

STATEMENT OF ACCOUNTS

2011/2012

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Additional Information to the Accounts

Appendix 1: Annual Governance Statement

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

Corporate Head of Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ (01756) 706302
or by email to contactus@cravencd.gov.uk



If you would like this information in a way which is better for you, please telephone 01756 700600.

SECTION 1

EXPLANATORY FOREWORD

Explanatory Foreword

This booklet contains the Statement of Accounts which the Council publishes in accordance with the Accounts and Audit Regulations 2011.

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 2011/12 and comment upon the most significant matters reported in the accounts. This publication incorporates all 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 2011/12: Based on International Financial Reporting Standards (The Code)***.

The Council's accounts for the year 2011/12 are set out on pages 13 to 68 and comprise of:

- **The Statement of Responsibilities for the Statement of Accounts (pages 11 to 12).** 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 Statement of Accounting Policies (pages 13 to 24).** These explain the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies that have been followed in dealing with material items are explained.
- **The Movement in Reserves Statement (MIRS) (page 26).** 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 27).** 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 28).** 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 29).** 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 30 to 63).** These provide additional information about the figures in the core financial statements.

Supplementary Statements Comprising:

- **The Collection Fund Account (page 65).** 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 66 to 68).** These provide additional information about the figures in the Collection Fund.

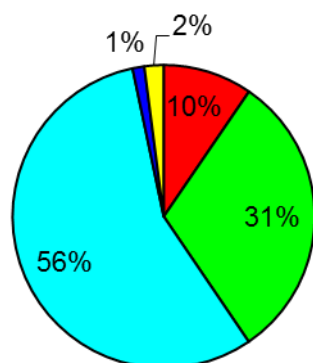
Other Statements Comprising:

- **The Independent Auditor's Report to Craven District Council – Audit Certificate and Opinion (pages 69 to 72).** This will be provided by the Council's external auditors upon completion of the audit.
- **Glossary of Terms (pages 73 to 80).** Terms used throughout this document are described in detail in these pages.

Supporting Statements:

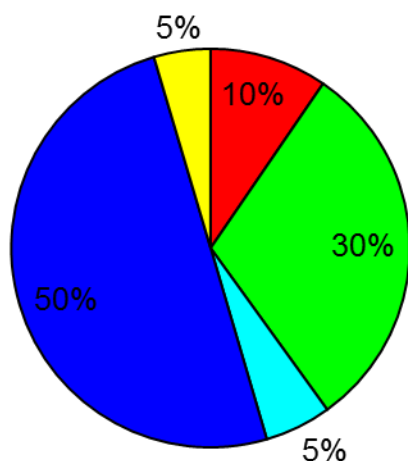
- **The Annual Governance Statement (Appendix 1).** A statement explaining how the Council maintains an effective system of internal financial control.

Pages 6 and 7 show, in broad terms, where the money comes from, how it is spent, and the difference between budget and actual income / expenditure.

Where the money comes from:


- Revenue Support Grant
- National Non-Domestic Rates entitlement
- Council Tax Precept on Collection Fund (including Parish Precepts)
- Investment Income
- Non Specific Government Grants and Other Income (incl-CT Freeze Grant)

| Comparison against Original Estimate | Original Estimate 2011/12 £'000 | Actual Income 2011/12 £'000 | Variance (Estimate vs. actual) £'000 |
|---|------------------------------------|--------------------------------|--|
| Revenue Support Grant | 765 | 765 | - |
| National Non-Domestic Rates entitlement | 2,476 | 2,476 | - |
| Council Tax Precept on Collection Fund (including Parish Precepts) | 4,480 | 4,499 | 19 |
| Investment Income | 80 | 101 | 21 |
| Non Specific Government Grants and Other Income (incl-CT Freeze Grant) | 145 | 164 | 19 |
| Total | 7,946 | 8,005 | 59 |

Where the money goes (Net cost of services excluding pension gains):


- Central Services to the Public
- Cultural, Environmental and Planning Services, Highways and Transport
- Housing Services - Other
- Corporate and Democratic Core
- Non Distributed Costs

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| Difference between Budget and Actual Income / Expenditure | | | |
|---|------------------------------------|--|--|
| | Original Estimate 2011/12 £'000 | Actual Expenditure 2011/12 £'000 | Variance (Estimate vs. actual) £'000 |
| Central Services to the Public | 860 | 663 | (197) |
| Cultural, Environmental and Planning Services, Highways and Transport | 2,901 | 2,117 | (784) |
| Housing Services - Other | 212 | 375 | 163 |
| Corporate and Democratic Core | 3,381 | 3,468 | 87 |
| Non Distributed Costs | 228 | 319 | 91 |
| Pension Curtailment Costs | - | - | - |
| | 7,582 | 6,942 | (640) |
| Precepts paid | 1,079 | 1,079 | - |
| Interest payable | 302 | 299 | (3) |
| MRP | 215 | 327 | 112 |
| Depreciation included above | (1,426) | (1,255) | 171 |
| Transfer to GF/ Earmarked reserves | 250 | 432 | 182 |
| Other | (136) | (101) | 35 |
| Total | 7,866 | 7,723 | (143) |

Review of Financial Performance 2011/12

The Council has continued to strengthen its financial position in 2011/12.

The Cost of Services was £640k lower than budget. Service savings have been achieved through a combination of reduced costs and increased income. The Council monitors the performance of Departments against budget throughout the year. The final outturn management accounts show that all Departments have made savings against their 2011/12 revised budget estimates, with total net savings of £414k.

| | Revised Budget 2011/12 £ | Outturn 2011/12 £ | Variance 2011/12 £ |
|--|-----------------------------------|-------------------------|--------------------------|
| Chief Executive/Deputy Chief Executive | 2,005 | 1,890 | (115) |
| Resources Department | 1,382 | 1,279 | (103) |
| Community Department | 2,769 | 2,573 | (196) |
| Total Departmental Net Costs | 6,156 | 5,742 | (414) |

CRAVEN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2011/2012

The original estimate included a target contribution of £250k to the General Fund Balance. Through strong financial management, the Council has achieved this target and made an additional transfer of £182k, increasing the General Fund Balance to £1,030k as at 31 March 2012. Transfers of £410k have also been made to earmarked reserves, including an increase of £101k to the Planning Reserve, to cover planning cost pressures and implementation of the Local Development Plan, and a transfer of £56k to the Enabling Efficiencies Fund to enable the implementation of the Council's savings plan. Additional Government funding from the New Homes Bonus Grant has been set aside in a new reserve to fund specific, approved initiatives.

The strong financial performance in 2011/12 has improved the Council's financial resilience. As a result, at 31 March 2012 the Council has a General Fund Balance of £1,030k (£598k at 31 March 2010) and Earmarked Reserves of £886k (£476k at 31 March 2010).

Borrowing Facilities

The Council's borrowing facilities for 2011/12 are 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 Prudential Code, which was introduced in April 2004. The Prudential Code controls borrowing by reference to an Authorised Limit and Operational Boundary. The Council agreed the Prudential Indicator limits for 2011/12.

There was no new borrowing, long-term or short-term, during the year.

Capital Expenditure

Capital expenditure results in a benefit that lasts for a number of years.

In 2011/12 the Council spent a total of £5,216k on acquiring and improving assets, including grants made for the improvement of private homes. This includes expenditure incurred in 2010/11 on the new office accommodation, which was deferred until 2011/12 when the asset transferred into Council ownership.

The following table shows an analysis of the Council's capital expenditure:

| 2010/11 £'000 | Areas of Capital Expenditure | 2011/12 £'000 |
|------------------|---|------------------|
| 52 | Litter Bins | 35 |
| 205 | Refuse Vehicles and associated equipment | 413 |
| 528 | Health Capital Grants | 353 |
| 269 | IT Infrastructure (including new office accommodation) | 214 |
| 0 | Completion of works / acquisition of leasehold for Belle Vue Square | 3,816 |
| 0 | Furniture, fixtures & fittings | 45 |
| 1 | Craven Swimming Pool | 145 |
| 53 | Community Schemes and Signage | 40 |
| 0 | Flood Alleviation/Riverside Project | 0 |
| 17 | Improvements to offices and public buildings | 0 |
| 0 | Computer software and website | 155 |
| 13 | Other Miscellaneous Items | 0 |
| 1,138 | Total Capital Expenditure | 5,216 |

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This expenditure compares with an initial budget of £5,711k. The decrease of £495k is a result of slippage and reclassification of items as follows:

| | 2011/12 £'000 |
|---|--------------------------|
| Waste Management (Replacement Vehicles) | 147 |
| Skipton Renaissance Market Town Initiatives | 10 |
| Private Sector Renewals and Disabled Facilities Grants | 162 |
| Leisure and Community Facilities: Community Buildings and Car Parks | 16 |
| Information Services | 104 |
| CRM system upgrade | 16 |
| Government Connect Project | 40 |
| Total Slippage and Reclassification | 495 |

An analysis of how expenditure in the above table has been financed is set out in the table below.

| 2010/11 £'000 | Method of Financing | 2011/12 £'000 |
|--------------------------|-------------------------------|--------------------------|
| 703 | Prudential Borrowing | 913 |
| 425 | Health Capital Grants | 215 |
| 10 | Revenue contribution | 23 |
| 0 | Capital Receipts and Reserves | 4,065 |
| 0 | Other Grants | 0 |
| 1,138 | Total Financing | 5,216 |

Non-Current Assets

In accordance with the Council's 5-year rolling programme, a number of properties (land and buildings) were revalued in 2011/12. Valuations were carried out by an in-house surveyor – a member of the R.I.C.S.

An impairment review of properties was undertaken which resulted in the downwards revaluation of one property.

Pensions

Disclosure requirements under the Code are included and are in accordance with International Accounting Standard (IAS) 19. Details of the information are set out in Note 33 to the Core Financial Statements and associated tables. The implementation of these accounting policies has a material effect on substantial parts of the Statement of Accounts.

The table "Scheme History" in Note 33 sets out the Council's estimated share of the North Yorkshire County Council's Pension Fund's assets and liabilities. The Balance Sheet shows that the deficit has increased from £22.3m at 31 March 2011 to £25.5m at 31 March 2012. This is a long-term position, and contribution rates are set to meet 100% of local authorities' liabilities over time, under Pension Fund Regulations.

Accounting Practices and Policies Changes

The accounting policies adopted by the Council comply with the relevant recommended accounting practices and the latest revisions to these from 1 April 2011. For 2011/12 the

Council adopted the new CIPFA Code of Practice on Local Authority Accounting. The Code introduced a change to the accounting treatment for heritage assets. The changes to prior year comparators are described in note 1 to the accounts "Prior Period Adjustment – Heritage Assets" on page 31 and the Council's new accounting policy for recognition and measurement of heritage assets is now set out in the Statement of Accounting Policies, note 8 page 18.

The new code for the 2012/13 accounts requires the Council to adopt the new accounting disclosures of International Financial Reporting Standard 7 (IFRS 7) relating to transfers of financial assets. This will have no impact on the Council's accounts for 2011/12.

The new Statement of Accounting Policies adopted as a result of the changes is set out on pages 13 to 24.

Current Economic Climate

Government measures to reduce the budget deficit continue to have an impact on the Council's finances. The Council requires financial resources to fund the delivery of its corporate priorities, statutory obligations and discretionary services. Although the Council has set a balanced budget for 2012/13, the actual level of Government funding after 2012/13 is unknown. Assumptions in the current Medium Term Financial Strategy (MTFS) show that further savings of £334k will need to be made over the period 2013/14 to 2015/16. Changes in government funding have a major impact on the Council's finances. The ability to plan ahead, prioritise and align resources is essential to meeting medium term objectives and achieving Value for Money. Similarly, there is uncertainty on how the current economic downturn will impact on customer debts and how it will continue to directly affect income from sources such as parking fees.

Service Delivery Changes

The Council is continuing with its Transformation programme. The office move to Belle Vue Square has been successfully completed, the asset rationalisation programme is ongoing, procurement savings are being realised, and several shared service initiatives have been established which are delivering efficiency savings. A Value for Money programme has been implemented to ensure that our services are economic, efficient and effective, and sets out a framework and timetable of service reviews. The Council's Enabling Efficiency Fund has been set up to enable us to invest in initiatives which will bring longer term savings.

