of net business rates income under the new localised scheme. The amount shown in the Council's Balance Sheet reflects the Council's proportion of the appeals provision as at 31 March 2021.

#### **Local Land Charges**

Craven District Council has previously been a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. Another group of Property Search Companies may also seek to claim refunds although no proceedings have yet been issued. This group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. This balance of the provision is £19,000. The situation will be kept under review.

#### **COVID-19 Impact**

When considering changes to the provisions required across all Council debts the impact of COVID-19 on the ability for that debtor be settled has been considered. For Business rates the opinion of the rating officers was sought. As many of the properties who, would have been adversely impacted upon, have been granted reliefs or given additional Government support it is anticipated that levels of NDR debt will not rise significantly as a consequence. For the Council's sundry debts the percentage of each type of debt has been considered and in fact increased for each individual type of sundry debt. It is understood that the impact of the pandemic on the Counties and Districts economy will adversely impact people's ability to settle debts when they fall due.

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

### **40. Joint Venture Arrangements**

In partnership with Barnfield Investment Properties Ltd, the Council during 2017/18 established a joint venture company to be known as Craven Barnfield Regeneration Partnership Ltd. Whilst it is considered to be a jointly controlled entity it is not regarded in the financial year ended 31 March 2021 as so financially material to the Council to require the preparation of Group Accounts. This position is subject to an annual review in response to any changes in the scale of activity of the Council and Craven Barnfield Regeneration Partnership Ltd.

#### **Craven Barnfield Regeneration Partnership Ltd (Company No. 10855480)**

Craven Barnfield Regeneration Partnership (CBRP) was incorporated in July 2017. The overriding aim of the Joint Venture is to improve the economic, social and environmental well-being of Craven District. This aim will be achieved by:-

- 
- ◆ enabling the development of new employment land
  - ◆ increasing investment and financial leverage for development
  - ◆ maximising returns and creating a revolving fund for future schemes
  - ◆ increasing the speed of project development and delivery
  - ◆ leveraging in private and public sector funding

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The Council holds 3000 shares, Barnfield 7000. It requires Barnfield for each project to transfer an amount of cash into a joint venture account equivalent to the land value x 2.33 and the Council to commit the land, (an investment ratio of 30:70).

The Board consists of six personnel, three representatives nominated each by the Council and Barnfield. The Council's representation was two elected members and an officer.

# **SECTION 5**

## **SUPPLEMENTARY FINANCIAL STATEMENT**

### **Collection Fund and Notes**

**THE COLLECTION FUND**

The Council is required by the Local Government Finance Act 1988 to maintain a Collection Fund to account for the income from Council Tax, Non-Domestic (Business) Rates and any residual Community Charges. This income finances the net expenditure requirements (demands) of the authorities within the Craven area, including the District Council itself, North Yorkshire County Council (NYCC), North Yorkshire Police and Crime Commissioner (NYPCC), North Yorkshire Fire and Rescue Service (NYFRS) and the Parish Councils.

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

2019/20		NDR	2020/21	Total	
£'000		£'000	Council Tax £'000	£'000	Notes
	<b>Income</b>				
42,637	Council Tax		44,072	44,072	
18,644	Non Domestic Ratepayers	8,585		8,585	4
(286)	Transitional Protection Payments	(116)		(116)	
<b>60,995</b>	<b>Total Income</b>	<b>8,469</b>	<b>44,072</b>	<b>52,541</b>	
	<b>Expenditure</b>				
42,186	Demands on Collection Fund		43,939	43,939	5
750	Payments of previous surplus	-	200	200	
(257)	Receipt of previous deficit	35	-	35	
	Business Rates:				
4,499	- Payment to Government	9,252	-	9,252	4
3,869	- Payment to NYCC	1,665	-	1,665	4
180	- Payment to NYFRS	185	-	185	4
9,447	- Payment to Craven DC	7,402	-	7,402	4
	- Costs of Collection Allowance (to CDC)				
118			-	-	
-	- Interest on Overpayments	-	-	-	
141	Bad and Doubtful Debts - Write Offs	6	58	63	5
60	Contribution to Provision for bad and Doubtful Debts	110	(13)	96	5
(51)	Appeals - Write Offs	(332)	-	(332)	5
-	Contribution to Provision for Appeals	-	-	-	5
<b>60,942</b>	<b>Total Expenditure</b>	<b>18,323</b>	<b>44,184</b>	<b>62,507</b>	
<b>(53)</b>	<b>(Surplus) / Deficit for the year</b>	<b>9,854</b>	<b>112</b>	<b>9,966</b>	
	<b>COLLECTION FUND BALANCE</b>				
<b>(719)</b>	<b>Balance Brought Forward</b>	(278)	(494)	(772)	6
(53)	(Surplus) / Deficit for the year	9,854	112	9,966	6
<b>(772)</b>	<b>Balance Carried Forward</b>	<b>9,576</b>	<b>(382)</b>	<b>9,194</b>	6

**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 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.

**2. Council Tax**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands at estimated 1 April 1991 values. Individual charges are calculated by estimating the amount of income required to fund the demands on the collection fund for the forthcoming year and dividing this by the Council Tax base. The numbers of properties making up the tax base are shown in the table below. A number of adjustments are then made to reflect discounts, reliefs and exemptions that apply to properties in each band. The numbers of properties after the above adjustments are then converted into the Band D equivalent using the proportions shown in the table.

Band	Council Tax Setting				Band D equivalent dwellings
	Total No Of Dwellings	Discounts Exemptions Allowances	Revised No. of Dwellings	Ratio	
-A	10	(2)	9	5/9	7.75
A	4,171	(565)	3,607	6/9	3,604.75
B	6,131	(589)	5,542	7/9	5,539.75
C	5,944	(461)	5,484	8/9	5,490.50
D	4,289	(273)	4,016	9/9	3,977.50
E	3,231	(173)	3,058	11/9	3,035.50
F	2,007	(85)	1,922	13/9	1,896.50
G	1,281	(52)	1,229	15/9	1,223.00
H	95	(4)	92	18/9	89.25
<b>Total</b>	<b>27,159</b>	<b>(2,202)</b>	<b>24,957</b>		<b>24,864.50</b>
Net effect of premiums and discounts					(2,247.50)
<b>COUNCIL TAX BASE (Band D Equivalent)</b>					<b>22,617.00</b>

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

The total council tax income in the year, including the income from benefits, is equivalent to the average Band D charge for the year multiplied by the year-end tax base.

**3. Council Tax Income**

The average Band D Council Tax for a property (£1,879.14 in 2020/21) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Tax base shown above. The Council Tax for dwellings in other Valuation Bands is the appropriate Proportion of the Band D tax.

The basic amount for a band D property in 2020/21 of £1,879.14 is broken down as follows:

2019/20 £		2020/21 £
172.21	Craven District Council	177.21
1,311.16	North Yorkshire County Council	1,363.47
255.77	Police and Crime Commissioner North Yorkshire	265.77
71.27	North Yorkshire Fire & Rescue Authority	72.69
<b>1,810.41</b>		<b>1,879.14</b>

**4. Income from Business Ratepayers**

NNDR is organised on a national basis. The Government specifies an amount for businesses with a rateable value below £51,000 of 49.9p in 2020/21, (49.1p in 2019/20) and 51.2p in 2020/21 (50.4p 2019/20) for businesses with a rateable value above £51,000, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The total non-domestic rateable value at 31st March 2021 was £50.882m (31st March 2020 £50.821m).



## NOTES TO THE COLLECTION FUND

### 4. Income from Business Ratepayers continued.....

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

Since 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Craven the local share is 40%. The remainder is distributed to preceptors and in the case of Craven these are Central Government (50%), North Yorkshire County Council (9%) and 1% to the North Yorkshire Fire & Rescue Authority.

The business rates shares payable for 2020/21 were estimated before the start of the financial year as £9.252m to Central Government, £1.665m to NYCC, £185k to NYFRS and £7.402m to Craven Council. These sums have been paid in 2020/21 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Craven made an estimated tariff payment from the General Fund in 2020/21 to the value of £6.002m (£7.928m in 2019/20).

The total income from business rate payers collected in 2020/21 was £8.585m (£18.644m in 2019/20). This sum includes £116k of transitional protection relief for ratepayers (£286k in 2019/20) which under Government regulation should have a neutral impact on the business rate retention scheme.

In addition to the top up, a 'safety net' figure is calculated from the baseline amount which ensures that authorities are protected to this level of Business Rates income. For Craven the value of safety net figure is £1.374m. The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2020/21.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2021. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision as at 31 March 2021 has been calculated at £360k (£692k at 31 March 2020).