Although there is a high degree of uncertainty about future levels of funding for local government, the Council's savings and transformation initiatives, which link through to the four year MTFS, aim to minimise service reductions so that we can continue to deliver our Council Plan priorities. The MTFS will continue to be reviewed on an annual basis to take into account the inevitable further reductions in the level of Government funding, changes introduced under the Local Government Resource Review and the continuing turbulence of the economic climate; this will set the direction of travel for the 2013/14 budget and beyond. Whilst we have worked prudently to rebuild the Council's financial base, we realise that there will be many challenges ahead.

Further Information

If you require further information concerning the Council's accounts, this is available from the Corporate Head of Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ (01756 700600) or by email: 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 the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Head of Financial Management;
- ♦ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ♦ approve the Statement of Accounts.

The Corporate Head of Financial Management's Responsibilities

The Corporate Head of Financial Management is responsible for the preparation of the Authority'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 Corporate Head of Financial Management 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 Corporate Head of Financial Management has also:

- ♦ kept proper accounting records which were up to date;
- ♦ taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of Craven District Council at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

Joanna Miller CPFA
Corporate Head of Financial Management

Date: 25 September 2012

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 25 September 2012

Councillor S Place
Chair of Audit and Governance Committee

Date: 25 September 2012

SECTION 3

STATEMENT OF ACCOUNTING POLICIES

Statement of Accounting Policies

A summary of the main accounting policies adopted is set out below:

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Accounts have been prepared in accordance with the 2011/12 Code of Practice on Local Authority Accounting issued in December 2010 by the Chartered Institute of Public Finance and Accountancy (CIPFA), based on International Financial Reporting Standards and the Service Reporting Code of Practice (SERCOP). The Accounts have been prepared under the historical cost convention modified to account for the revaluation of non-current assets.

2. Cash and 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.

3. 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.
- 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 stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- 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 income 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 dependant 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.

4. Provisions

Provisions are made where an event has taken place that gives the council an obligation that properly requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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 to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account. The main provision that the Council currently holds is that for bad debts.

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.

Provisions are recognised where an obligation exists at the balance sheet date, which would be settled by the transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. Provisions are charged to the relevant revenue account and are shown within the appropriate section within the Balance Sheet.

5. Capital and Revenue Reserves

These are amounts set aside for purposes falling outside the definition of provisions. 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 reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the CIES. The reserve is then appropriated back in the MIRS 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 and retirement benefits and they do not represent usable resources for the council. For instance, a large proportion of capital reserves cannot be used to support current expenditure. The Non-Current Asset Revaluation Reserve and the Capital Adjustment Account fall into this category. However, reserves of capital grants, contributions and usable capital receipts, classified as Usable Reserves may be used to finance capital expenditure.

Other reserves and balances held by the Authority and shown in the Balance Sheet are the General Fund Balances, earmarked specific reserves and the Pension Reserve.

6. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. Expenditure on Intangible Assets is capitalised at cost and thereafter does not normally require revaluation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

7. Property, Plant and Equipment (PPE), Heritage Assets and Investment Properties

Non-current assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

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 all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases as recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS):-

- Operational land and properties, investment properties and assets that are surplus to requirements are included in the Balance Sheet at the lower of net current replacement cost or net realisable value.
- Infrastructure assets (e.g. highways and footpaths) if any are included in the Balance Sheet at historic cost net of depreciation.
- 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.

Otherwise, net current replacement cost is assessed as:

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

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. 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: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. An impairment or revaluation loss on a previously revalued asset is initially recognised in the Revaluation Reserve up to the balance on the Reserve in relation to that asset, any remaining loss being recognised in the Comprehensive Income and Expenditure Statement.

Disposals: 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.

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation must be provided for on certain non-current assets regardless of any repair and maintenance undertaken in the year. This is to reflect the use of non-current assets in the provision of services.

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

- freehold land is not depreciated;
- community assets do not have finite lives and are therefore not depreciated;
- new or existing assets are not depreciated in the year of acquisition or purchase.

Remaining Useful Asset Life

The calculation of depreciation takes into consideration the expected remaining useful life of each asset. Asset lives for each depreciable non-current fixed asset were determined in 2009/10 by P Rhodes, MRICS, of the Valuation Office Agency and were based on the number of years that each asset is expected to provide an economic benefit to the Council. 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 and plant, a standard 7 year life has been used.

Where an asset has major components with different estimated useful lives, these are depreciated separately. The Council has taken the option provided by the Code to defer implementation of this policy until assets are revalued as part of the Council's 5 year revaluation programme.

Grants and Contributions

Where grants and contributions are received they are credited to the appropriate capital/revenue account on an accruals basis and recognised immediately in the CIES. Specific service revenue grants are shown in the relevant service line. General revenue grants and capital grants are shown in the Non Specific Grant Income lines.

Where a capital grant or contribution has been recognised as income in the CIES, the grant or contribution is transferred to the Capital Grants Unapplied Account and the transfer is reported in the MIRS. Where the expenditure to be financed has been incurred at the balance sheet

date the grant is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account. This transfer is also reported in the MIRS.

Where a capital grant or contribution has a condition that the Council has not satisfied at the balance sheet date, the grant or contribution is credited to Capital Grants Receipts in Advance on the Balance Sheet. Once the condition has been met the grant is transferred and recognised as income in the CIES.

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
- impairment losses attributable to the clear consumption of economic benefits on non-current assets used by the service, and other losses 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 cover depreciation, impairment losses or amortisations. However, it is required to make an annual prudent provision from revenue (MRP) to contribute towards the reduction in its overall borrowing requirement. Depreciations, impairment losses and amortisations are therefore replaced by revenue provision, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

8. 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. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of the heritage.

They may include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

The authority's Heritage Assets comprise artworks, 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 held in perpetuity with no defined useful life and consequently are not depreciated.

9. 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 non-current assets 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.

10. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the MIRS. 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 appropriated back into the General Fund Balance in the MIRS 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, financial instruments, pension costs and employee benefits and do not represent usable resources for the Council.

11. Accounting for Leases**Finance Leases**

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a non-current asset – the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the CIES as the rent becomes payable).

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.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

12. Financial Assets

The Council only has one type of significant financial asset:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Account 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 loans the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the

Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

13. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount for the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and the interest charged to the CIES is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the CIES in the year of repurchase/settlement. However where the repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

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.

14. Overheads and Support Services

The costs of overheads, support services and service management are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice. The total absorption principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – as relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and Pension costs of former employees.

These two cost categories are accounted for as separate headings in the CIES as part of Cost of Services.

15. 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 Movement in Reserves Statement 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 and are charged on an accruals basis to the Non Distributed Costs line in the CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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. In the Movement in Reserves Statement, 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.

16. Retirement Benefits

The Council has fully adopted the requirements of IAS19 – Retirement Benefits. The valuation amounts used in the preparation of the amounts shown in the Council's Accounts have been provided by the Actuary to the North Yorkshire Pension Fund, Mercer Human Resource Consulting Ltd.

In adopting IAS19 – Retirement Benefits, the Actuary has used the following policies in producing the estimates for the Council's financial statements:

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

This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. It is accounted for as a defined benefits scheme:

- The liabilities of the North Yorkshire pension scheme attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- The attributable scheme liabilities have been discounted to their value at current prices, using the redemption yield available on long dated AA rated Corporate Bonds.
- The assets of the North Yorkshire pension fund attributable to the council are included in the balance sheet at their fair value:
 - quoted securities – 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 seven components:
 - 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 arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the CIES as part of Non Distributed Costs.

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure in the CIES.
- Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Financing and Investment Income in the CIES.
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the CIES as part of Non Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the CIES – Other Comprehensive Income and Expenditure.
- Contributions paid to the North Yorkshire Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Movement in Reserves Statement this means that there are appropriations 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 any amounts payable to the fund but unpaid at the year-end.

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.

17. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

18. Interests in Companies and Other Entities

The Council has no interests in companies or other entities that have the nature of subsidiaries, associates or joint ventures that require it to prepare group accounts.

19. Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The Collection Fund (England) Statement is included as a supplementary statement in the accounts.

In its capacity as billing authority the Council acts as an agent. It collects and distributes NNDR on behalf of the Government and Council Tax on behalf of the major preceptors.

The only part of NNDR income collected on behalf of the Government included in the Council's CIES is the Cost of Collection Allowance.

Council Tax accrued income for the year and Council Taxpayers debtors, creditors and provision for bad debts at the 31 March are shared between the major preceptors and the Council based on their percentage share of the total demands/precepts for the year.

In accordance with the current accounting Code of Practice the Council's CIES includes its share of accrued Council Tax Income. Where this amount is more or less than the amount to be credited to the General Fund under statute, there is an adjusting transfer in the Movement in Reserves Statement, between the General Fund Balance and the Collection Fund Adjustment Account. This account holds the Council's share of the Collection Fund Surplus or Deficit at the 31 March.

The Council's Balance Sheet includes the net creditor/debtor position with the Government and major preceptors for taxes collected on their behalf and not yet paid to them or taxes paid to them but not yet collected from taxpayers.

20. Contingent Assets and Liabilities

Contingent Assets and Liabilities are not recognised within the financial statements. Contingent Assets are disclosed by way of a note to the accounts if the inflow of economic benefits or service potential is probable.

Contingent Liabilities are disclosed by way of a note to the accounts if there are possible obligations that may require payment or a transfer of economic benefits.

21. Exceptional Items

The authority defines exceptional items as those items of material income and expenditure which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts. The nature and amount of exceptional items are disclosed separately on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the authority's financial performance.

22. Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period. The Statement of Accounts 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.

23. Investment Property

Investment property is property (land and/or buildings) held solely to earn rental income or for capital appreciation or both. The Council's property portfolio is reviewed annually to identify any additional assets which meet this criteria.

An Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period. When an asset is transferred to this category it is re-valued

to fair value on transfer and any gain is recognised in the Revaluation Reserve. A loss is recognised in the Revaluation Reserve up to the balance on the Reserve and then to the CIES. Any balance on the Revaluation Reserve is frozen until the asset is derecognised. Revaluation gains or losses on Investment Property are included in the CIES in addition to the rental income and any direct expenditure.

Depreciation is not charged on Investment Property.

24. Assets 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 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.

25. Minimum Revenue Provision

The prudent provision made by the Council is calculated in accordance with the MRP Policy agreed by Policy Committee.

26. 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.

SECTION 4

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

| | General Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Contributions Unapplied | Capital Reserve | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|----------------------|--------------------|--------------------------|---------------------------------|-----------------|-----------------------|-------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2010 | 169 | 368 | 2,094 | 201 | 1,928 | 4,760 | 3,451 | 8,211 |
| Movement in Reserves during 2010/11 | | | | | | | | |
| Surplus (deficit) on the provision of services (CIES) | 1,171 | - | - | - | - | 1,171 | - | 1,171 |
| Other Comprehensive Income and Expenditure (CIES) | - | - | - | - | - | - | 1,868 | 1,868 |
| Total Comprehensive Income and Expenditure | 1,171 | - | - | - | - | 1,171 | 1,868 | 3,039 |
| Adjustments between accounting basis and funding basis under regulations (Note 6) | (634) | - | 82 | 193 | - | (359) | 359 | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 537 | - | 82 | 193 | - | 812 | 2,227 | 3,039 |
| Transfers to Earmarked Reserves (Note 38) | (108) | 108 | - | - | - | - | - | - |
| Increase/Decrease in 2010/11 | 429 | 108 | 82 | 193 | - | 812 | 2,227 | 3,039 |
| Balance at 31 March 2011 c/f | 598 | 476 | 2,176 | 394 | 1,928 | 5,572 | 5,678 | 11,250 |
| Movement in Reserves during 2011/12 | | | | | | | | |
| Surplus (deficit) on the provision of services (CIES) | (1,181) | - | - | - | - | (1,181) | - | (1,181) |
| Other Comprehensive Income and Expenditure (CIES) | - | - | - | - | - | - | (2,928) | (2,928) |
| Total Comprehensive Income and Expenditure | (1,181) | - | - | - | - | (1,181) | (2,928) | (4,109) |
| Adjustments between accounting basis and funding basis under regulations (Note 6) | 2,023 | - | (1,186) | (278) | (1,928) | (1,369) | 1,369 | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 842 | - | (1,186) | (278) | (1,928) | (2,550) | (1,559) | (4,109) |
| Transfers to Earmarked Reserves (Note 38) | (410) | 410 | - | - | - | - | - | - |
| Increase/Decrease in 2011/12 | 432 | 410 | (1,186) | (278) | (1,928) | (2,550) | (1,559) | (4,109) |
| Balance at 31 March 2012 c/f | 1,030 | 886 | 990 | 116 | - | 3,022 | 4,119 | 7,141 |

Comprehensive Income and Expenditure Statement for the year ended 31 March 2012

| 2010/11 | | | | 2011/12 | | |
|----------------------------------|--------------------|--------------------------------|---|-------------------------|--------------------|-----------------------|
| Gross Expenditure Restated £'000 | Gross Income £'000 | Net Expenditure Restated £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
| | | | | | | |
| 4,707 | 3,567 | 1,140 | Central services to the public | 4,447 | 3,558 | 889 |
| 2,340 | 1,135 | 1,205 | Cultural Services | 2,262 | 1,169 | 1,093 |
| 3,948 | 1,875 | 2,073 | Environmental and Regulatory Services | 3,702 | 1,932 | 1,770 |
| 1,762 | 556 | 1,206 | Planning services | 1,510 | 517 | 993 |
| 1,242 | 1,644 | (402) | Highways and transport services | 390 | 1,434 | (1,044) |
| 10,015 | 9,876 | 139 | Other housing services | 10,822 | 10,399 | 423 |
| 2,169 | 141 | 2,028 | Corporate and democratic core | 2,012 | 263 | 1,749 |
| 888 | 7 | 881 | Non distributed costs | 1,121 | 6 | 1,115 |
| (2,916) | - | (2,916) | Pensions past service (gain)/loss (Note 5) | - | - | - |
| 24,155 | 18,801 | 5,354 | COST OF SERVICES | 26,266 | 19,278 | 6,988 |
| | | | | | | |
| | | 966 | Other operating expenditure (Note 8) | | | 1,166 |
| | | 1,494 | Financing and investment income and expenditure (Note 9) | | | 1,186 |
| | | (8,985) | Taxation and non-specific grant income (Note 10) | | | (8,159) |
| | | (1,171) | (Surplus) or Deficit on the Provision of Services | | | 1,181 |
| | | | | | | |
| | | 1,046 | (Surplus) or deficit on revaluation of non-current assets | | | 121 |
| | | (2,914) | Actuarial (gains) or losses on pension assets and liabilities | | | 2,807 |
| | | (1,868) | Other Comprehensive Income and Expenditure | | | 2,928 |
| | | (3,039) | Total Comprehensive Income and Expenditure | | | 4,109 |

Balance Sheet as at 31 March 2012

| 1 April 2010 Restated | 31 March 2011 Restated | | 31 March 2012 | | |
|--------------------------|---------------------------|-------------------------------|---------------|----------|-----------------|
| £'000 | £'000 | | Notes | £'000 | £'000 |
| | | | | | |
| 31,860 | 30,161 | Property, Plant and Equipment | 19 | 31,995 | |
| 1,921 | 1,789 | Investment Properties | 19 | 1,578 | |
| 1,455 | 1,455 | Heritage Assets | 19 | 1,455 | |
| 287 | 264 | Intangible Assets | 18 | 258 | |
| 3 | 3 | Long-term Investments | | 3 | |
| 26 | 8 | Long-term Debtors | | 12 | |
| 35,552 | 33,680 | LONG-TERM ASSETS | | | 35,301 |
| | | | | | |
| | | | | | |
| 6,158 | 5,551 | Short-term Investments | 28 | 1,012 | |
| 39 | 44 | Inventories | | 53 | |
| 0 | 0 | Assets held for sale | 27 | 858 | |
| 2,873 | 4,728 | Short-term Debtors | 29 | 1,299 | |
| 1,180 | 98 | Cash and Cash Equivalents | 30 | 2,570 | |
| 10,250 | 10,421 | CURRENT ASSETS | | | 5,792 |
| | | | | | |
| (2,064) | (2,066) | Short-term Borrowing | 43 | (64) | |
| (2,375) | (2,164) | Short-term Creditors | 31 | (2,073) | |
| (4,439) | (4,230) | CURRENT LIABILITIES | | | (2,137) |
| | | | | | |
| (6,302) | (6,294) | Long-term Borrowing | 43 | (6,286) | |
| (26,850) | (22,327) | Other Long-term Liabilities | 32 | (25,529) | |
| (33,152) | (28,621) | LONG-TERM LIABILITIES | | | (31,815) |
| | | | | | |
| 8,211 | 11,250 | NET ASSETS | | | 7,141 |
| | | | | | |
| | | | | | |
| 4,760 | 5,572 | Usable Reserves | 36 | | 3,022 |
| 3,451 | 5,678 | Unusable Reserves | 36 | | 4,119 |
| 8,211 | 11,250 | TOTAL RESERVES | | | 7,141 |

Cash Flow Statement

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|---|------------------|
| 1,171 | Net surplus or (deficit) on the provision of services | (1,181) |
| (3,086) | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 40) | 5,519 |
| (82) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 40) | (391) |
| (1,997) | Net cash flows from Operating Activities | 3,947 |
| (92) | Investing Activities: (Note 41) | 69 |
| 1,007 | Financing Activities: (Note 42) | (1,544) |
| (1,082) | Net increase or (decrease) in cash and cash equivalents | 2,472 |
| 1,180 | Cash and cash equivalents at the beginning of the reporting period | 98 |
| 98 | Cash and cash equivalents at the end of the reporting period | 2,570 |

SECTION 5

NOTES TO THE CORE FINANCIAL STATEMENTS

Notes to the Core Financial Statements

1. Prior Period Adjustments:

Heritage Assets

The code for 2011/12 accounts requires the Council to adopt the accounting requirements relating to Heritage assets. Under the code they are shown in the new category of Heritage Assets on the Balance sheet at fair value where available. Museum and Art Gallery Exhibits, including the Shakespeare Folio and the Roebuck Collection, have transferred to this new category. Under the code they have been valued at fair value, based on insurance valuations (which are based on market values), which currently stands at £1,455k. These items were not previously recognised in the Balance Sheet.

The following restatements are required:

| Balance Sheet | 31 March 2010 £'000 | Heritage Assets £'000 | 1 April 2010 Restated £'000 |
|---------------------|---------------------------|-----------------------------|--------------------------------------|
| Heritage Assets | - | 1,455 | 1,455 |
| Revaluation Reserve | (11,249) | (1,455) | (12,704) |

| Balance Sheet | 31 March 2011 £'000 | 2010 Adj'ts Above | 31 March 2011 Restated £'000 |
|---------------------|------------------------------|-------------------------|---------------------------------------|
| Heritage Assets | - | 1,455 | 1,455 |
| Revaluation Reserve | (10,201) | (1,455) | (11,656) |

| MIRS | 31 March 2010 £'000 | 2010 Heritage Assets Adj'ts | 31 March 2010 Restated £'000 |
|--------------------------|------------------------------|--------------------------------------|---------------------------------------|
| Unusable Reserves | 1,996 | 1,455 | 3,451 |
| Total Authority Reserves | 6,756 | 1,455 | 8,211 |

| MIRS | 31 March 2011 £'000 | 2010 Adj'ts Above | 31 March 2011 Restated £'000 |
|--------------------------|------------------------------|-------------------------|---------------------------------------|
| Unusable Reserves | 4,223 | 1,455 | 5,678 |
| Total Authority Reserves | 9,795 | 1,455 | 11,250 |

SERCOP:

A review was undertaken of the analysis of expenditure with the introduction of SERCOP. This resulted in items previously included within Corporate and Democratic Core (CDC) being re-analysed across the other SERCOP headings. £1,049k of CDC expenditure was re-classified as follows: £198k as Central Services to Public, £171k as Cultural Services, £216k as Environmental and Regulatory Services, £221k as Planning services, £46k as Other Housing Services and £196k as Non Distributed Costs.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The code for 2012/13 accounts requires the Council to adopt the accounting requirements relating to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets). We do not anticipate these changes to have any impact on the Financial Statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Section 3, the Authority 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:

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------|---|--|
| 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. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £62k for every year that useful lives had to be reduced. |
| 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 to provide the Authority with expert advice about the assumptions to be applied. | 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 £826k. However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had remained the same as a result of estimates being corrected as a result of experience. |
| Arrears | At 31 March 2012, the Authority had a balance of sundry debtors for £310k. A review of all balances suggested that an impairment of doubtful debts of £280k 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 the impairment of doubtful debts (for non-public body sundry debtors) would require an additional £14k to set aside as an allowance. |

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. Material Items of Income and Expenditure

There has been no pensions past service gain/loss in the year (2010/11: £2,916k past service cost gain). Past service gain/losses are calculated by the pension scheme Actuary (Note 36).

6. Adjustments between Accounting Basis and Funding Basis under Regulations

| | Usable Reserves | | | | |
|---|----------------------|--------------------------|---------------------------------|-----------------|-------------------------------|
| | General Fund Balance | Capital Receipts Reserve | Capital Contributions Unapplied | Capital Reserve | Movement in Unusable Reserves |
| 2011/12 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Charges for depreciation and impairment of non-current assets | 1,632 | | | | (1,632) |
| Amortisation of intangible assets | 115 | | | | (115) |
| Revenue expenditure funded from capital under statute | 178 | | | | (178) |
| Net gain or loss on sale of non-current assets | 87 | 391 | | | (478) |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 1,801 | | | | (1,801) |
| Employer's pension contributions and direct payments to pensioners payable in the year | (1,405) | | | | 1,405 |
| Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements | (5) | | | | 5 |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements. | (8) | | | | 8 |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 0 | | | | 0 |
| Capital grants and contributions credited to the CIES | (22) | | 22 | | 0 |
| Capital expenditure charged against the General Fund | (23) | | | | 23 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | (109) | | 109 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (1,577) | | | 1,577 |
| Use of the Capital Reserve to finance new capital expenditure | | | | (1,928) | 1,928 |
| Use of the Capital Contributions Unapplied to finance new capital expenditure | | | (191) | | 191 |
| Statutory provision for the repayment of debt | (327) | | | | 327 |
| Total Adjustments | 2,023 | (1,186) | (278) | (1,928) | 1,369 |

| | Usable Reserves | | | | |
|---|----------------------|--------------------------|---------------------------------|-----------------|-------------------------------|
| | General Fund Balance | Capital Receipts Reserve | Capital Contributions Unapplied | Capital Reserve | Movement in Unusable Reserves |
| 2010/11 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Charges for depreciation and impairment of non-current assets | 1,206 | | | | (1,206) |
| Amortisation of intangible assets | 130 | | | | (130) |
| Revenue expenditure funded from capital under statute | 165 | | | | (165) |
| Net gain or loss on sale of non-current assets | (77) | 82 | | | (5) |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (283) | | | | 283 |
| Employer's pension contributions and direct payments to pensioners payable in the year | (1,325) | | | | 1,325 |
| Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements | (27) | | | | 27 |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements. | 10 | | | | (10) |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 1 | | | | (1) |
| Capital grants and contributions credited to the CIES | (193) | | 193 | | |
| Capital expenditure charged against the General Fund | (10) | | | | 10 |
| Statutory provision for the repayment of debt | (231) | | | | 231 |
| Total Adjustments | (634) | 82 | 193 | - | 359 |

7. Analysis of Net Cost of Services (based on Service Reporting Code of Practice)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Committees on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates. The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

| 2010/11 Restated £'000 | Net Cost of Services | 2011/12 £'000 |
|------------------------------|--|------------------|
| 1,140 | Central Services to the Public | 889 |
| | Cultural and Related Services | |
| 439 | Culture and Heritage | 366 |
| 543 | Recreation and Sport | 503 |
| 122 | Open Spaces | 131 |
| 104 | Tourism | 93 |
| | Environmental Services | |
| (19) | Cemeteries and Crematorium | (32) |
| 655 | Environmental Health | 612 |
| 8 | Flood Defence and Drainage | (7) |
| 283 | Street Cleansing | 361 |
| 1,145 | Waste Collection | 836 |
| | Planning and Development | |
| 21 | Building Control | 21 |
| 396 | Development Control | 398 |
| 200 | Planning Policy | 207 |
| 587 | Economic and Community Development | 367 |
| 4,484 | Cultural, Environmental and Planning Services Total | 3,856 |
| | Highways, Roads and Transport | |
| (1,001) | Parking Services | (1,076) |
| 599 | Public Transport | 32 |
| (402) | Highways, Roads and Transport Total | (1,044) |
| | Housing – Other Services | |
| 206 | Private Sector Renewal | 228 |
| 232 | Homelessness | 206 |
| (438) | Housing Benefit Payments | (175) |
| 129 | Housing Strategy | 207 |
| 10 | HGF Other Property | (43) |
| 139 | Housing – Other Services | 423 |
| 2,028 | Corporate and Democratic Core | 1,749 |
| 881 | Non-Distributed Costs | 1,115 |
| (2,916) | Pensions- past service gain | - |
| 5,354 | Total Net Cost of Services | 6,988 |

8. Other Operating Expenditure

| 2010/11 £'000 | | 2011/12 £'000 |
|--------------------------|--|--------------------------|
| 1,042 | Parish Precepts | 1,079 |
| (76) | (Gains)/losses on the disposal of non-current assets | 87 |
| 966 | Total | 1,166 |

9. Financing and Investment Income and Expenditure

| 2010/11 £'000 | | 2011/12 £'000 |
|--------------------------|--|--------------------------|
| 316 | Interest payable and similar charges | 299 |
| (149) | Interest and investment income | (101) |
| 1,327 | Pension interest cost and expected return on pensions assets | 988 |
| 1,494 | Total | 1,186 |

10. Taxation and Non-Specific Grant Incomes

| 2010/11 £'000 | | 2011/12 £'000 |
|--------------------------|--|--------------------------|
| (4,458) | Council tax income | (4,499) |
| (3,681) | Non domestic rates | (2,476) |
| (626) | Non-ringfenced government grants | (1,149) |
| (220) | Capital grants and contributions and other | (35) |
| (8,985) | Total | (8,159) |

11. Minimum Revenue Provision for Capital Financing

The Prudential Code for Capital Finance in Local Authorities was introduced with effect from 1 April 2004. This introduced a new prudential framework for local authority capital investment, under which capital investment plans are required to be affordable, prudent and sustainable. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 and the associated guidance note issued by Communities and Local Government now requires a local authority to make an amount of MRP which it considers to be prudent. A charge of £326,567 has been made in the 2011/12 Accounts (£231,939 in 2010/11) based on the policy agreed by the Council.