The amounts collected are analysed below:

2019/20 £'000		2020/21 £'000
25,251	Gross Amount Due	25,068
(5,094)	Charitable Relief etc.	(5,477)
(286)	Transitional Protection Payments / (Relief)	(116)
(1,513)	Other Reliefs: Empty and Part Occupation Relief etc.	(10,889)
<b>18,358</b>		<b>8,585</b>

### 5. Demands on the Collection Fund

Monies are paid from the Collection Fund to finance a proportion of expenditure of each of the precepting authorities. Details of the total payments made are as follows:

2019/20 £'000		2020/21 £'000
3,879	Craven District Council	4,008
29,535	North Yorkshire County Council	30,838
5,761	Police and Crime Commissioner North Yorkshire	6,011
1,606	North Yorkshire Fire & Rescue Authority	1,644
1,405	Parishes	1,439
<b>42,186</b>	<b>Total</b>	<b>43,939</b>

**NOTES TO THE COLLECTION FUND**

**5. Demands on the Collection Fund continued.....**

The Council acts as an agent on behalf of the Precepting Bodies for Council Tax 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. The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2021.

2019/20 £'000		2020/21 £'000
	<u>Council Tax Bad &amp; Doubtful Debts</u>	
88 (133)	Write-offs during the year Contributions to provisions during the year	58 (44)
<b>(45)</b>	<b>Net (increase)/decrease in provision in year</b>	<b>13</b>
(558)	Balance at 1 April	(603)
<b>(603)</b>	<b>Balance at 31 March</b>	<b>(589)</b>
	<u>NNDR Bad &amp; Doubtful Debts</u>	
53 (68)	Write-offs during the year Contributions to provisions during the year	6 (116)
<b>(15)</b>	<b>Net (increase)/decrease in provision in year</b>	<b>(110)</b>
(155)	Balance at 1 April	(170)
<b>(170)</b>	<b>Balance at 31 March</b>	<b>(280)</b>
	<u>NNDR Appeals</u>	
51 -	Write-offs during the year Contributions to provisions during the year	332 -
<b>51</b>	<b>Net (increase)/decrease in provision in year</b>	<b>332</b>
(743)	Balance at 1 April	(692)
<b>(692)</b>	<b>Balance at 31 March</b>	<b>(360)</b>

**6. Distribution of Year-end (Surplus)/Deficit**

The year-end surplus or deficit on the Collection Fund is to be shared between billing and precepting authorities on the basis of estimates made on 15 January of the year-end balance. For 2020/21 there was a recognition of an £128k adjusted deficit on Council Tax based on this calculation and a claw-back of £145k on the adjusted deficit on NNDR. The figures are adjusted to allow for the spreading of deficits that have arisen due to the impact of the coronavirus pandemic. Billing Authorities have been enabled to spread the impact of deficits across the next three years to allow for a smoothing of losses to lessen the impact on the following years.

Council Tax:

There was an in-year deficit of £112k on the Collection Fund in 2020/21, the effect of which was to decrease the balance on the Account at 31 March 2021 to £382k.

NNDR:

There was an in-year deficit of £9,854k on the Collection Fund in 2020/21, the effect of which was to change from the fund having a surplus balance to a deficit balance on the Account at 31 March 2021 to £9,579k. But the majority of this deficit will be supported by Section 31 grants receivable in 21/22.

The balance at 31 March 2021 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

2019/20 Council Tax £'000	2019/20 NNDR £'000		2020/21 Council Tax £'000	2020/21 NNDR £'000
61	140	Craven District Council (including parishes)	46	(3,801)
346	53	North Yorkshire County Council	272	(832)
68	-	Police and Crime Commissioner North Yorkshire	50	-
19	3	North Yorkshire Fire & Rescue Authority	14	(96)
-	82	Central Government	-	(4,850)
<b>494</b>	<b>278</b>	<b>Total</b>	<b>382</b>	<b>(9,579)</b>

The overall position between Craven District Council as the Billing Authority and the major preceptors is reflected in the Council's Balance Sheet at 31st March 2021 as required by the 2020/21 Code of Practice on Local Authority Accounting.

# **SECTION 6**

## **INDEPENDENT AUDITOR'S REPORT**

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

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Mr Mark Dalton for and on behalf of Mazars LLP  
5th Floor Wellington Place  
Leeds  
LS1 4AP  
DATE

# **SECTION 7**

## **GLOSSARY OF TERMS**

## **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.

### **Administrative Buildings**

Buildings that either have a shared use or are not charged directly to a service. The costs relating to all such buildings are usually pooled and then allocated to the users of the buildings on some appropriate basis (usually the floor area occupied by

### **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.

### **Balances**

Surplus of income over expenditure that may be used to finance expenditure. Balances can be earmarked in the accounts for specific purposes. Those that are not, represent resources set aside for such purpose as general contingencies and cash flow management.

### **Balance Sheet**

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

### **Business Improvement District Schemes(BIDS)**

BID projects benefit a particular area and are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in the BID area.

### **Billing Authorities**

Those authorities that set the council tax and collect the council tax and non-domestic rates.

### **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.



## **GLOSSARY OF TERMS**

### **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 national non-domestic rates (NNDR) and paying 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.

### **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.

### **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 cemeteries, crematoria and allotments.

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

The income and expenditure account combines the income and expenditure relating to all the Council's functions.

### **Consistency**

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

### **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.

### **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.

## **GLOSSARY OF TERMS**

### **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.

### **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**

Amounts due to or from the Council arising from the early repayment of debt.

### **Deferred Liabilities**

These are liabilities which, by arrangement, are payable beyond the next year, either at some point in the future or by an annual sum over a period of time.

### **Defined Benefit Pension Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Depreciation**

The measure of the cost or revalued amount of benefits of the non-current asset that have been consumed during the period. Consumption includes the wearing-out, using up or other reduction in the useful life of a fixed asset. This can arise from use, passing of time or obsolescence through, for example, changes in technology or demand for the goods and services provided by the asset.

### **Emoluments**

These are all sums paid to, or receivable by, an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either the employer or the employee are excluded.

### **Exceptional Items**

Material items which derive from events or transactions which fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

### **Exchange Transactions**

These are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange.

### **Expected Return in Pension Assets**

This applies to a funded defined benefit pension scheme and is the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **Fees and Charges**

Income arising from the provision of services.

### **Finance Leases**

Finance leases transfer all the risks and reward of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the lessee's Balance Sheet.

### **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.

## **GLOSSARY OF TERMS**

### **General Fund**

The main account of the Council that records the costs of service provision except those shown in the 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 former Housing Revenue Account assets which includes surplus land and houses under the 'right to buy scheme' by all councils.

### **Housing - Other Services**

The expenditure contained within this heading refers to the strategic housing responsibilities of the Council this service area includes costs and income associated with homelessness, housing benefits, private sector housing grants, and as a housing enabler.

### **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 Non-Current 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.

### **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.

### **Joint Venture (JV)**

A commercial enterprise undertaken jointly by two or more parties, which otherwise retain their distinct identities. Ownership of the JV is shared as are returns, risks and governance.

### **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).

### **Movement in Reserves**

A statement which shows the movement in the year on the different reserves held by the Council.

### **National Non-Domestic Rates (NNDR)**

An NNDR poundage is set annually by central government and collected by charging authorities, who pay the monies over to the government. The proceeds are then redistributed by the government between local authorities.

### **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.

## **GLOSSARY OF TERMS**

### **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 Distributed Costs**

Non Distributed costs are held centrally, and as such are not recharged to particular services, as per relevant accounting regulations. Non Distributed costs include the costs relating to unused facilities, such as unused buildings, and the cost of bringing assets under construction into the balance sheet at fair value. Pension costs charged during the year due to changes in value of the pension fund IAS19 pension costs are also included.

### **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.

### **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, 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

### **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 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.

### **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**

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.

## **GLOSSARY OF TERMS**

### **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 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 Craven the Section 151 Officer is the Chief Financial

### **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.

### **Service Reporting Code of Practice (SeRCOP)**

The system of local authority accounting and reporting has been modernised to meet the changing needs of local government. The SeRCOP provides guidance on the content and presentation of costs and service activities to enable consistency across Local Government. The code has been driven by IFRS.

### **Soft Loans**

Local authorities will sometimes make loans for policy reasons rather than as financial instruments and these loans may be interest free or at rates below prevailing market rates. Where this occurs these loans are referred to as soft loans.

### **Statement of Recommended Practice (SORP)**

This is the guidance issued by CIPFA to enable Authority's to ensure that the Accounts published comply with UK GAAP as it applies to local authority financial matters.

### **Statement of Standard Accounting Practice (SSAP's)**

Statements prepared by the Accounting Standards Committee. Many of these have been replaced by Financial Reporting Standards (FRSs), but any departure from them must be disclosed in the published accounts.

### **Inventories**

Items of raw materials and stores purchased by the Council to use on a continuing basis which have not been used. The value of those items not used at the balance sheet date are included as assets of the Council.

### **Support Services**

The costs of departments that provide professional and administrative assistance to services.

### **Tangible 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.

### **Temporary Borrowing/Investment**

Money borrowed or invested for an initial period of less than one year.