12. Analysis of Government Grants

An analysis of Government Grants included in the CIES for 2011/12 is shown below:

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|--|------------------|
| 535 | Revenue Support Grant | 765 |
| 92 | Local Services Support Grant | 85 |
| 12,357 | DWP Grant for HB and CTB | 12,958 |
| 603 | Private Sector Housing Renewal Grant (DFG) | 215 |
| 41 | DWP Homelessness Grant | - |
| 122 | NNDR Collection | 121 |
| 0 | NNDR- small Business Rates Relief | 3 |
| 0 | Council Tax Freeze Grant | 85 |
| 0 | New Homes Bonus Grant | 229 |
| 274 | Concessionary Fares | 0 |
| 17 | Habitat and Climate Change | 17 |
| 8 | Free Swimming | 0 |
| 12 | Getting it Right | 0 |
| 44 | New Burdens | 0 |
| 14,105 | TOTAL GOVERNMENT GRANTS | 14,478 |

13. Concessionary Fares

On 1 April 2011 the scheme transferred to North Yorkshire County Council.

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|---------------------------|------------------|
| 798 | Payments to Bus Operators | - |
| 34 | Administration Expenses | - |
| 832 | Total Cost | - |

14. Appointed Auditor Costs

During the year, the Council incurred the following fees relating to external audit and inspection services for 2011/12 provided by its appointed auditors, the Audit Commission:

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|----------------------------------|------------------|
| | External Audit 11/12 | 93 |
| 99 | External Audit 10/11 | - |
| 9 | External Audit 09/10 | - |
| 28 | Grant and Projects Certification | 23 |
| 3 | Other Services | 2 |
| 139 | Total Fees | 118 |

15. 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 2011/12 is £162,500 (compared to £162,200 in 2010/11).

16. Officers' Emoluments

The numbers of employees (including senior officers) whose remuneration for the year (excluding employer's pension contributions) was £50,000 or more in the year was:

| 2010/11 Total | Remuneration Band | 2011/12 Total |
|------------------|----------------------|------------------|
| 1 | £50,000 to £54,999 | 1 |
| 4 | £55,000 to £59,999 | 1 |
| 1 | £60,000 to £64,999 | 1 |
| 0 | £65,000 to £69,999 | 0 |
| 1 | £70,000 to £74,999 | 1 |
| 0 | £75,000 to £79,999 | 0 |
| 0 | £80,000 to £84,999 | 0 |
| 0 | £85,000 to £89,999 | 0 |
| 0 | £90,000 to £94,999 | 0 |
| 0 | £95,000 to £99,999 | 1 |
| 1 | £100,000 to £104,999 | 0 |

| | Salary, Fees and Allowances | Bonuses | Expense Allowance and Other Benefits in Kind | Pension Contribution | Total |
|--|-----------------------------------|---------|--|-------------------------|----------------|
| | £ | £ | £ | £ | £ |
| 2011/12 | | | | | |
| Chief Executive | 95,000 | 3,000 | 258 | 24,018 | 122,276 |
| Deputy Chief Executive | 72,000 | - | 207 | 17,928 | 90,135 |
| Corporate Head Financial Management Section 151 | 61,375 | - | 6 | 15,282 | 76,663 |
| Corporate Head Business Support | 58,875 | - | 50 | 14,659 | 73,585 |
| Strategic Manager Legal and Democratic (Monitoring Officer) | 51,779 | - | - | 12,893 | 64,672 |
| | | | | | |
| 2010/11 | | | | | |
| Chief Executive | 95,000 | 4,500 | 722 | 24,776 | 124,998 |
| Deputy Chief Executive (Note 1) | 70,128 | - | 47 | 17,462 | 87,637 |
| Corporate Head Financial Management Section 151 (Note 2) | 57,650 | - | - | 14,355 | 72,005 |
| Corporate Head Business Support (Note 3) | 56,117 | - | 155 | 13,973 | 70,245 |
| Strategic Manager Legal and Democratic (Monitoring Officer) | 50,529 | - | 46 | 12,582 | 63,157 |
| Chief Financial Officer (Section 151) (Note 4) | 25,964 | - | - | - | 25,964 |

Note 1: The Assistant Chief Executive post was redesignated Deputy Chief Executive on 15/07/10. The annualised salary of this post in 2010/11 was £72,000

Note 2: The Corporate Head Financial Management assumed S151 responsibilities on 23/06/10 as the Strategic Manager Finance. The post was redesignated Corporate Head Financial Management on 15/07/10 at an annualised salary of £61,375 including an additional payment of £2,500 for the role of Section 151 Officer

Note 3: The Strategic Manager - Human Resources post was redesignated Corporate Head Business Support on 15/07/10. The annualised salary of this post in 2010/11 was £58,875.

Note 4: The Chief Financial Officer (Section 151) - left on 30/06/10.

CRAVEN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2011/2012

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

| Exit package cost band (incl special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band (b) + (c) | | Total cost of exit packages in each band | |
|--|-----------------------------------|---------|-----------------------------------|---------|--|---------|--|---------|
| | (b) | | (c) | | (d) | | (e) | |
| | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 |
| £0 - £20,000 | 4 | 6 | 1 | 1 | 5 | 7 | 29,342 | 54,878 |
| £20,001-£40,000 | 1 | 1 | - | 1 | 1 | 2 | 32,399 | 51,847 |
| £40,001-£60,000 | 2 | - | - | - | 2 | - | 99,603 | - |
| £60,001-£80,000 | 1 | 1 | - | - | 1 | 1 | 66,079 | 63,236 |
| £100,001-£120,000 | 1 | - | - | - | 1 | - | 113,665 | - |

17. Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have 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 may have been constrained in its ability to operate independently or may have secured the ability to limit another party's ability to bargain freely with the Council. They are described here except for those appearing elsewhere in these accounts.

Central Government:

Central Government has effective control over the general operations of the Council - it is responsible for providing statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in Note 12.

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 2011/12, 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 2011/12 current Council Officers declared no transactions with any organisation of which they have an interest.

Other 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, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Service and various Parish Councils. For further details see Collection Fund Note 4.

CRAVEN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2011/2012

North Yorkshire County Council: Craven District Council Councillors who were also North Yorkshire County Councillors are as follows; Cllr Ireton, Cllr Heseltine, Cllr P. English (Mrs), Cllr Barrett and Cllr Welch.

In the year Craven District Council had £406k in receipts of which £62k were outstanding at year end, they also had £758k in payments (no outstanding balance at year end), relating to North Yorkshire County Council.

Cllr Barrett is also a member of the North Yorkshire Fire and Rescue Service. Cllr P. English (Mrs) and Cllr Ireton are members of the North Yorkshire Police Authority.

Craven District Council had receipts from the North Yorkshire Police Authority of £8.1k and made payments of £5.4k.

Councillor Whitaker has a family association with Yorkshire Housing, who have multiple dealings with the Council. These consist of payments from the Council for their Housing Agency fees, coming to £213k. The Council is also in receipt of payments from Yorkshire Housing, which include their trade waste agreement, Affordable Housing Enabling Work and Charges under the SLA coming to a total of £17.5k. A Service Level Agreement is in place with Yorkshire Housing.

Four Members of the Council declared an interest in the following grants paid to community or charitable organisations in 2011/12. Cllr Paul English, Cllr Pamela Heseltine and Cllr Robert Heseltine had an interest in Craven Citizens Advice Bureau. Cllr Donny Whaites had an interest in Settle Victoria Hall and the Settle-Carlisle Railway Development Company. Cllr Paul English also had an interest in the Craven Recycled Furniture Centre.

| Organisation | £ |
|---|---------------|
| Citizens Advice Bureau | 22,400 |
| Settle Victoria Hall | 10,000 |
| Settle-Carlisle Railway Development Company | 1,200 |
| Craven Recycled Furniture Centre | 6,700 |
| TOTAL | 40,300 |

The grants were made with proper consideration of declarations of interest, and none of the relevant members took part in any discussion relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open for public inspection at the Council offices.

The Council does not administer any pension fund.

The Council has no controlling interest in any third party organisation or company, and has not entered into any joint ventures.

18. Non-current 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 (eg software licences) 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, and they are therefore carried at amortised cost.

CRAVEN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2011/2012

Intangible Assets 2011/12:-

| | Software Licences | Other Licences, Trademarks and Artistic Originals | Patents | Total |
|---|----------------------|---|----------|------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| Historic Cost brought forward 1/4/11 | 836 | 0 | 0 | 836 |
| Adjustment to opening balance | 132 | 0 | 0 | 132 |
| Revised Balance at 1 April 2011 | 968 | 0 | 0 | 968 |
| Additions | 127 | 0 | 0 | 127 |
| Disposals | 0 | 0 | 0 | 0 |
| Historic Cost carried forward 31/3/12 | 1,095 | 0 | 0 | 1,095 |
| Depreciation and impairments | | | | |
| Accumulated b/fwd at 1/4/11 | 572 | 0 | 0 | 572 |
| Adjustment to opening balance | 150 | 0 | 0 | 150 |
| Revised Balance at 1 April 2011 | 722 | 0 | 0 | 722 |
| Charge for 2011/12 | 115 | 0 | 0 | 115 |
| Disposals | 0 | 0 | 0 | 0 |
| Accumulated c/fwd 31/3/12 | 837 | 0 | 0 | 837 |
| Balance Sheet at 31 March 2012 | 258 | 0 | 0 | 258 |
| Revised Balance Sheet amount at 1 April 2011 | 246 | 0 | 0 | 246 |
| Balance Sheet amount at 31 March 2011 | 264 | 0 | 0 | 264 |

Intangible Assets 2010/11:-

| | Software Licences | Other Licences, Trademarks and Artistic Originals | Patents | Total |
|--|----------------------|---|----------|------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| Historic Cost brought forward 1/4/10 | 730 | 0 | 0 | 730 |
| Additions | 106 | 0 | 0 | 106 |
| Disposals | 0 | 0 | 0 | 0 |
| Historic Cost carried forward 31/3/11 | 836 | 0 | 0 | 836 |
| Depreciation and impairments | | | | |
| Accumulated b/fwd at 1/4/10 | 442 | 0 | 0 | 442 |
| Charge for 2010/11 | 130 | 0 | 0 | 130 |
| Disposals | 0 | 0 | 0 | 0 |
| Accumulated c/fwd 31/3/11 | 572 | 0 | 0 | 572 |
| Balance Sheet amount at 31 March 2011 | 264 | 0 | 0 | 264 |
| Balance Sheet amount at 1 April 2010 | 287 | 0 | 0 | 287 |

CRAVEN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2011/2012
19. Non-current Assets

Movements in the balance on non-current assets during the year are shown in the table below:

| | Land & Buildings * £'000 | Vehicles, Plant & Equipment £'000 | Surplus Assets £'000 | PPE TOTAL £'000 | Investment Property £'000 | Heritage Assets £'000 | TOTAL £'000 |
|--|--------------------------------|--------------------------------------|-------------------------|--------------------|------------------------------|--------------------------|----------------|
| Cost or valuation | | | | | | | |
| At 1 April 2011 | 37,544 | 4,085 | 77 | 41,706 | 1,789 | 1,455 | 44,950 |
| Adjustment to opening balance | (6,138) | (20) | 23 | (6,135) | 1 | 0 | (6,134) |
| Revised Balance at 1 April 2011 | 31,406 | 4,065 | 100 | 35,571 | 1,790 | 1,455 | 38,816 |
| Additions | 3,849 | 846 | 0 | 4,695 | 0 | 0 | 4,695 |
| Disposals | (444) | (152) | (100) | (696) | 0 | 0 | (696) |
| Revaluation increases/(decreases) to Revaluation Reserve | 45 | 0 | 0 | 45 | (166) | 0 | (121) |
| Revaluation increases/(decreases) to CIES | (348) | 0 | 0 | (348) | (46) | 0 | (394) |
| Reclassification | (898) | 0 | 898 | 0 | 0 | 0 | 0 |
| Reclassified as held for sale- current | (941) | 0 | 0 | (941) | 0 | 0 | (941) |
| At 31 March 2012 | 32,669 | 4,759 | 898 | 38,326 | 1,578 | 1,455 | 41,359 |
| Depreciation and impairments | | | | | | | |
| At 1 April 2011 | 9,310 | 2,213 | 22 | 11,545 | 0 | 0 | 11,545 |
| Adjustment to opening balance | (6,148) | (14) | (22) | (6,184) | 0 | 0 | (6,184) |
| Revised Balance at 1 April 2011 | 3,162 | 2,199 | 0 | 5,361 | 0 | 0 | 5,361 |
| Charge for 2011/12 | 672 | 468 | 0 | 1,140 | 0 | 0 | 1,140 |
| Written out on disposal | (121) | (39) | 0 | (160) | 0 | 0 | (160) |
| Impairment losses reversed to revaluation reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses reversed to CIES | 0 | 0 | 73 | 73 | 0 | 0 | 73 |
| Reclassified as held for sale- current | (83) | 0 | 0 | (83) | 0 | 0 | (83) |
| At 31 March 2012 | 3,630 | 2,628 | 73 | 6,331 | 0 | 0 | 6,331 |
| Balance Sheet amount at 31 March 2012 | 29,039 | 2,131 | 825 | 31,995 | 1,578 | 1,455 | 35,028 |
| Revised Balance Sheet amount at 1 April 2011 | 28,244 | 1,866 | 100 | 30,210 | 1,790 | 1,455 | 33,455 |
| Balance Sheet restated amount at 31 March 2011 | 28,234 | 1,872 | 55 | 30,161 | 1,789 | 1,455 | 33,405 |

* includes those held on finance lease

CRAVEN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2011/2012

Table of movements on non-current assets 2010/11:

| | Land & Buildings £'000 | Vehicles, Plant & Equipment £'000 | Surplus Assets £'000 | Investment Property £'000 | Heritage Assets £'000 | TOTAL £'000 |
|---|---------------------------|--------------------------------------|-------------------------|------------------------------|--------------------------|----------------|
| Cost or valuation | | | | | | |
| At 1 April 2010 (restated) | 38,570 | 3,647 | 102 | 1,921 | 1,455 | 45,695 |
| Additions | 0 | 438 | 0 | 0 | | 438 |
| Disposals | 0 | 0 | (5) | 0 | | (5) |
| Revaluations | (1,026) | 0 | (20) | (132) | | (1,178) |
| At 31 March 2011 | 37,544 | 4,085 | 77 | 1,789 | 1,455 | 44,950 |
| Depreciation and impairments | | | | | | |
| At 1 April 2010 | 8,716 | 1,715 | 28 | 0 | 0 | 10,459 |
| Charge for 2010/11 | 750 | 498 | (6) | 0 | 0 | 1,242 |
| Adjustment on revaluation | (156) | 0 | 0 | 0 | 0 | (156) |
| At 31 March 2011 | 9,310 | 2,213 | 22 | 0 | 0 | 11,545 |
| Balance Sheet amount at 31 March 2011 (restated) | 28,234 | 1,872 | 55 | 1,789 | 1,455 | 33,405 |
| Balance Sheet amount at 1 April 2010 (restated) | 29,854 | 1,932 | 74 | 1,921 | 1,455 | 35,236 |

Note:

Adjustments to opening balances were made as a result of work performed as part of the project to check the accuracy of all data within the fixed asset register prior to loading data onto a new fixed asset system that is integrated within the main accounting system. The adjustments were predominantly the result of accumulated depreciation on revaluations being incorrectly accounted for. The effect on NBV of these items is £30k on non-current assets and £18k on non-current intangible assets. Capital Expenditure in the year refers only to that expenditure which has added value to the Council's non-current assets.

Assets held under leases

The Council has acquired an office under a finance lease and it is carried as Land and Buildings within the Balance Sheet with a NBV of £3,468k. The lease has been paid in full.

Assets Held for Leases

Assets leased to third parties at 31st March 2012 are valued at £1.559m (£1.8m 2010/11).

Heritage Assets

Heritage assets have been included in the Balance Sheet at their insurance valuations.

There have been no disposals or acquisitions of capitalised Heritage Assets in the last five years.

Of the Heritage Assets capitalised, the most significant are the Shakespeare First Folio and paintings comprising the Roebuck Collection.

The Shakespeare Folio is on public display all year round in the Museum which is located within Skipton Town Hall.

The paintings are held in a secure store room within the Town Hall. These paintings are not currently on public display. They have been on public display in the past, but since their value increased significantly in the past few years the Council has not been able to afford to build a secure room adequate for insurance purposes to enable them to display the paintings. Copies of the paintings are on public display.

The Council are hoping to obtain funding in the future when the Town Hall achieves Trust status. This would enable them to apply for lottery funding to create the secure room necessary to display the paintings.

An individual can get in touch with the Council to view the original paintings; they would have a member of staff present. This would have to be arranged by prior appointment.

20. Provision for Depreciation of Non-Current Assets

The Council's non-current assets have been depreciated to reflect their use in the provision of the Council's Services. In accordance with the Council's policy on depreciation, which is set out in the Council's Statement of Accounting Policies on pages 13 to 24, a charge for depreciation has been made to each service that uses non-current assets with an equivalent credit to the Provision for Depreciation.

Similarly, Intangible Assets have been amortised to reflect their use in the provision of the Council's Services. The policy for the amortisation of Intangible Assets is also set out in Council's Statement of Accounting Policies on pages 13 to 24.

21. Revenue Expenditure Funded from Capital under Statute

In 2011/12 this expenditure forms part of the surplus/deficit on the Comprehensive Income and Expenditure Statement. An adjustment is made in the Movement in Reserves Statement to ensure that there is no impact on Council Tax.

Such expenditure in 2011/12 is as follows:

| 2010/11 | | 2011/12 |
|---------------------|-----------------------------------|----------------|
| £'000 | | £'000 |
| Expenditure: | | |
| 130 | Disabled Facilities Grants | 357 |
| 81 | Repairs Assistance Scheme | (6) |
| 310 | Empty Homes | 2 |
| 12 | Energy Efficiency Scheme | 0 |
| 43 | Community Capital Grants Scheme | 17 |
| 4 | Settle Riverside Project | 23 |
| - | Signage | - |
| 10 | Delivery costs of REFCUS projects | 0 |
| 590 | TOTAL | 393 |
| Funded by: | | |
| 425 | Government Grants | 215 |
| - | RMT Grant for Signage | - |
| 165 | Prudential Borrowing | 69 |
| - | Capital reserves | 109 |
| 590 | TOTAL | 393 |

Disabled Facilities Grants are provided in accordance with statutory requirements and the Council's own grants scheme.

22. Major Operational Assets Held by the Council at 31 March 2012

The Council owns the following major assets:

| 2010/11 | 2011/12 |
|---------------------------------|-----------|
| 4 Office Accommodation | 2 |
| 2 Depots | 2 |
| 9 Pay and Display Car Parks | 9 |
| 13 Designated free car parks | 13 |
| 1 Aireville (Community) Park | 1 |
| 4 Industrial Units (half-share) | 4 |
| 13 Public Conveniences | 13 |
| 2 Cemeteries | 2 |
| 1 Crematorium | 1 |
| 1 Museum | 1 |
| 1 Swimming Pool | 1 |
| 1 Multi Use Games Area | 1 |
| 52 Total | 50 |

23. Valuation of Non-Current Assets

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the 'Statements of Asset Valuation Practice and Guidance Notes' issued by the Royal Institute of Chartered Surveyors. The basis of valuation of the various categories of non-current assets is shown in point 7 of the 'Statement of Accounting Policies' (See pages 13 to 24). For 2011/12 the valuation date for all assets is 1st April 2011 except for investment properties which were valued at 31st March 2012. A rolling programme of revaluations is adopted and has been implemented in accordance with the requirement of The Code except for Investment Properties which are valued annually at the balance sheet date. Valuations for 2011/12 have been undertaken in-house by Andrew Whelan MRICS, Estates Surveyor.

24. Continuous Review of the Council's Assets

The Council's properties portfolio continues to be reviewed to ensure best use. Central to this work is the Council's Capital Strategy and Asset Management Plan both of which are updated periodically. As a result of this, the Council embarked on, and has continued to pursue, a range of asset related schemes that are likely to result in a fundamental change to the Council's asset base. These schemes include:

i) The Skipton Developments Programme.

This scheme is based on the development of three major Council assets, Granville Street (Council offices), 9 High Street (unoccupied), and Horse Close (green field residential development site).

ii) Provision of land for affordable housing.

In October 2010 Policy Committee recommended adoption of the North Yorkshire Housing Strategy 2010-2015, and this was ratified by full Council on 7th December 2010.

The strategy explicitly commits the Council to explore ways to increase the availability of land for affordable housing by:

1. Preparing and publishing a core strategy,
2. Reviewing the Council's land holdings,
3. Seeking land swap opportunities with other public bodies.

25. Impairment of Non-Current Assets

The Council is required to undertake an annual review of the balance sheet value of each category of non-current assets at the end of the financial year. The purpose of this review is to establish the extent of any impairment (defined as 'a reduction in the recoverable amount of a fixed asset below its balance sheet value') during the year. Any such review is only required, however, if there is a clear indication that impairment has occurred during the year. Examples of events or change in circumstances that indicate impairment may have occurred include:-

- evidence of obsolescence or physical damage to the fixed asset;
- a commitment by the authority to undertake a significant reorganisation.

An impairment review has been carried out in 2011/12.

26. Capital Expenditure and Sources of Finance

Total capital expenditure financed during the year was £5,216k. This is represented by expenditure on Non-Current Assets of £4,823k and Revenue Expenditure Funded by Capital Under Statute of £393k. An analysis of Capital Expenditure financed and the sources of financing are shown in the following table:

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|--|------------------|
| | <u>Expenditure in Year</u> | |
| 543 | Non-Current Assets | 4,800 |
| 585 | Revenue Expenditure Funded by Capital Under Statute (REFCUS) | 393 |
| 10 | Capital expenditure to be funded from revenue contribution | 23 |
| 1,138 | Total Expenditure | 5,216 |
| | <u>Sources of Finance Utilised</u> | |
| 232 | MRP | 327 |
| 471 | Debt Overhang | 586 |
| 0 | Capital Receipts in year | 391 |
| 425 | REFCUS Income | 215 |
| 0 | Other Grants | 0 |
| 0 | Capital reserves | 3,674 |
| 10 | Revenue contributions | 23 |
| 1,138 | Total of Sources of Finance | 5,216 |

Details of the Expenditure shown as Revenue Expenditure Funded by Capital Under Statute are shown in Note 21.

27. Assets Held for Sale

| | Current | |
|---|------------------|------------------|
| | 2010/11 £'000 | 2011/12 £'000 |
| Balance at start of year | 0 | 0 |
| Assets newly classified as held for sale: | | |
| Property, Plant & Equipment | 0 | 858 |
| Balance at year end | 0 | 858 |

28. Investments

The Council invests cash balances that are temporarily surplus to requirements for short periods at market rates of interest. A list of approved organisations for investment purposes was approved as part of the Council's Treasury Policy Statement. This list only includes institutions that meet strict criteria. At 31 March 2012 the Council had short-term investments totalling £1.0m (£5.5m in 2010/11).