### **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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# Revenue Budget 2020/21 Set Feb 20 vs Outturn for the 20/21 FY (subject to Audit)

	MTFP Est. 2020/21 Set February 2020	Latest Outturn 20/21 Based upon the Draft Accounts	Mvt + adverse (-) favourable
Service Dept.	£'000	£'000	£'000
Licensing Services	(31)	(12)	18
Environmental Health & Housing Services	675	681	6
Waste Management Services	1,648	1,589	(59)
Bereavement Services	(457)	(811)	(354)
Planning & Building Control Services	306	464	159
Economic Development	422	707	285
Cultural Services (incl. Museum & Town Hall)	333	238	(95)
Leisure Services	69	89	20
Assets & Commercial Services	(374)	(79)	295
Legal Services	130	-	(130)
Member Services	286	285	(1)
Election Services	162	152	(9)
Chief Execs & Business Support	1,372	1,342	(30)
Financial Management	994	1,031	37
ICT & Transformation	549	469	(81)
<b>Craven District Council : NCOS</b>	<b>6,084</b>	<b>6,144</b>	<b>60</b>



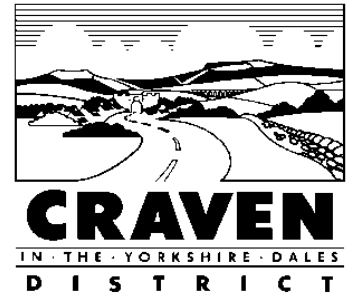
# Revenue Budget 2020/21 Set Feb 20 vs Outturn for the 20/21 FY (subject to Audit) (continued)

	MTFP Est. 2020/21 Set February 2020	Latest Outturn 20/21 Forecast Feb 2021	Mvt + adverse (-) favourable
	£'000	£'000	£'000
<b>NCOS (bf from previous slide)</b>	<b>6,084</b>	<b>6,144</b>	<b>60</b>
Interest Payable (Incl Premia/Discount)	256	256	-
Investment Income	(170)	(131)	39
MRP for Capital Financing	300	89	(211)
Revenue Contributions to Capital Outlay	498	537	39
Corporate Contingency	75	-	(75)
Central Government COVID Grant Support not utilized in year	-	(510)	(510)
<b>Net Expenditure Budget</b>	<b>7,042</b>	<b>6,385</b>	<b>(658)</b>



## **Audit Committee – 6 December 2021**

### **Update from the Quarter 2 meeting of the Council's Risk Management Group, held 12<sup>th</sup> October 2021**



## **Report of the Chief Finance Officer**

### **Lead Member – Councillor Patrick Mulligan, Financial Resilience**

**Ward(s) affected: All**

#### **1. Purpose of Report**

1.1 To provide an update from the Council's Risk Management Group

#### **2. Recommendations – Members are recommended to:**

2.1 Note the content of the update from the Risk Management Group

2.2 Note and approve the 2 additions to the Council's Corporate Risk Register in respect of Local Government Reorganisation.

#### **3. Report**

3.1 The key areas covered by the Risk Management Group meeting are listed below:

##### **3.2 Risk Management – current status**

A recent Internal Audit report had given only a partial level of assurance. An Action Plan is underway, as previously agreed by the Audit & Governance Committee. All recommendations are on track to be completed by end of Jan 2022.

##### **3.3 Review & Update Registers (incl LGR implications)**

The group propose adding 2 risks to the Corporate Risk Register to reflect the likely impact of Local Government Reorganisation:

- The Council is unable to successfully fulfil strategic objectives due to the resource requirements and timescales of Local Government Reorganisation (LGR)
- Staffing impacts of LGR:

- The Council is unable to safely and appropriately manage vital public services due to the loss of key staff as a result of perceived instability due to Local Government Reorganisation
- The Council's capacity and service effectiveness is reduced due to a reduction in Staff Morale during the reorganisation period

### **3.4 Review of RM Policies & Procedures**

A revised and updated Risk Management Strategy was presented. The group agreed that the updated strategy should be presented to Audit & Governance Committee for approval.

### **3.5 Risk Management Training**

In the context of likely capacity and of upcoming changes from the Local Government Reorganisation process, it was agreed to provide online training materials and to signpost members and officers with management responsibility to these. This will be reviewed, updated and made available to Members and Officers via the Intranet.

## **4. Financial and Value for Money Implications**

- 4.1 No specific Financial and Value for Money implications.

## **5. Legal Implications**

- 5.1 No specific Legal implications.

## **6. Contribution to Council Priorities**

- 6.1 Effective risk management supports the achievement of all Council priorities.

### **6.2 Impact on the declared Climate Emergency**

Impact on staffing as a result of LGR, as described in the updated risks, has the potential to impact on the Council's ability to deliver on its commitments regarding the declared Climate Emergency.

## **7. Risk Management**

- 7.1 This report relates to the Council's Risk Management processes.

**7.2 Chief Finance Officer (s151 Officer) Statement**

7.2.1 No Chief Finance Officer Statement is required for this report

**7.3 Monitoring Officer Statement**

No Monitoring Officer statement is required for this report.

**8. Equality Impact Analysis**

8.1 The Council's Equality Impact Assessment Procedure has been followed. An Equality Impact Assessment has not been completed on the proposals as completion of Stage 1- Initial Screening of the Procedure identified that the proposed policy, strategy, procedure or function does not have the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

**9. Consultations with Others**

9.1 None

**10. Background Documents**

10.1 Risk Management Group notes 12-10-21

10.2 Corporate Risks related to Local Government Reorganisation

**11. Appendices**

- None

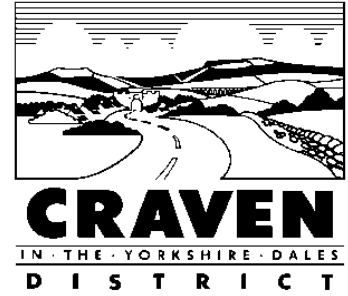
**12. Author of the Report**

Name Rob Atkins, Exchequer and Performance Manager  
Telephone: 01756 706464  
E-mail: RAtkins@cravenc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

## **Audit Committee – 6 December 2021**

### **Updated Risk Management Strategy**



#### **Report of the Chief Finance Officer**

#### **Lead Member – Councillor Patrick Mulligan, Financial Resilience**

**Ward(s) affected: All**

#### **1. Purpose of Report**

1.1 To report on the Council's Risk Management Strategy as updated and presented to the Council's Risk Management Group on 12<sup>th</sup> October 2021.

#### **2. Recommendations – Members are recommended to:**

- 2.1 Note and comment on the updated Risk Management Strategy
- 2.2 Recommend the updated Risk Management Strategy for approval by Council

#### **3. Report**

3.1 A revision of the Council's Risk Management Strategy was present to the Risk Management Group meeting held on 12<sup>th</sup> October 2021.

3.2 The document has been reviewed by the Chief Finance Officer and appropriate members of the Senior Leadership Team. This included a number of small updates to ensure that the Strategy reflected current legislation and good practice. The updates were made to:

- Streamline the process for identifying, verifying and reporting updated risks (removed several unnecessary steps where operational risks were verified by the tier of management that identified them, particularly SLT)
- Ensure that the risk profile is monitored by the corporate Risk Management Group
- Update the range of risks to reflect risks relating to our ability to deliver on the declared Climate Emergency
- Update the process diagram to more accurately reflect current roles and responsibilities
- Remove references to the Council's legacy performance management system (which has been retired)
- Ensure group membership was updated in the Terms of Reference

3.3 The updated document is attached.

**4. Financial and Value for Money Implications**

4.1 No specific Financial and Value for Money implications.

**5. Legal Implications**

5.1 No specific Legal implications.

**6. Contribution to Council Priorities**

6.1 The effective implementation of risk management processes supports the achievement of all Council Priorities

**6.2 Impact on the declared Climate Emergency**

No impact on the declared Climate Emergency

**7. Risk Management**

7.1 This document relates to Risk Management

**7.2 Chief Finance Officer (s151 Officer) Statement**

7.2.1 No Chief Finance Officer Statement is required for this report

**7.3 Monitoring Officer Statement**

**8. Equality Impact Analysis**

8.1 The Council's Equality Impact Assessment Procedure has been followed. An Equality Impact Assessment has not been completed on the proposals as completion of Stage 1- Initial Screening of the Procedure identified that the proposed policy, strategy, procedure or function does not have the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

**9. Consultations with Others**

9.1 None

**10. Background Documents**

10.1 Risk Management Strategy Reviewed & Agreed October 2021

**11. Appendices**

- None

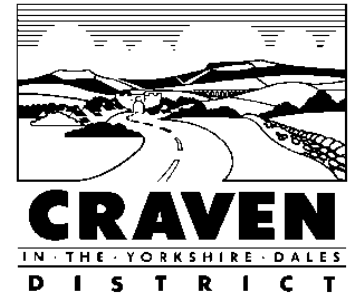
**12. Author of the Report**

Name Rob Atkins, Exchequer and Performance Manager  
Telephone: 01756 706464  
E-mail: RAtkins@cravendc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

## **Audit Committee – 6 December 2021**

### **Exemptions from the Contract Procedure Rules Quarter 2 2021/22**



### **Report of the Chief Finance Officer**

### **Lead Member – Councillor Patrick Mulligan, Financial Resilience**

**Ward(s) affected: All**

#### **1. Purpose of Report**

- 1.1 To report on exemptions granted from the Contract Procedure Rules in Quarter 2 2021/22.