29. Short-term Debtors

The following table shows the amounts owed to the Council for which payments have not been received by 31 March 2012. 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.

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|-----------------------------------|-----------------|
| 792 | Central Government Bodies | 223 |
| 172 | Other Public Bodies | 653 |
| 803 | Other entities and individuals | 766 |
| 3,216 | Office Accommodation Move Prepaid | - |
| | Less bad debt provisions: | |
| (255) | General Fund | (343) |
| 4,728 | TOTAL SHORT-TERM DEBTORS | 1,299 |

30. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|--|------------------|
| 30 | Cash in hand | 29 |
| (519) | Cash at bank | (24) |
| 587 | Short-term deposits | 2,565 |
| 98 | TOTAL CASH AND CASH EQUIVALENTS | 2,570 |

31. Short-term Creditors

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

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|---|------------------|
| 45 | Council Tax Payers | 42 |
| 241 | Government Departments | 451 |
| 2 | Rents | - |
| 269 | Other Public Bodies | 352 |
| 340 | Joint Projects | 120 |
| 0 | HMRC and NYPF (PAYE, NI and Superannuation) | 177 |
| 139 | Capital | 127 |
| 531 | General | 79 |
| 597 | Accrued Charges | 725 |
| 2,164 | TOTAL SHORT-TERM CREDITORS | 2,073 |

32. Other Long Term Liabilities

The following analysis identifies the Council's creditors (payable in over 12 months):

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|--|------------------|
| 22,314 | Defined Benefit Pension Scheme liability (See Note 33) | 25,517 |
| 13 | Deferred Credits | 12 |
| 22,327 | TOTAL OTHER LONG TERM LIABILITIES | 25,529 |

33. Pensions

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers access to the Local Government Pension Scheme (LGPS). This is a funded, defined benefit scheme administered by North Yorkshire County Council. Although benefits under the scheme will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. This is a funded defined benefit final salary scheme, meaning that the employing authority and its employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the 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 to the Pension Fund during the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

| 2010/11 £'000 | Pension Adjustments in the Comprehensive Income and Expenditure Statement | 2011/12 £'000 |
|------------------|--|------------------|
| | Local Government Pension Scheme | |
| | Cost of Services | |
| 858 | Current Service Costs | 735 |
| (2,916) | Past service (Gain)/Loss | - |
| 448 | Curtailment Cost | 78 |
| | Financing and Investment income and Expenditure | |
| 2,588 | Interest Cost of Liabilities | 2,508 |
| (1,261) | Expected Return on Assets in the Scheme | (1,520) |
| (283) | Net Charge/(Income) to the Comprehensive Income and Expenditure Account | 1,801 |

| 2010/11 £'000 | Movement in Reserves Statement | 2011/12 £'000 |
|------------------|---|------------------|
| (283) | Reversal of net charges made for retirement benefits in accordance with IAS 19 | 1,801 |
| (1,325) | Actual amount charged against Council Tax for year: Employer's Contributions | (1,405) |
| (1,608) | Net Contribution (to)/from Pension Reserve | 396 |

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In addition to the recognised gains and losses included in the CIES, an actuarial loss of £2,807,000 (2010/11 gain of £2,914,000) is included in the Movement in Reserves Statement.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

| Liabilities: Local Government Pension Scheme | Funded | | | Unfunded | | |
|---|----------------|----------------|----------------|-----------------|----------------|----------------|
| | 2009/10 | 2010/11 | 2011/12 | 2009/10 | 2010/11 | 2011/12 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1 April b/fwd | 33,670 | 46,266 | 45,615 | 215 | 258 | 416 |
| Current Service Cost | 559 | 858 | 735 | 0 | 0 | 0 |
| Interest on Pension Liabilities | 2,361 | 2,574 | 2,486 | 15 | 14 | 22 |
| Member Contributions | 331 | 305 | 277 | 0 | 0 | 0 |
| Past Service Cost/ (gain) | 0 | (2,893) | 0 | 0 | (23) | 0 |
| Actuarial (gains)/losses on liabilities | 10,979 | (182) | 1,632 | 43 | 182 | 10 |
| Curtailments | 84 | 448 | 78 | 0 | 0 | 0 |
| Settlements | 0 | 0 | 0 | 0 | 0 | 0 |
| Benefits/transfers paid | (1,718) | (1,761) | (1,869) | (15) | (15) | (15) |
| 31 March c/fwd | 46,266 | 45,615 | 48,954 | 258 | 416 | 433 |

Reconciliation of fair value of the scheme assets:

| Assets: Local Government Pension Scheme | Funded | | | Unfunded | | |
|--|----------------|----------------|----------------|-----------------|----------------|----------------|
| | 2009/10 | 2010/11 | 2011/12 | 2009/10 | 2010/11 | 2011/12 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1 April b/fwd | 12,876 | 19,688 | 23,717 | 0 | 0 | 0 |
| Expected rate of return | 816 | 1,261 | 1,520 | 0 | 0 | 0 |
| Actuarial gains/(losses) | 6,082 | 2,914 | (1,165) | 0 | 0 | 0 |
| Employer Contributions | 1,301 | 1,310 | 1,390 | 15 | 15 | 15 |
| Member Contributions | 331 | 305 | 277 | 0 | 0 | 0 |
| Benefits/transfers paid | (1,718) | (1,761) | (1,869) | (15) | (15) | (15) |
| 31 March c/fwd | 19,688 | 23,717 | 23,870 | 0 | 0 | 0 |

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 at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £356,000 (2010/11 £1,554,000)

Scheme History

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Present value of liabilities | 40,119 | 33,885 | 46,524 | 46,031 | 49,387 |
| Less Fair value of assets | 19,637 | 12,876 | 19,688 | 23,717 | 23,870 |
| Surplus/(deficit) in the scheme | (20,482) | (21,009) | (26,836) | (22,314) | (25,517) |

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The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £26m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Authority 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 2012/13 is £1.221m (2011/12 £1.219m).

Basis for Estimating Pension 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 upon the assumptions about mortality rates, salary levels etc. The assessment of the North Yorkshire Pension Fund liabilities has been undertaken by Mercer Ltd., an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31st March 2010.

The main assumptions used in their calculations have been:

| Financial assumptions: | 2009/10 | 2010/11 | 2011/12 |
|--|--|--|---|
| Rate of RPI inflation | 3.3% | 3.4% | N/A |
| Rate of CPI inflation | 2.8% | 2.9% | 2.5% |
| Rate of increase in salaries | 5.05% | 4.65% | 4.25% |
| Rate of increase in pensions | 3.3% | 2.9% | 2.5% |
| Discount rate | 5.6% | 5.5% | 4.9% |
| Long-term expected rate of return on assets in the scheme: | | | |
| Equity investments | 7.5% | 7.5% | 7.0% |
| Government Bonds | 4.5% | 4.4% | 3.1% |
| Other Bonds | 5.2% | 5.1% | 4.1% |
| Property | N/A | N/A | 6.0% |
| Cash/Liquidity | 0.5% | 0.5% | 0.5% |
| Other | N/A | N/A | 7.0% |
| Split of assets between investment categories: | | | |
| Equities | 76.2% | 74.7% | 70.8% |
| Government Bonds | 7.8% | 8.9% | 20.2% |
| Other bonds | 13.9% | 15.9% | 8.2% |
| Property | 0.0% | 0.0% | 0.0% |
| Cash/Liquidity | 2.1% | 0.5% | 0.8% |
| Other | 0.0% | 0.0% | 0.0% |
| Post retirement mortality assumptions: | | | |
| Non-retired members (retiring in the future in normal health) | PA92mc YoB Tables +1year | Males- 97% S1PMA CMI_2009_M(1%) Females- 90% S1PFA CMI_2009_F(1) | SPA02_CMI_2009_1% Tables (97% Males, 90% Females) |
| Current pensioners (retired in normal health) | PA92mc YoB Tables +1year | Males- 97% S1PMA CMI_2009_M(1%) Females- 90% S1PFA CMI_2009_F(1%) | SPA02_CMI_2009_1% Tables (97% Males, 90% Females) |
| Life Expectancy; | | | |
| Male (female) future pensioner aged 65 in 20 years' time | 22.2 (25) years | 23.5 (26.3) years | 23.6 (26.4) years |
| Male (female) current pensioner aged 65 | 21.2 (24.1) years | 22.1 (24.7) years | 22.2 (24.8) years |
| Commutation of pension for lump sum at retirement | 50% take max cash 50% take 3/80ths cash | 50% take max cash 50% take 3/80ths cash | 50% take max cash 50% take 3/80ths cash |
| Market value of total fund assets (£m) (bid value at 31st March) | 1,251 | 1,359 | 1,418 |

Assets in the North Yorkshire Pension Fund are required to be valued at “realisable values” i.e. “bid values”.

History of Experience – Gains and Losses

The actuarial gain identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March of the relevant year:

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|--|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Differences between the expected and actual return on assets | (14.2) | (64.8) | (30.9) | 12.3 | 4.9 |
| Experience gains and losses on liabilities | 1.0 | 0 | 0 | 0.1 | 0 |

Further information on the North Yorkshire Pension Fund can be found in the North Yorkshire Pension Fund’s Annual Report which is available on request from **Financial Services, County Hall, Northallerton, DL7 8AL**

34. Pensions Reserve

The movements on the Pensions Reserve are as follows:

| 2010/11 | Pensions Reserve (IAS19) | 2011/12 |
|-----------------|-----------------------------------|-----------------|
| £'000 | | £'000 |
| 1,325 | Pension Contribution to Reserve | 1,405 |
| 283 | Pension Contribution from Reserve | (1,801) |
| 2,914 | Actuarial Gain/(Loss) | (2,807) |
| (22,314) | Balance c/fwd | (25,517) |

35. Contingent Liabilities

The Council has no contingent liabilities at the balance sheet date.

36. Total Movement on Reserves

| Reserve | Purpose of Reserve | Balance at 31 March 2011 Restated £'000 | Expend- iture in the year £'000 | Income in the year £'000 | Net amount transferred to or from other reserves £'000 | Balance at 31 March 2012 £'000 |
|--|--|---|--|------------------------------------|---|---|
| Unusable Reserves: | | | | | | |
| Revaluation Reserve | Store of gains on revaluation of individual non-current assets, net of impairments | 11,656 | (561) | 45 | 0 | 11,140 |
| Pensions Reserve | Balancing account to allow inclusion of Pensions Liability on the Balance Sheet | (22,314) | (3,203) | 0 | 0 | (25,517) |
| Capital Adjustment Account | Store of capital resources set aside to meet past expenditure | 16,378 | (2,403) | 4,550 | 0 | 18,525 |
| Financial Instruments Adjustment Account | Holds the accumulated difference between the financing costs in the Income and Expenditure Account and those charged to the General Fund balance | (13) | 0 | 8 | 0 | (5) |
| Accumulated Absences Account | Holds the differences arising from accruing for compensated absences earned but not taken in the year. | (58) | 0 | 0 | 0 | (58) |
| Collection Fund Adjustment Account | Holds the accumulated timing differences on the recognition of income between the CIES and the Collection Fund. | 29 | 0 | 5 | 0 | 34 |
| Usable Reserves: | | | | | | |
| General Fund Balance | Resources available to meet future running costs of services | 598 | 0 | 432 | 0 | 1,030 |
| Earmarked General Fund Reserves | Resources held for delivery of specific services | 476 | 0 | 410 | 0 | 886 |
| Capital Receipts Reserve | Proceeds of non-current asset disposals available to meet future capital investment | 2,176 | (1,577) | 391 | 0 | 990 |
| Other Capital Contributions Unapplied | Grants received available to meet future capital investment | 394 | (300) | 22 | 0 | 116 |
| Capital Reserves | Store of capital resources set for specific purposes | 1,928 | (1,928) | 0 | 0 | 0 |
| | | 11,250 | (9,972) | 5,863 | 0 | 7,141 |