#### **2. Recommendations – Members are recommended to:**

- 2.1 Note the 2 exemptions granted from the Council's Contract Procedure Rules.

#### **3. Report**

- 3.1 An exemption from the Contract Procedure Rules was granted for the **hire of a Narrow Access Refuse Collection Vehicle**

- 3.1.1 The Council have procured a new narrow access refuse collection vehicle (RCV), to replace an unsuitable vehicle. There is currently a delay on new build RCV vehicles nation-wide with the new vehicle due to be delivered to the Council in December 2021/January 2022.

- 3.1.2 A narrow access vehicle is required in a number of rural areas to ensure safe collection of refuse on narrow roads and difficult access routes. A standard width RCV is unable to safely manoeuvre in a number of areas across the district, with a high risk of personal injury or damage to property should a standard width vehicle be used.

- 3.1.3 The hire of a narrow access vehicle has been sought while the service awaits delivery of the new vehicle, but has been difficult to procure. Four suppliers on procurement frameworks have been approached, with none able to supply a suitable hire vehicle. The service also approached all North Yorkshire District Councils to enquire if mutual assistance was available.

- 3.1.4 The service hired a suitable vehicle on 6 September 2021 from CTS Hire on a rolling monthly contract. The hire cost is approximately £5k per month. The service anticipates requiring the hire vehicle for 4-5 months.

3.2 An exemption from the Contract Procedure Rules was granted for a contract for the **Homelessness Prevention Project (Rough Sleepers and those at risk of Rough Sleeping)**

3.2.1 Ensuring that support is available to homeless and vulnerable households is a strategic priority within the Housing & Homelessness Strategy Action Plan and a key delivery mechanism within the Council Plan under priority area “Supporting the wellbeing of our communities”. We aim to reduce health and wellbeing inequalities by working with partners to provide improved support and intervention services for rough sleepers and those at risk of sleeping rough.

3.2.2 Services to rough sleepers are currently provided from a Hub located at Pinder House, Skipton. This offers an assessment centre, supported accommodation, outreach and day services, and is funded by a combination of rough sleeper grant from DLUHC and rental income from the supported housing units.

3.2.3 Horton Housing are contracted by the Council to provide the service to rough sleepers from the 1<sup>st</sup> November 2019 – 30<sup>th</sup> June 2022. The DLUHC grant is paid to Horton to fund the support element of the service which amounts to £82,500 per annum. This funds 1.5 FTE support workers and 0.5 FTE manager post.

3.2.4 A review of the service has identified that current staffing levels are insufficient to meet the needs of our rough sleepers. We have seen an increasing number of referrals to the HUB refused due to the level of risk posed which includes high risk sex offenders, MAPPA cases, those involved in drug dealing and violent offenders. In order to accept those clients, the service needs to provide 24/7 staffing.

3.2.5 A bid was made to DLUHC for increased Rough Sleeper Initiative funding to provide the additional staffing resource and we have received confirmation that an additional £35,000 has been awarded to the Council for this purpose. The grant must be spent by June 2022.

**3.2.6** The characteristics of the service required are only compatible with continued provision by Horton Housing. Horton Housing own Pinder House and have confirmed that they would be unwilling to allow an alternative provider to employ staff and operate within the building as this would result in a fragmented service experience for the service users being supported, reducing the quality of service we can provide with the money available and potentially resulting in poorer outcomes for vulnerable clients.



**4. Financial and Value for Money Implications**

- 4.1 Financial and Value for Money implications are assessed on a case-by-case basis by the Chief Finance Officer as exemption requests are submitted.

**5. Legal Implications**

- 5.1 Legal implications are assessed on a case-by-case basis by the Solicitor to the Council as exemption requests are submitted.

**6. Contribution to Council Priorities**

- 6.1 The effective implementation of procurement policy contributes to the Council priority 'Financial Resilience'

**6.2 Impact on the declared Climate Emergency**

The Waste Management exemption enables the use of a smaller Refuse Collection Vehicle, which will reduce fuel use, as specified in the Climate Emergency Strategic Plan.

**7. Risk Management**

- 7.1 No Risk Management implications

**7.2 Chief Finance Officer (s151 Officer) Statement**

- 7.2.1 No Chief Finance Officer Statement is required for this report

**7.3 Monitoring Officer Statement**

No Monitoring Officer statement is required for this report.

**8. Equality Impact Analysis**

- 8.1 The Council's Equality Impact Assessment Procedure has been followed. An Equality Impact Assessment has not been completed on the proposals as completion of Stage 1- Initial Screening of the Procedure identified that the proposed policy, strategy, procedure or function does not have the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

**9. Consultations with Others**

- 9.1 None

**10. Background Documents**

- 10.1 None

**11. Appendices**

- None

**12. Author of the Report**

Name Rob Atkins, Exchequer and Performance Manager

Telephone: 01756 706464

E-mail: RAtkins@cravendc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

## **Audit & Governance Committee – 6<sup>th</sup> December 2021**

**Audit Services Progress Report as at 19th  
November 2021**



Report of the Audit Services Manager – Shared Internal Audit Service

Ward(s) affected: All

### **1. Purpose of Report**

- 1.1 To update Committee Members on the progress made against the 2021/22 Internal Audit plan up to 19<sup>th</sup> November 2021

### **2. Recommendations**

Members are recommended to:-

- 2.1 Note the contents of the report and the attached Appendix.

### **3. Background Information**

- 3.1 The work undertaken by Audit Services is governed by the Accounts and Audit (England) Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with paragraph 2.11 of the Standards, the Audit Committee must receive progress reports detailing progress made against the agreed Annual Audit Plan.

### **4. The Report**

- 4.1 This report details the work undertaken by Audit Services and contains a summary of completed reviews along with the overall audit opinion given.
- 4.2 Audit Services resources have continued to be required on COVID-19 business support schemes due to the requirement to have pre-checks in place for schemes open during the first quarter of 2021/22.
- 4.3 The effect of this is that commencement of work on the Audit plan was delayed in quarter 1. Work on normal audit work resumed during quarter 2, despite some continued COVID-19 support required.

- 4.5 The following table shows the progress against the 2021/22 operational plan for the period 1<sup>st</sup> April 2021 to 19<sup>th</sup> November 2021.

<b>Audit Area</b>	<b>Total Days per approved Audit Plan 2021/22</b>	<b>Days spent as at 19<sup>th</sup> November 2021</b>
Follow up Audit work	20	1.35
ICT	8	6
Management	20	10
Service Areas	72	20
Fraud	10	0.3
Fundamentals	48	16
Duplicate Payments	2	0.3
<b>TOTAL</b>	<b>180</b>	<b>53.95</b>

- 4.6 The current position on the 2021/221 Audit Assignments as at 19<sup>th</sup> November 2021 is as follows:

<b>Status of Audits</b>	<b>Number of Audits</b>	<b>Percentage of Plan</b>
Final report issued	1	9.1%
Draft report issued	1	9.1%
Managers Review	0	0%
In progress	5	45.4%
Yet to start	4	36.4%
<b>Total</b>	<b>11</b>	<b>100%</b>

## **5. Priority Areas to 31<sup>st</sup> March 2022**

### **5.1 Completion of the Audit Plan.**

The Quarter 3 focus will be on CDC audit assignments, in order for all audits to be completed in line with the agreed plan.

## **6. Conclusion**

- 6.1 All Audits will be completed in line with the agreed plan. Update meetings will continue to be held with the Chief Finance Officer, s151 Officer or Exchequer and Performance Manager, Financial Services to provide assurance that audit work is progressing as planned.

## **7. Implications**

### **7.1 Financial and Value for Money Implications**

None

## 7.2 Legal implications

None

## 7.3 Contribution to Council Priorities

The delivery of an Internal Audit Service contributes to:

- Carbon Neutral – Facilitating economic growth in low carbon Craven
- Supporting the Wellbeing of our Communities – Developing vibrant, connected and health communities.
- Attracting and Retaining Younger People – Creating a district that attracts people of working age to live and work
- Financial Sustainability – Ensuring a self-sustainable Council

## 7.4 Risk Management

New and unpredicted COVID restrictions and Business Support Grant Scheme are a current risk to the completion of the audit plan, however contingency in the plan will allow for some mitigation of this risk.

## 7.5 Equality Impact Assessment

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

## 8. Consultations with Others

Chief Finance Officer and s151 Officer, Financial Services

## 9. Access to Information : Background Documents

None

**10. Author of the Report**

Gill Hoyes, Auditor, Craven District Council and Harrogate Borough Council  
Shared Audit Service.  
gill.hoyes@harrogate.gov.uk

**Note:** Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

**11. Appendices**

Internal Audit Plan 2021/22 April – 19<sup>th</sup> November 2021 Monitoring

APPENDIX 1

Internal Audit Plan April – 19<sup>th</sup> November 2021 MONITORING

Audits (includes audits brought forward 2020/21 audits)	Approved Plan (Days)	Actual April-Jan (Days)	Comments (at time of writing)
<b>2020/21 audits</b>			
Risk Management	12	1	Final report issued
Duplicate Payments	1	0.3	NA

**2021/22 audits**

Housing Benefits	10	0	Yet to start
Payroll	10	0	Yet to start
Creditors	10	6	In progress
Debtors	10	10	Draft preparation
Project Management	12	0	Yet to start
Health and Safety	10	13.5	Final report
Empty Properties & High Street Recovery	10	0.5	In progress
Recording and Inspection of Assets	10	4	In progress
Climate Change	10	0	Yet to start
Data Breaches	8	6	Draft Report
Procurement Rules	8	2	In Progress
Business Support Grant Verification	10	0.3	Ongoing
Duplicate Payments	2	0.3	Ongoing
Follow up work Management	20	1.35	Ongoing
Contingency	20	0	Ongoing
<b>Total</b>	<b>180</b>	<b>53.95</b>	

**\* Key – Levels of Assurance**

<b>Level</b>	<b>Definition</b>
Significant	The system of internal control is designed to support the Councils corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
Partial	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the area reviewed.
None	There are weaknesses in control, or inconsistent non-compliance which places corporate and service objectives at risk in the area reviewed.

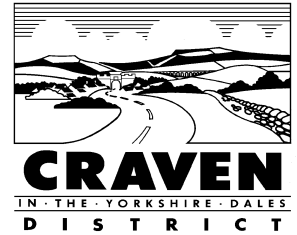


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## AGENDA ITEM \$10(b)

### Audit & Governance Committee – 6<sup>th</sup> December 2021

#### Internal Audit Recommendations – Progress Report



#### Report of the Audit Services and Fraud Manager

Lead Member – Councillor P. Mulligan

Ward(s) affected: All

1. **Purpose of Report** – To update committee members on progress against recommendations made by the Internal Audit team.
2. **Recommendations** – Members are recommended to:
  - 2.1 Note progress against Internal Audit recommendations
3. **Background Information**

The Council's Internal Audit team carries out an agreed programme of work to ensure that the controls that the Council has put in place to meet its objectives, comply with current legislation and ensure best value both reflect good practice and are being consistently and rigorously observed.

During 2020/21, the Internal Audit team focused on ensuring that the arrangements for Covid-19 financial support were robust and that the risk of fraud was minimised. This resulted in fewer Internal Audit recommendations relating to other areas of work than would normally be expected. The majority of outstanding Internal Audit recommendations from 2019/20 have been addressed over the past year.

There are 8 recommendations outstanding, none of which are Priority 1 recommendations.

*Table 1 – Summary of Internal Audit recommendations*

	Priority 1	Priority 2	Priority 3
Audit Recommendations completed		2	3
Audit Recommendations Removed as no longer applicable	1	1	
Audit Recommendations outstanding		5	3
New Audit Recommendations		12	

*Table 2 – Age and status of recommendations described in this report*

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## AGENDA ITEM \$10(b)

	Months				
	0-3	4-6	7-9	10-12	Over 1 year
<b>Green (all satisfied during this period)</b>	5				2
<b>Amber</b>					8

**4 Financial and Value for Money (vfm) Implications** – An effective programme of Internal Audit is a key component of the Council's Performance Framework and assurance activity, preventing financial loss and ensuring value for money.

**5. Legal Implications – none**

**6. Contribution to Council Priorities**

6.1 No direct impact on Council Priorities. Effective Risk Management improves the likelihood of the successful delivery of Council Priorities

6.2 **Impact on the declared Climate Emergency** – No specific impact on the declared Climate Emergency

**7. Risk Management**

The Internal Audit programme includes regular review of the Council's Risk Management arrangements. Recommendations relating to Risk Management are described in this report.

**7.2 Chief Finance Officer (s151 Officer) Statement**

**7.3 Monitoring Officer Statement**

**8. Equality Analysis** – not applicable

**9. Consultations with Others**

CLT, SLT members with assigned recommendations.

**10. Background Documents**

**11. Appendices** –

\$ Appendix I – 'Internal Audit Recommendations –Progress Update November 2021/22 (exempt from publication)

**12. Author of the Report**

Gill Hoyes, Auditor

**NOT FOR PUBLICATION** the appendix is considered exempt by virtue of Category 3 (financial or business affairs of any person (including the Council) of the Council's Access to Information Procedure Rules and Part 1 of Schedule 21A of the Local Government Act 1972 (as amended).

## **AGENDA ITEM \$10(b)**

Telephone: 01423 500600 (58584)  
e-mail: [gill.hoyes@harrogate.gov.uk](mailto:gill.hoyes@harrogate.gov.uk)

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.



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**Audit Services Report**  
**Health & Safety 2021/22**  
**Report ref: C7/2021**

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Report

Draft: 15/10/21  
Second Draft 28/10/21  
Final: 19/11/21

Partial Level of  
Assurance

## Contents

Background	page 2
Scope	page 3
Audit Opinion	pages 3 - 4
Detailed Findings & Action Plan	page 4 onwards

## Distribution

Job Title
Chief Executive
Solicitor to the Council and Monitoring Officer
Team Leader Environmental Health & Corporate Safety Adviser

# 1 Background

- 1.1 This audit has been undertaken as part of the annual audit plan for 2021/22 and has sought to determine compliance with the following key control objectives
  - KCO1 : Up to date, documented policies & procedures are in place and roles & responsibilities are set out
  - KCO2 : Health & Safety training is provided
  - KCO3 : Health and Safety risk assessments are carried out
  - KCO4 : Accidents are recorded, investigated and reported
  - KCO5 : Senior management receive assurance that Health and Safety risks are being managed
- 1.2 It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, misappropriation or other irregularities which may exist.
- 1.3 Internal Auditing is an independent, objective assurance and consulting activity to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.4 The main piece of legislation covering the function is the Health and Safety at Work etc Act 1974. Associated guidance is available via the Health & Safety Executive (HSE). The Council has a strategy for Health and Safety as set out in the Health & Safety Management and Governance Strategy & Delivery Plan, covering the period 2018 – 2021.
- 1.5 Health and Safety was last audited in 2018/19 and received a partial level of assurance. Since then, there have been a number of changes affecting the function in that there has been a change of Health and Safety staff, the Safety Cloud Health & Safety management system has been superceded, Waste Management are currently operating from a temporary site whilst the old site is being redeveloped, and services Council wide have been affected by the Covid-19 pandemic.
- 1.6 The overall risk relating to Health & Safety is stated on the corporate risk register as being a potential serious injury or fatality arising from a failure to address Health & Safety issues and incurring corporate manslaughter charges, HSE involvement, or an inability to defend claims. The failure to address Health & Safety issues was updated during the pandemic to refer to additional Health & Safety risks to staff relating to the control of Covid-19 and any mitigating measures required.

## 2 Audit Scope

- 2.1 The scope of the audit involved a review of the key controls by undertaking compliance testing as well as documentation review and discussion with staff. Testing has concentrated on the following:
- Experienced health and safety staff is in post
  - Health and safety policy and procedures are up to date
  - Regular meetings of the Health and Safety Management Group are held
  - Responsibility is allocated for fire reps and first aiders
  - Required health and safety documentation is completed by services
  - Health and Safety support for senior managers is maintained
  - An annual Health & Safety Management action plan is completed
  - A training programme is in place and appropriate staff are trained
  - Risk assessments are properly updated and regularly reviewed
  - Accident statistics are regularly produced
  - Health and Safety performance is monitored and reported to senior management and Council

## 3 Audit Opinion

- 3.1 A summary of Audit Services' opinion levels and their definitions is provided below:

Level	Definition
<b>Significant Level of Assurance</b>	The system of internal control is designed to support the Council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
<b>Good Level of Assurance</b>	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
<b>Partial Level of Assurance</b>	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.
<b>No Level of Assurance</b>	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

- 3.2 Based on this report's findings, Audit Services have given a Partial Level of Assurance on the Internal Control Framework within the function in line with the Public Sector Internal Audit Standards.
- 3.3 Good practice was observed overall in terms of the progress being made to improve the function since the previous audit and the steps being taken to address issues; in particular documentation was noted as having been updated and introduced to allow consistent application. It is recognised here however that the Covid pandemic has caused disruption to progress in other areas and inevitable delay.

- 3.4 The new intranet, allowing staff direct access to the latest health & safety documentation already distributed to Managers, is expected to be launched in November. No additional recommendation is therefore being made in this regard, however, the present situation is highlighted here as, until the launch, documentation on the current intranet is limited; some of which is out of date. Audit Services are also required to point out that as the Team Leader Environmental Health & Corporate Safety Adviser has not yet passed the case study for the National Examination Board in Occupational Safety and Health (NEBOSH) Diploma, in the interim, the officer in post does not fully meet the qualification criteria stated as essential in the job description.
- 3.5 With reference to the key controls being reviewed, KCO4 is considered met and the remainder partly met; the key risks for which are set out in the main body of the report. There are 12 recommendations that have been made in total, all at priority 2. It is noted here that no issues were found from review of accidents under KCO4, however, the number of accidents was observed as low for the period under review which included some service closures during lockdowns and staff working from home rather than the office.

## 4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of Management, therefore KCO's with adequate controls are not included.