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| Reserve | Purpose of Reserve | Balance at 1 April 2010 Restated | Expend- iture in the year | Income in the year | Net amount transf-erred to or from other reserves | Balance at 31 March 2011 Restated |
|--|--|---|---------------------------------|-----------------------|---|---|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| Unusable Reserves: | | | | | | |
| Revaluation Reserve | Store of gains on revaluation of individual non-current assets, net of impairments | 12,704 | (1,050) | 2 | 0 | 11,656 |
| Pensions Reserve | Balancing account to allow inclusion of Pensions Liability on the Balance Sheet | (26,835) | 0 | 4,521 | 0 | (22,314) |
| Capital Adjustment Account | Store of capital resources set aside to meet past expenditure | 17,659 | (1,512) | 231 | 0 | 16,378 |
| Financial Instruments Adjustment Account | Holds the accumulated difference between the financing costs in the Income and Expenditure Account and those charged to the General Fund balance | (23) | 0 | 10 | 0 | (13) |
| Accumulated Absences Account | Holds the differences arising from accruing for compensated absences earned but not taken in the year. | (57) | (1) | 0 | 0 | (58) |
| Collection Fund Adjustment Account | Holds the accumulated timing differences on the recognition of income between the CIES and the Collection Fund. | 3 | 0 | 26 | 0 | 29 |
| Usable Reserves: | | | | | | |
| General Fund Balance | Resources available to meet future running costs of services | 169 | 0 | 429 | 0 | 598 |
| Earmarked General Fund Reserves | Resources held for delivery of specific services | 368 | (253) | 361 | 0 | 476 |
| Capital Receipts Reserve | Proceeds of non-current asset disposals available to meet future capital investment | 2,094 | 0 | 82 | 0 | 2,176 |
| Other Capital Contributions Unapplied | Grants received available to meet future capital investment | 201 | (552) | 745 | 0 | 394 |
| Capital Reserves | Store of capital resources set for specific purposes | 1,928 | 0 | 0 | 0 | 1,928 |
| | | 8,211 | (3,368) | 6,407 | 0 | 11,250 |

CRAVEN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2011/2012

The detailed movements on the unusable reserves are shown below (and Note 34 for the Pensions Reserve):

Revaluation Reserve:

| 1 April 2010 Restated £'000 | 31 March 2011 Restated £'000 | | 2011/12 £'000 |
|--------------------------------------|---------------------------------------|--|------------------|
| 7,795 | 12,704 | Balance at 1 st April | 11,656 |
| 4,173 | - | Upward revaluation of assets | 45 |
| (264) | (1,048) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (166) |
| (280) | 2 | Difference between fair value depreciation and historical cost depreciation | (245) |
| (175) | (2) | Accumulated gains on assets sold or scrapped | (150) |
| 1,455 | - | Capitalisation of Heritage Assets | - |
| 12,704 | 11,656 | Balance at 31st March | 11,140 |

Capital Adjustment Account:

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|--|------------------|
| 17,659 | Balance at 1 st April | 16,378 |
| (1,206) | Charges for depreciation and impairment of non-current assets | (1,632) |
| (130) | Amortisation of intangible assets | (115) |
| (165) | Revenue expenditure funded from capital under statute | (178) |
| (5) | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (478) |
| | - Adjusting amounts written out of the Revaluation Reserve | 395 |
| | - Capital Expenditure charged in year to General Fund | 23 |
| 231 | Statutory provision for the repayment of principal | 327 |
| | - Application of grants to capital financing from the Capital Contributions Unapplied Account | 109 |
| | - Use of the Capital Contributions Unapplied Account to finance new capital expenditure | 191 |
| | - Use of the Capital Receipts Reserve to finance new capital expenditure | 1,577 |
| | - Use of the Capital Reserve to finance new capital expenditure | 1,928 |
| (6) | Other | |
| 16,378 | Balance at 31st March | 18,525 |

37. General Fund Revenue Balances

At the 31 March 2012, the Council's General Fund balances were £1.030m (£0.598m at 31 March 2011). The balance is held as a contingency for unforeseen costs.

38. Revenue (Earmarked) Reserves

This consists of sums earmarked for specific purposes, e.g. funding of specific projects, insurance reserve to meet potential future claims, and service developments of strategic importance. During the year reserves identified as no longer being required for specific purposes were identified and transferred into a general reserve to be used for support of revenue/expenditure budgets in future years.

| Earmarked Reserves (see Notes below) | Balance at 31 March 2010 £'000 | Exp in year £'000 | Income in year £'000 | Balance at 31 March 2011 £'000 | Exp in year £'000 | Income in year £'000 | Balance at 31 March 2012 £'000 |
|---|---|------------------------------|---------------------------------|---|------------------------------|---------------------------------|---|
| Local Plan Reserve | 94 | (85) | 200 | 209 | 0 | 101 | 310 |
| Partial Exemption Reserve | 17 | 0 | 0 | 17 | 0 | 0 | 17 |
| Building control Reserve | 25 | 0 | 0 | 25 | 0 | 0 | 25 |
| Edith Stead Bequest Reserve | 19 | (17) | 0 | 2 | 0 | 0 | 2 |
| Local Authority Business Growth Incentive | 109 | (100) | 0 | 9 | 0 | 0 | 9 |
| Planning Delivery Grant Reserve | 51 | (51) | 0 | 0 | 0 | 0 | 0 |
| ERDF Funds | 48 | 0 | 0 | 48 | 0 | 0 | 48 |
| Bishopdale Court | 5 | 0 | 0 | 5 | 0 | 0 | 5 |
| New Homes Bonus | 0 | 0 | 0 | 0 | 0 | 253 | 253 |
| Enabling Efficiencies Fund | 0 | 0 | 161 | 161 | 0 | 56 | 217 |
| TOTAL | 368 | (253) | 361 | 476 | 0 | 410 | 886 |

The Enabling Efficiencies Fund is used to fund the implementation of the Council's savings plan which will generate short/longer term savings. The Local Plan Reserve is used to fund costs relating to the local plan, including the public consultation process and other planning cost pressures.

The 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 of benefit to local residents.

39. Segment Reporting

The analysis of income and expenditure by Service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. Decisions about resource allocation are taken by Council on the basis of budget reports on a Portfolio basis. Depreciation and pension adjustments are not reported to management. The income and expenditure of the Council's Portfolios recorded in the outturn reports for the year is set out below:

Service Information for the year ended 31 March 2012 – reported by Portfolio

| | Chief/Assistant Chief Exec £'000 | Resources £'000 | Community £'000 | Total £'000 |
|---|--|--------------------|--------------------|----------------|
| Income: | | | | |
| Government Grants | 13,271 | 69 | 465 | 13,805 |
| Fees, Charges and Other income | 153 | 1,767 | 3,157 | 5,077 |
| Total Income | 13,424 | 1,836 | 3,622 | 18,882 |
| Expenditure: | | | | |
| Employees | 1,783 | 1,811 | 3,912 | 7,506 |
| Other Service Expenditure | 794 | 1,272 | 2,313 | 4,379 |
| Transfer Payments * | 12,900 | 0 | 0 | 12,900 |
| Capital Financing | 0 | 5 | 12 | 17 |
| Total Expenditure | 15,477 | 3,088 | 6,237 | 24,802 |
| Net Cost Of Service Reported | 2,053 | 1,252 | 2,615 | 5,920 |
| Amounts included in CIES, but not reported to management | | | | 1,068 |
| Net Cost of Service per CIES | | | | 6,988 |

Reconciliation to Subjective Analysis:

| | £'000 |
|--|--------------|
| Net Cost of Service (above) | 6,988 |
| Parish Precepts | 1,079 |
| (Gains)/losses on the disposal of non-current assets | 87 |
| Interest payable and similar charges | 299 |
| Interest and Investment Income | (101) |
| Pension interest cost and expected return on pensions assets | 988 |
| Council tax income | (4,499) |
| Non domestic rates income | (2,476) |
| Non-ringfenced government grants | (1,149) |
| Capital grants and contributions and other | (35) |
| (Surplus) or Deficit on the Provision of Service | 1,181 |

Service Information for the year ended 31 March 2011 – reported by Portfolio

| | Chief/ Assistant Chief Exec £'000 | Resources £'000 | Community £'000 | Total £'000 |
|--|---|--------------------|--------------------|----------------|
| Income: | | | | |
| Government Grants | 12,517 | 274 | 509 | 13,300 |
| Fees, Charges and Other income | 213 | 1,755 | 3,533 | 5,501 |
| Total Income | 12,730 | 2,029 | 4,042 | 18,801 |
| Expenditure: | | | | |
| Employees | 1,727 | 1,830 | 3,876 | 7,433 |
| Other Service Expenditure | 723 | 2,147 | 2,416 | 5,286 |
| Transfer Payments * | 11,912 | 0 | 0 | 11,912 |
| Depreciation Amortisation and Impairment | 241 | 1,196 | 555 | 1,992 |
| Non Distributed Costs | (2,468) | | | (2,468) |
| Total Expenditure | 12,135 | 5,173 | 6,847 | 24,155 |
| Net Cost of Service | (595) | 3,144 | 2,805 | 5,354 |

Reconciliation to Subjective Analysis:

| | £'000 |
|--|----------------|
| Net Cost of Service (above) | 5,354 |
| Parish Precepts | 1,042 |
| (Gains)/losses on the disposal of non-current assets | (76) |
| Interest payable and similar charges | 316 |
| Interest and Investment Income | (149) |
| Pension interest cost and expected return on pensions assets | 1,327 |
| Council tax income | (4,458) |
| Non domestic rates income | (3,681) |
| Non-ringfenced government grants | (626) |
| Capital grants and contributions and other | (220) |
| (Surplus) or Deficit on the Provision of Service | (1,171) |

* Transfer payments contain rent allowance subsidy and council tax benefit subsidy payments, which are offset by grants received from central government (shown as income within the 'Government Grants' line).

40. Cash Flow Statement - Operating Activities

Reconciliation of Net Cash Flows from Operating Activities to the Surplus/ Deficit on the Provision of Services:

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|---|------------------|
| 1,171 | Net surplus/(deficit) on the provision of services | (1,181) |
| | Adjustments to net surplus or deficit on the provision of services for non-cash movements: | |
| 1,336 | Depreciation, impairment and downward revaluations | 1,747 |
| (1,608) | Pension Fund adjustments | 396 |
| 5 | Carrying value of property plant and equipment sold | 478 |
| (30) | Contributions to provisions | 36 |
| (5) | (Increase)/ decrease in inventories | (9) |
| (2,626) | (Increase)/ decrease in debtors | 3,201 |
| (158) | Increase/ (decrease) in creditors | (330) |
| (3,086) | | 5,519 |
| | Adjustments for items included in the Surplus/Deficit on the Provision of Services that are Investing or Financing Activities: | |
| (82) | Proceeds from the disposal of property plant and equipment | (391) |
| (82) | | (391) |
| | | |
| (1,997) | Net Cash Flows from Operating Activities | 3,947 |

The net surplus or deficit on the provision of service includes the following items:

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|-------------------|------------------|
| 156 | Interest received | 101 |
| (306) | Interest paid | (299) |
| (150) | | (198) |

41. Cash Flow Statement - Investing Activities

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|---|------------------|
| (774) | Purchase of property, plant and equipment and intangible assets | (4,822) |
| 82 | Proceeds from the sale of property, plant and equipment and intangible assets | 391 |
| 600 | Sale of short-term investments | 4,500 |
| (92) | Net cash flows from investing activities | 69 |

42. Cash Flow Statement - Financing Activities

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|---|------------------|
| 2,000 | Cash receipts of short-term and long-term borrowing | 0 |
| (2,000) | Repayments of short-term and long-term borrowing | (2,000) |
| 1,007 | Change in net debtors for Council Tax and NNDR income | 456 |
| 1,007 | Net cash flows from financing activities | (1,544) |

43. Financial Assets and Liabilities

The Investments and borrowings disclosed in the balance sheet are made up of the following categories of Financial Instruments:

| | 2011 Total £'000 | Principal £'000 | Interest £'000 | Other £'000 | 2012 Total £'000 |
|---------------------------------------|------------------------|--------------------|-------------------|----------------|------------------------|
| Loans and receivables | 0 | 0 | 0 | 0 | 0 |
| Available-for-sale instruments | 3 | 3 | 0 | 0 | 3 |
| Total long-term investments | 3 | 3 | 0 | 0 | 3 |
| Loans and receivables | 5,551 | 1,000 | 12 | 0 | 1,012 |
| Available-for-sale instruments | 0 | 0 | 0 | 0 | 0 |
| Held at fair value through CIES | 0 | 0 | 0 | 0 | 0 |
| Total short-term investments | 5,551 | 1,000 | 12 | 0 | 1,012 |
| Short-term borrowing (at cost) | 2,066 | 0 | 64 | 0 | 64 |
| Long-term borrowing (at cost) | 6,294 | 6,238 | 48 | 0 | 6,286 |