Recommendations are prioritised as follows:

Priority 1 - These relate to significant gaps in the Internal Control Framework

Priority 2 - These relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls

Priority 3 - These relate to minor issues of non-compliance with controls.

Ref	Findings	Recommendations	Risk	Management Response	Officer Responsible and Implementation Date
<b>KCO1 : Up to date, documented policies &amp; procedures are in place and roles &amp; responsibilities are set out</b>					
1	The officer occupying the Corporate Safety Adviser post has a dual role as Environmental Health team leader. However, the extent of this officer's demanding workload was evident throughout the audit, with additional challenges brought about by Covid and the temporary relocation of the Waste Management Depot as well as studying.	<b>R1: Priority 2 (MKRef475)</b> Resources currently allocated to Health & Safety should be re-evaluated	Insufficient Health & Safety resource provision	<b>Agreed</b>	Solicitor to the Council and Monitoring Officer 28/02/22
2	A list of fire marshals and first aiders is shown on the current intranet. However, this information relates to Belle Vue Square only and is not up to date. The latest Council wide list was provided with advice that some service areas were in the process of	<b>R2: Priority 2 (MKRef476)</b> Outstanding training for fire marshals and first aiders should continue to be progressed	Necessary skills are not maintained or are absent	<b>Agreed</b>	Team Leader Environmental Health & Corporate Safety Adviser / Facilities Manager 19/05/22



Ref	Findings	Recommendations	Risk	Management Response	Officer Responsible and Implementation Date
2 cont	updating their allocation of responsibilities. Training is therefore outstanding but being progressed for First Aiders at Aireview House and the Waste Management Depot, for Fire Marshals at Leisure as well as 1 of 3 officers at Aireview House, 6 of 9 officers at Belle Vue Square, 1 of 3 officers at the Crematorium and 2 of 3 officers at the Town Hall.	<b>R3: Priority 2 (MKRef477)</b> A list of fire marshals and first aiders, once trained, should be published and this list kept up to date	Lack of awareness amongst staff of emergency contacts	<b>Agreed</b>	Team Leader Environmental Health & Corporate Safety Adviser 19/05/22
<b>KCO2 : Health &amp; Safety training is provided</b>					
3	Health & Safety training considerations are incorporated into the Performance and Development Review (PDR) Guide. However, from review of higher risk service areas, fully up to date job specific health & safety training records for employees were not evident; the intention being for each service area to create a training matrix, linked to job descriptions, for cross referencing to annual PDRs	<b>R4: Priority 2 (MKRef478)</b> The introduction of a training matrix by each service area should continue to be developed	Outstanding refresher training is unclear and skills potentially in need of update	<b>Agreed</b>	Team Leader Environmental Health & Corporate Safety Adviser / Service Area Managers 19/05/22
4	Induction checklists record various subject matters covered with new starters, including safe working practices as well as health & safety aspects related to a specific job. However, from the sampled Leisure checklists, 1 found no signed evidence to indicate that all had been covered and on the other, the date when this was covered with the employee was unclear	<b>R5: Priority 2 (MKRef479)</b> Induction checklists should be promptly completed in full	Lack of evidence of training provision	<b>Agreed</b>	Team Leader Environmental Health & Corporate Safety Adviser / Operations Manager 28/02/22
<b>KCO3 : Health and safety risk assessments are carried out</b>					
5	Risk assessments are completed in a standard format and require review annually, as well as whenever there is any change to a work activity. However, service area risk assessments could not be evidenced for Finance, Legal and Planning. Specific activity based risk assessments could not be evidenced for Waste Management, including the Workshop. Covid specific risk assessments produced, allowed for safe working practices during the pandemic.	<b>R6: Priority 2 (MKRef480)</b> Outstanding service area risk assessments should be completed	Potential failure to adequately protect staff/customers	<b>Agreed</b>	Team Leader Environmental Health & Corporate Safety Adviser / Service Area Managers 19/05/22
		<b>R7: Priority 2 (MKRef481)</b> Outstanding activity based risk assessments should be completed		<b>Agreed</b>	

Ref	Findings	Recommendations	Risk	Management Response	Officer Responsible and Implementation Date
5 cont	However, existing risk assessments, that were not applicable during this time, are based on normal operating activities	<b>R8: Priority 2 (MKRef482)</b> Risk assessments should be reviewed and modified accordingly to fully reflect any amendments in working practices since the pandemic	Potential failure to adequately protect staff/customers	<b>Agreed</b>	Team Leader Environmental Health & Corporate Safety Adviser / Service Area Managers 19/05/22
<b>KCO5 : Senior management receive assurance that health and safety risks are being managed</b>					
6	This risk register notes one control as being the regular meeting of the Health & Safety Management Group. However, formal meetings were halted due to the pandemic and other pressing issues	<b>R9: Priority 2 (MKRef483)</b> Meetings of the Health & Safety Management Group should be reintroduced	Potential lack of awareness of key information by all Group members. No formal, documented, accessible record of agreed actions	<b>Agreed</b>	Team Leader Environmental Health & Corporate Safety Adviser 19/05/22
7	The monitoring and reporting of Health & Safety performance to the Corporate Leadership Team (CLT) and Council, as well as the reporting to the Health & Safety Adviser by Services of their current position are 2 mitigating controls noted on the risk register. However, the effects of the pandemic were found to have limited the extent of the above.	<b>R10: Priority 2 (MKRef484)</b> An annual statement of health & safety, including past performance, incident summary, any issues and outlining priorities for the upcoming year, should be produced for reporting to the Council.	Lack of awareness of comprehensive assurance information	<b>Agreed</b>	Team Leader Environmental Health & Corporate Safety Adviser 19/05/22
		<b>R11: Priority 2 (MKRef485)</b> Reporting of full performance monitoring to CLT should be re-introduced		<b>Agreed</b>	Team Leader Environmental Health & Corporate Safety Adviser 19/05/22
		<b>R12: Priority 2 (MKRef486)</b> Services should complete and return the annual Health & Safety declaration		<b>Agreed</b>	Team Leader Environmental Health & Corporate Safety Adviser / Service Area Managers 19/05/22

Any queries or requests for further information regarding this report should be directed to Audit Services on 01423 500600 extension 58586. Audit Services would like to thank the officers involved for their assistance during this audit.



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**Audit Services Report  
S106  
Report ref: C5/2020**

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Report Issued      Draft:      09/02/2021  
   Final:      19/04/2021

Good Level of Assurance

## Contents

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3	Audit Opinion	5
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### Distribution:

<b>Position</b>
Chief Executive
Strategic Manager
Planning Manager (Development Management)
Planning Enforcement Team Leader
Chief Finance Officer
Finance Manager
Communications, Customer Services & Partnership Manager
Strategic Housing Manager
Legal Services Manager
Assistant Legal Officer

# 1 Background

- 1.1 The S106 audit has been undertaken as part of the annual audit plan for 2020/21 to provide assurance that income is received per agreements and expended per legislation.

S106 agreements are often referred to as 'developer contributions' or 'planning obligations'. Section 106 of the Town & Country Planning Act 1990, as amended, enables planning authorities to seek to negotiate a contribution from developers towards the cost of meeting the infrastructure necessary to support their development. These agreements are attached to a planning permission as follows:

“required to make development acceptable which would otherwise be unacceptable in planning terms,

- directly relate to the development and
- are fairly and reasonably related in scale and kind to the development.”

S106 agreements are the mechanism which allows CDC to collect commuted sums from developers/applicants. The calculation of which is by a standardised formula and set out by policy size thresholds.

In 2010 the Government introduced a new mechanism that local planning authorities can use for charging developers called the Community Infrastructure Levy (CIL). CIL involves local authorities setting charges according to floor space of a development, which can be varied according to the type of development (e.g. housing, leisure, retail or employment). CDC have undertaken some exploratory work relating to introducing CIL but currently the Council has not taken a decision on whether to progress this. Therefore financial contributions from developers for infrastructure are obtained through S106 agreements.

CDC act as the planning authority for the part of the Craven District that falls outside the Yorkshire Dales National Park Authority, this area covers 370 square kilometres and therefore is responsible for negotiating S106 agreements.

CDC adopted and formally introduced the Craven Local Plan 2012 to 2032 on the 12<sup>th</sup> of November 2019. Policy documents relating to S106 (planning obligations) are included within the local plan and detailed below:

The Craven Local Plan includes the following policies relating to the formula for calculation of S106 agreements and planning obligations:

H2: Affordable Housing

INF1: Planning Obligations

INF2: Community Facilities and Social Spaces

INF3: Sport, Open Space and Recreation Facilities and Appendix A and Open Space Calculator

INF6: Education Provision and Appendix B

INF7: Sustainable Transport and Highways.

The value of planning obligation receipts for the previous 3 financial years is as follows:

2017/18 £97,209

2018/19 £178,627

2019/20 £0.

- 1.2 It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, or other irregularities which may exist.

- 1.3 Internal Auditing is an independent, objective assurance and consulting activity to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2 Audit Scope

- 2.1 The scope of the audit is to involve the review of the key controls, listed below, by undertaking compliance testing as well as documentation review and discussion with staff. A random selected sample of planning applications approved between January 2020 and September 2020 will form part of testing, alongside planning applications considered under delegated powers for reasons of S106 agreements/planning obligations for the period October 2018 to September 2020.

KC01: That CDC maximise opportunities under the planning act in respect of S106 agreements

KC02: S106 (Commutated Sum) Income is allocated to the correct service in CDC

KC03: S106 (Commutated Sum) Schemes are fully reconciled and expended as per legislation

### 3 Audit Opinion

3.1 A summary of Internal Audit's opinion levels and their definitions is provided below:

Level	Definition
<b>Significant Level of Assurance</b>	The system of internal control is designed to support the Council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
<b>Good Level of Assurance</b>	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
<b>Partial Level of Assurance</b>	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.
<b>No Level of Assurance</b>	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

3.2 This audit has been awarded a good level of assurance. Based on the testing carried out, Audit Services are satisfied that 1 out of 3 control objectives were met. 2 out of the 3 were partially met. A total of 10 recommendations have been made – 2 priority 2 and 8 priority 3. Further details can be found in section 4 of this report.

Under Data and Transparency Open Data CDC publish details of S106 receipts and distributions analysis from 2009 to 2019 on its website.

The S106 process involves a number of services with CDC namely Planning, Legal, Housing, Communications, Customer Services & Partnership (CCS&P) and Finance. Procedure notes are in place, but some were outdated and no document/work flow document was in place to cover the full process.

Temporary changes to key personnel have taken place within the CCS&P service who are essential in the assessment and inclusion of planning obligations relating to Parks and Open Space. The service have taken this opportunity to undertake a review of processes to enhance the recording and monitoring of planning gain within this area. Audit acknowledge that review work is still on-going.

Current monitoring of S106 agreements, to ascertain when planning gain income is due to CDC, enables the authority to identify monies due in a timely manner. A lot of work is undertaken by the enforcement officer within Planning service. Recommendations shown within section 4 of the report seek to enhance this current system.

The process for identifying the nearest parks and open space area is a manual process with the use of a number of ICT aids and policy documents. If the number of planning applications requiring S106 agreements increase it would be advisable for CDC to look into procuring a computerised system for the calculation and allocation of planning gain.

Audit testing had to be revised during the audit due to the failure of the planning service to provide information relating to planning applications. A number of requests were made over a 3 month period relating to:

- Planning applications refused under delegated authority due to failure to reach conclusion for S106 agreements.



- Details of planning applications that were subjected to S106 agreements (executed or pending). Details can be found within Section 4 Findings and Action Plan.

## 4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of management, therefore KCO's with adequate controls based on the samples examined are not included.

Recommendations are prioritised as follows:

Priority 1 – These relate to significant gaps in the Internal Control Framework

Priority 2 – These relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls

Priority 3 – These relate to minor issues of non-compliance with controls

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
<b>To ensure that CDC benefits fully from government legislation relating to S106 agreements</b>					
No 1 (MK ref 413)	<p><b>Identifying the need for S106 agreements.</b></p> <p>A number of guidance/procedure notes were ascertained to be in place but a number are outdated with key officers changed since they were produced. No guidance/workflow detailing the overall process linking the work/involvement of all sections exists. A sample of planning applications were tested to show, where appropriate, that the aforementioned policies were applied and appropriate S106 agreements were entered into; for planning applications considered during the period January 2020 to September 2020. Testing undertaken was reduced due to restricted information provided to the auditors, however the testing was sufficient for audit to form an opinion.</p> <p>Testing showed that the process of identify planning obligations had been fully complied with on all occasions.</p>	<p><b>Priority 3</b></p> <p>Process would benefit from CDC developing an overall guidance/workflow document, which would identify and highlight the processes that are in place within CDC relating to the entire S106 process. This guidance document should be reviewed regularly and updated as required.</p>	<p>CDC doesn't benefit in full from current planning legislation (in respect of S106 agreements)</p>	<p>The Planning Manager will create a workflow document detailing the entire S106 process from start to finish. Once created, the workflow document will be reviewed and updated quarterly.</p>	<p>Planning Manager</p> <p>01/04/2022</p>

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
No 2 (MK ref 421)	<p><b>Determination of Planning Applications under Delegate authority.</b></p> <p>No list of planning applications was provided to Audit relating to consideration under delegated powers for reasons relating to S106 agreements, where planning permission was refused (for the period October 2018 to September 2020); due to failure to reach a conclusion for S106 agreements. This information was requested from the Planning Manager (Development Management) over a 3 month period. Audit were not able to assess this area of work and therefore can't offer any assurance relating to this element of the S106 process.</p> <p><i>The overall audit opinion on this report therefore excludes this element of the process.</i></p>	<p><b>Priority 2</b></p> <p>A review of planning applications which under delegated authority were refused planning permission due to failure to reach conclusion for S106 agreements for October 2018 to September 2020 be undertaken.</p>	<p>CDC doesn't benefit in full from current planning legislation (in respect of S106 agreements)</p>	<p>No applications (under delegated authority) were refused due to a failure to conclude S106 agreements between October 2018 and September 2020.</p>	<p>Planning Manager 01/09/2021</p>
No 3 (MK ref 422)	<p><b>Appendix A: Open Space Calculator</b></p> <p>Individual assets such as playgrounds, sporting provision etc, are initially identified as being in need of investment from S106 planning gain, this is set out in the Council's Open Space Assessment, Playing Pitch Strategy and Sports Built Facilities Assessment 2016, which is supported by annual progress reports relating to the specific action plans set out within each of these assessments.</p> <p>These assessments set out the robust needs and evidence base for future provision of open space, playing pitches and built sports facilities in the District. INF3 and accompanying Appendix A: Open Space calculator performs a calculation, in line with policy, for the overall contribution for developers, but also breaks this down into the individual areas which will benefit from the potential S106 gain. During audit testing it was highlighted that whilst the TOTAL contribution included on the S106 agreements was correct, the breakdown to individual assets didn't reconcile to the total contribution figure. The service started reviewing this error during the fieldwork on the audit.</p> <p>Audit testing ascertained that these policies had consistently been implemented for both Parks and open spaces and affordable housing. No issues were found.</p>	<p><b>Priority 3</b></p> <p>The error found in the internal allocation of planning gain, relating to Parks and Open Space should be addressed and corrected. Work has commenced in relation to this recommendation.</p>	<p>S106 agreements and resulting planning gain sums are incorrectly calculated resulting in financial loss to the authority and district.</p>	<p><b>Implemented</b></p> <p>The error within the Open Space Calculator has been corrected.</p>	

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
No 4 (MK ref 419)	<p><b>Trigger Points Identified</b></p> <p>Monitoring of the trigger points is the responsibility of the planning service who utilise a number of working relationships with partner organisations and information held within CDC.</p> <p>Testing was undertaken to ascertain that triggers for payment had been promptly identified and planning gain had been efficiently collected.</p> <p>This work identified the following:</p> <ul style="list-style-type: none"> <li>• 17% planning gain was received prior to trigger being reached</li> <li>• 33% immediately after trigger reached</li> <li>• 11% 4 to 6 months after trigger reached</li> <li>• 11% 7 months to 12 months after trigger reached</li> <li>• 17% where triggers have not yet been reached, but evidence found of monitoring of developments</li> <li>• 11% where the developer is in legal dispute with CDC relating to S106 agreement, stating there was an omission but were prepared to pay a reduced sum as a gesture of goodwill. The dispute started in 2019.</li> </ul> <p>Audit ascertained that the recording of planning gain receipts was not included against the individual planning application/corresponding S106 agreement on Uniform (software system). Recording of planning gain was recorded by the individual service areas of housing (affordable housing) or CCS&amp;P (parks and open space). All officers use different systems to record and monitor commuted sum information.</p>	<p><b>Priority 2</b></p> <p>The on-going legal dispute should be resolved as soon as possible. Where the resolution is against CDC;</p> <ul style="list-style-type: none"> <li>• Existing processes should be reviewed and amended to remove practices that would lead to similar disputes.</li> <li>• Review signed S106 agreements and deeds of variations to establish and resolve similar instances.</li> </ul>	<p>CDC do not collect all monies due under S106 agreements, forming a reputational risk and loss of monies due.</p>	<p>The Council's solicitor has confirmed that the resolution is against CDC, therefore the payments detailed in the Unilateral Undertaking cannot be collected.</p> <p>The Planning Manager is unaware of any similar instances, but will conduct a thorough review of existing completed Agreements to identify and resolve any that are found. Review to be completed before 31/12/2021.</p> <p>Planning Manager to review procedures with Legal Team before 31/12/2021 to prevent recurrence.</p>	<p>Planning Manager</p> <p>01/09/2021</p>
No 5 (MK ref 420)		<p><b>Priority 3</b></p> <p>CDC should assess the feasibility of introducing clauses, within S106</p>		<p>Legal are happy to review this process. Although the developer is not usually party to the agreement and we cannot ask them to be if they have no</p>	<p>Assistant Legal Officer</p> <p>31/12/2021</p>

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
		agreements, relating to responsibilities of developers informing the planning authority of commencement and dates triggers had been reached.		interest in the land at the time of the planning application/obligation.	
<b>To ensure that income is allocated correctly within CDC</b>					
No 6 (MK ref 418)	<p><b>Allocation of planning gain to relevant services</b></p> <p>Testing identified within CDC financial management system (Agresso) there is no differential made for planning gain to different services. Planning gain follows the same coding structure for all elements. The only separation being into individual agreement references which contains elements for both housing and parks and open spaces.</p> <p>From the Agresso data audit ascertained that 100% of the expenditure related to the correct service; corresponding to the various planning obligations.</p>	<p><b>Priority 3</b></p> <p>The council's financial management system (Agresso) should be revised to ensure that all planning gain from S106 agreements are identifiable to the service they relate too.</p> <p>Work has commenced in relation to this recommendation.</p>	<p>S106 monies received are allocated to incorrect service within CDC.</p> <p>Therefore leading to income funding expenditure other than that set out in the legal agreement.</p>	<p>The introduction of Council wide process/workflow map would ensure Finance are informed of expected receipts. This can then be allocated to the correct Service/Site code.</p> <p>A change to the current coding structure will add a further attribute under each Site code to apportion the receipts/payments of AH/POS or other Services, for clarity of reporting.</p>	<p>Finance Manager,</p> <p>31/03/2021</p>
<b>To ensure that S106 monies used for correct purpose and within timescales set out in agreement</b>					
No 7 (MK ref 414)	<p><b>Monitoring of S106 agreements</b></p> <p>Audit ascertained that monitoring is undertaken independently, in respect of planning gain, by Finance, Housing and CCS&amp;P.</p> <ul style="list-style-type: none"> <li><b>Finance</b></li> </ul> <p>Internal monitoring documents provided during the audit highlighted that planning gains are subject to a full</p>	<p><b>Priority 3</b></p> <p>Finance should introduce financial monitoring to the relevant service on a regular basis which would show, by individual obligation:</p>	<p>Monies are not spent within the time scales set in the original S106</p>	<p>Although a full reconciliation is only conducted once a year, the updating of the monitoring sheets happens when we are notified of receipt –</p>	<p>Finance Manager,</p> <p>31/08/2021</p>

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	<p>reconciliation once a year during the final accounts process. This led to issues relating to spending with services not knowing the balance of funds available to spend. During the audit, copies of a number of "Gateway" reports which contain indicative capital funding requirements (including S106 required) were gained. Details of borrowing required were included, rather than detailing balances of S106/planning gain. Where the balance of planning gain is not known this information could be factually incorrect, leading to inefficiencies, and missed opportunities for investing or making best use of S106 gain.</p> <p>In respect of affordable housing, opportunities could be missed to provide affordable housing.</p> <p>Housing have highlighted this area of concern to finance, both services are currently working together to ensure adequate monitoring is in place to enable Housing to maximise investment opportunities.</p> <ul style="list-style-type: none"> <li>• <b>Housing</b> monitoring information relates to completions of properties, together with a forward programme detailing Local Housing Authorities rent and Shared Ownership properties.</li> <li>• <b>CCS&amp;P</b> revisions to monitoring documents is a current work in progress, following temporary changes in key personnel. The aim of CCS&amp;P is to produce a comprehensive, understandable document. Versions of this document, provided during the audit and discussions with officers show a good understanding of relevant information to be included.</li> </ul>	<p>Details of receipt of planning obligation  Details of expenditure and commitments  Up to date balance remaining.</p> <p>Ensure that this information is included in reports seeking approval to spend.  Work has commenced in relation to this recommendation.</p>	<p>agreement leading to developers requesting monies be returned.</p>	<p>but as presented above this notification is not consistent or prescribed.</p> <p>From the above the balances of S106 funds available for Housing can be presented, however I would still recommend showing the costs associated with borrowing to carry out the projects, as an alternative delivery method – this has been provided on the financial analysis of a number of the latest gateway reports.</p> <p>Opportunities are unlikely to be missed as a consequence of this, as if they were sound projects they would be progressed, regardless of S106 balances.</p>	
No 8 (MK ref 415)		<p><b>Priority 3</b>  CCS&amp;P monitoring document, for POS, which is a current work in progress should be completed to include:</p>		<p><b>Implemented</b></p> <p>Work had already begun before the audit on the more monitoring document. This has been revised</p>	

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
		<ul style="list-style-type: none"> <li>• Detailed instructions/explanation sheet.</li> <li>• Details of planning gain calculations undertaken.</li> <li>• Evidence relating to allocation of planning gain included on S106 agreements</li> <li>• Details of S106 agreements entered into.</li> <li>• Details of triggers for collection of S106 agreement.</li> <li>• Details of planning gain due and those received.</li> <li>• Details of schemes against individual elements of planning gain.</li> <li>• Ability to ascertain for each scheme the number of planning gain that have contributed and the level of planning gain.</li> <li>• Details of recipients of planning gain per scheme and S106 agreement.</li> <li>• Progress of scheme, with completion and inspection dates.</li> </ul> <p>Work has commenced in relation to this recommendation.</p>		further to incorporate the recommendations made in the audit report and this has now been completed.	
No 9 (MK ref 416)	<p><b>Expenditure Timescales Inclusion Within S106 Agreements</b></p> <p>Guidance relating to planning obligations issued by the Ministry of Housing, Communities and Local Government (published 19 May 2016, last updated 1 September 2019) includes the</p>	<p><b>Priority 3</b></p> <p>To comply with Ministry of Housing, Communities and Local Government advice;</p>	Monies are not spent within the timescales set in the	Planning Manager has liaised with Legal Team and such clauses will be included in all	<p>Planning Manager</p> <p>01/04/2021</p>

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	<p>following statement:</p> <p>“S106 Agreements should normally include clauses stating when and how the funds will be used by and allow for their return, after an agreed period of time, where they are not.”</p> <p>Current CDC practices are timescales are only included in S106 agreements at the request of instructing officers within Housing and CCS&amp;P and external bodies (such as NYCC).</p> <p>Testing reviewed a sample of S106 agreements in order to ascertain if clauses were included relating to expenditure timescales and the return of unused funds.</p> <p>Audit ascertained that:</p> <ul style="list-style-type: none"> <li>• 62% of the agreements had no reference to the agreed period of time for expenditure.</li> <li>• 38% included a timescale. For those agreements that included a timescale; 100% of money was spent within stated timescales.</li> </ul>	<p>agreements should include clauses stating when and how the funds will be used by and allow for their return, after an agreed period of time, for any remaining balances. Any unused balances should be repaid to the developer.</p>	<p>original S106 agreement leading to developers requesting monies be returned.</p>	<p>Agreements, rather than at the behest of instructing officers or external bodies.</p>	
<p>No 10 (MK ref 417)</p>	<p><b>Compliance with Councils Procurement Rules and Financial Rules and Regulations for Parks and Open Space Projects funded by planning obligations.</b></p> <p>Contract Procurement Rules for CDC (relevant between September 2015 and mid October 2020) state the requirements for quotes to be received depending on the estimated value of expenditure.</p> <p>Projects are mainly undertaken by 3rd parties (parish councils, sporting organisations, community organisations).</p> <p>Testing was undertaken to ascertain compliance with procurement rules. From evidence provided; where quotes were required – in 60% of cases no quotes were evident. Audit were therefore unable to confirm if quotes had either not been gained by the spending bodies or whether the quotes had not been retained by the relevant service.</p>	<p><b>Priority 3</b></p> <p>Processes should be introduced to ensure compliance with current procurement rules. Any evidence to show compliance with the rules, together with copies of invoices and evidence that the works meet the minimum standards should be retained for a period of 2 years following:</p> <ul style="list-style-type: none"> <li>• End of timescales included in the S106 agreement.</li> <li>OR</li> <li>• Repayment of funds to</li> </ul>	<p>Financial loss through breach of CDC procurement rules and regulations.</p>	<p><b>Implemented</b></p> <p>S106 Award Letter has been amended to ensure includes requirement to adhere to CDC procurement rules and specifically state expenditure thresholds and need to obtain quotes. As part on internal processes invoices will need to be submitted before payment is released as well as photographic</p>	

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	<p>Further Audit testing was undertaken to establish if copies of relevant invoices had been submitted/retained prior to the release of funds to 3<sup>rd</sup> party organisations:</p> <p>88% of transactions, showed relevant invoices stating works had been completed, and were retained.</p> <p>12% of transactions, a quote relating to the works was kept on file (quote was prior to commencement of works), was retained.</p> <p>CCS&amp;P officers recently introduced a standard letter to be issued to the spending organisations stating the requirements of CDC relating to expenditure. The letter states payment can only be made once evidence of spending has occurred i.e. invoice or contract payment schedule. No direct reference to expenditure thresholds and needs for quotes is referred to.</p>	the developer.		evidence of work having taking place	

Any queries or requests for further information regarding this report should be directed to Audit Services on 01423 500600 (ext) 58573. Audit Services would like to thank the officers involved for their assistance during this audit.