Comprehensive Income and Expenditure Statement Disclosure

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

| 2011/12 | Financial Assets Loans and Receivables £'000 | Available for Sale £'000 | Fair Value thru CIES £'000 | Financial Liabilities £'000 | Total £'000 |
|-----------------------------------|---|--------------------------------|-------------------------------------|-----------------------------------|----------------|
| Interest income | 101 | - | - | - | 101 |
| Gains and losses on derecognition | - | - | - | - | - |
| Total investment income | 101 | - | - | - | 101 |
| Interest expense | - | - | - | (307) | (307) |
| Premiums and discounts | - | - | - | 8 | 8 |
| Other finance charges | - | - | - | - | - |
| Total interest payable | - | - | - | (299) | (299) |
| Revaluation gains and losses | - | - | - | - | - |
| -recycle to CIES on derecognition | - | - | - | - | - |
| Total revaluations | - | - | - | - | - |
| Net gain/(loss) for year | 101 | - | - | (299) | (299) |

Table of comparison 2010/11

| 2010/11 | Financial Assets Loans and Receivables £'000 | Available for Sale £'000 | Fair Value thru CIES £'000 | Financial Liabilities £'000 | Total £'000 |
|------------------------------------|---|--------------------------------|-------------------------------------|-----------------------------------|----------------|
| Interest income | 149 | - | - | - | 149 |
| Gains and losses on derecognition | - | - | - | - | - |
| Total investment income | 149 | - | - | - | 149 |
| Interest expense | - | - | - | (304) | (304) |
| Premiums and discounts | - | - | - | (12) | (12) |
| Other finance charges | - | - | - | - | - |
| Total interest payable | - | - | - | (316) | (316) |
| Revaluation gains and losses | - | - | - | - | - |
| -recycled to CIES on derecognition | - | - | - | - | - |
| Total revaluations | - | - | - | - | - |
| Net gain/(loss) for year | 149 | - | - | (316) | (167) |

44. Fair Value of Financial Assets and Liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Usually the best evidence of the fair value is the transaction price (i.e. the consideration) and unless the transaction was not at arm's-length this should be the value used. However, if the transaction is not based on market terms, a valuation technique shall be used to determine the appropriate fair value for initial recognition of the instrument.

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- cash flows arising from investments have been discounted at money market rates available for investments of similar remaining maturities on the balance sheet date
- cash flows arising from Public Works Loan Board loans have been discounted at the premature repayment rates published by the Board, so that the fair value equals the amount at which the authority could repay its loans on the balance sheet date
- cash flows arising from other borrowings have been discounted at appropriate money market rates.
- the fair value of trade receivables and payables is taken to be the invoiced amount
- no early repayment or impairment of any instrument is recognised

| | 31 March 2011 | | 31 March 2012 | |
|------------------------------------|------------------------|---------------------|------------------------|---------------------|
| | Balance sheet £'000 | Fair value £'000 | Balance sheet £'000 | Fair value £'000 |
| Investments | 5,551 | 5,565 | 1,012 | 1,017 |
| Trade receivables | 3,730 | 3,730 | 386 | 386 |
| Total loans and receivables | 9,281 | 9,295 | 1,398 | 1,403 |
| Public Works Loan Board | (5,074) | (5,451) | (5,063) | (6,507) |
| Market borrowings | (3,351) | (3,376) | (1,285) | (1,366) |
| Trade payables | (1,267) | (1,267) | (931) | (931) |
| Total financial liabilities | (9,692) | (10,094) | (7,279) | (8,804) |

45. Nature and Extent of Risks Arising from Financial Instruments

The authority's activities expose it to a variety of financial risks, including:

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority'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. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

46. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.

The authority manages its credit risk by restricting deposits to a maximum of £1m with any one counterparty, spreading the investment portfolio as widely as possible, and investing with credit-rated counterparties.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £1.0m 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 Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

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

The Authority 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 no collateral as security.

47. Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The maturity analysis of financial instruments is as follows:

| | Financial Assets £'000 | Financial Liabilities £'000 |
|------------------------|---------------------------------------|--|
| Less than three months | - | - |
| Three to six months | 1,000 | - |
| Six months to one year | - | - |
| One to two years | - | (1,250) |
| Two to five years | - | - |
| Five to ten years | - | - |
| Ten to twenty years | - | - |
| Over twenty years | - | (4,988) |
| Total | 1,000 | (6,238) |

This table excludes trade receivables and payables

48. Market Risks

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Short-term investments are deemed to be variable rate as they are unlikely to be re-invested at the same rate as they mature.

Interest rate risk is managed by holding an appropriate mixture of instruments within the framework and indicators approved each year in the treasury management strategy. A range of interest rate forecasts are used when setting and updating the interest budget, so that adverse rate changes can be accommodated in the authority's plans with sufficient notice.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | 1% rise |
|---|-----------|
| Interest payable on variable rate and maturing borrowings | n/a |
| Interest payable on LOBO borrowings | n/a |
| Interest receivable on variable rate and maturing investments | 84 |
| Fair value of assets held at fair value through profit and loss | 10 |
| Government grant receivable for financing costs | n/a |
| Impact on Income and Expenditure Account | 94 |
| - impact on General Fund | 94 |
| - impact on Housing Revenue Account | - |
| Fair value of available-for-sale financial assets | n/a |

The Council has no variable rate borrowing.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The authority does not invest in equity instruments and so is not exposed to changes in share prices. Changes in the prices of fixed interest investments are managed as part of the authority's interest rate risk management strategy.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and makes no purchases or sales in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

49. Significant Capital Commitments

There were no significant capital commitments as at 31 March 2012.

50. Authorisation of the Statement of Accounts

The Statement of Accounts was authorised for issue on 30 June 2012 by the Corporate Head of Financial Management (Section 151).

51. Events after the Balance Sheet Date

All events between the balance sheet date and the date the accounts were authorised on 25 September 2012 have been considered and there are no Post Balance Sheet Events to disclose.

SECTION 6

SUPPLEMENTARY FINANCIAL STATEMENT

Collection Fund and Notes

Supplementary Statement

Collection Fund 2011/12

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, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Service 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.

| 2010/11 | | 2011/12 | | Notes |
|---------------|--|---------|---------------|------------|
| £'000 | | £'000 | £'000 | |
| | Income | | | |
| 31,296 | Council Tax | | 31,264 | |
| 3,076 | Council Tax Benefits | | 3,071 | |
| 15,664 | Non Domestic Ratepayers | | 16,557 | (3) |
| | | | | |
| 50,036 | Total Income | | 50,892 | |
| | | | | |
| | Expenditure | | | |
| 34,016 | Demands on Collection Fund | | 34,063 | (4) |
| 0 | Payments of previous surpluses | | 145 | |
| | Non Domestic Ratepayers | | | |
| 15,438 | - Payment to National Pool | 16,316 | | (3) |
| 122 | - Cost of Collection Allowances (to CDC) | 121 | | (3) |
| 20 | - Interest on overpayments | 1 | 16,438 | (3) |
| | | | | |
| 185 | Bad and Doubtful Debts - Write Offs | | 195 | (5) |
| (14) | Contribution to Provision for bad and Doubtful debts | | 1 | (5) |
| | | | | |
| 49,767 | Total Expenditure | | 50,842 | |
| | | | | |
| (269) | (Surplus)/Deficit for Year | | (50) | |
| | | | | |
| | Collection Fund Balances | | | |
| (24) | Surplus Balance b/fwd 1 April | | (293) | (6) |
| (269) | (Surplus)/Deficit for Year | | (50) | (6) |
| | | | | |
| (293) | Balance c/fwd 31 March | | (343) | (6) |

Notes to the Collection Fund Account

1. Council Tax Base

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 | Total No of Dwellings | Discounts, Exemptions, Allowances | Revised No. of Dwellings | Proportion of Band D Charge | Band D Equivalent |
|---|-----------------------|-----------------------------------|--------------------------|-----------------------------|-------------------|
| A- | 11 | 0 | 11 | 5/9 | 5.80 |
| A | 3,909 | (595) | 3,314 | 6/9 | 2,209.20 |
| B | 5,653 | (660) | 4,993 | 7/9 | 3,883.30 |
| C | 5,627 | (546) | 5,081 | 8/9 | 4,516.70 |
| D | 3,932 | (337) | 3,595 | 9/9 | 3,595.30 |
| E | 3,039 | (209) | 2,830 | 11/9 | 3,458.60 |
| F | 1,900 | (112) | 1,788 | 13/9 | 2,583.00 |
| G | 1,272 | (63) | 1,209 | 15/9 | 2,015.80 |
| H | 94 | (7) | 87 | 18/9 | 173.50 |
| Total | 25,437 | (2,529) | 22,908 | | 22,441.20 |
| Adjustment to reflect 2% non collection rate and decrease in 2nd homes discount | | | | | (98.87) |
| Council Tax Base (Band D equivalent) | | | | | 22,342.33 |

2. Council Tax Income

The average Band D Council Tax for a property (£1,476.34 in 2011/12) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Taxbase 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 2011/12 of £1,476.34 is broken down as follows:

| 2010/11 £ | Band D Council Tax | 2011/12 £ |
|-----------------|---------------------------------------|-----------------|
| 152.21 | Craven District Council | 152.21 |
| 1,057.48 | North Yorkshire County Council | 1,057.48 |
| 204.55 | North Yorkshire Police Authority | 204.55 |
| 62.10 | North Yorkshire Fire & Rescue Service | 62.10 |
| 1,476.34 | Total | 1,476.34 |

3. National Non-Domestic Rates

NNDR is organised on a national basis. The Government specifies an amount, 43.3p in 2011/12, (41.4p in 2010/11) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into a NNDR pool administered by the Government. The total non-domestic rateable value at 31st March 2012 was £47.154m (31st March 2011 £46.808m).

CRAVEN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2011/2012

The sums paid into the national pool are redistributed back to local authorities as a grant on the basis of a fixed amount per head of population. The total amount received by the Authority from the pool in 2011/12 was £2.476m (£3.681m in 2010/11).

The amounts collected on behalf of the Government and paid into the pool are analysed below:

| 2010/11 £'000 | National Non-Domestic Rate Income | 2011/12 £'000 |
|------------------|--|------------------|
| 18,751 | Gross Amount Due | 20,208 |
| (1,954) | Charitable Relief etc. | (2,834) |
| (1,133) | Transitional, Empty and Part Occupation Relief etc | (817) |
| 15,664 | Net Amount Collectable | 16,557 |
| | <u>Less</u> | |
| 84 | Provision for Bad debts | 119 |
| 20 | Interest on Overpayments | 1 |
| 122 | Cost of Collection Allowance payable to General Fund | 121 |
| 15,438 | Amount Payable to NNDR Pool | 16,316 |

4. 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:

| 2010/11 £'000 | | 2011/12 £'000 |
|------------------|---|------------------|
| 3,400 | Craven District Council | 3,401 |
| 23,618 | North Yorkshire County Council | 23,627 |
| 4,569 | North Yorkshire Police Authority | 4,570 |
| 1,387 | North Yorkshire Fire and Rescue Service | 1,387 |
| 1,042 | Parishes | 1,078 |
| 34,016 | Total Demands on Collection Fund | 34,063 |

5. Provision for Bad and Doubtful Debts

| | National Non Domestic Rates £'000 | Council Tax £'000 | Total £'000 |
|---------------------------------|---|-------------------------|----------------|
| Provision Brought Forward | (122) | (286) | (408) |
| Adjustment to Provision in Year | (119) | (77) | (196) |
| Write on/Write offs | 108 | 87 | 195 |
| Provision Carried Forward | (133) | (276) | (409) |

6. Collection Fund Surpluses and Deficits

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 2011/12 there was a distribution of £145k surplus based on this calculation.

There was an in-year surplus of £50k on the Collection Fund in 2011/12, the effect of which was to increase the balance on the Account at 31 March 2012 to £343k.

The surplus on the Fund at 31 March 2012 is available for use in a subsequent year by the District Council, North Yorkshire County Council, the Police Authority and the Fire and Rescue Service in proportion to the value of their respective demands and precepts made on the Fund.

The balance at 31 March 2012 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

CRAVEN DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2011/2012

| 2010/11 £'000 | Authority | 2011/12 £'000 |
|------------------|---------------------------------------|------------------|
| 29 | Craven District Council | 34 |
| 211 | North Yorkshire County Council | 247 |
| 41 | North Yorkshire Police Authority | 48 |
| 12 | North Yorkshire Fire & Rescue Service | 14 |
| 293 | Total | 343 |

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 2012 as required by the 2011/12 Code of Practice on Local Authority Accounting.

SECTION 7

INDEPENDENT AUDITOR'S REPORT

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

Opinion on the Authority financial statements

I have audited the financial statements of Craven District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Craven District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Corporate Head of Financial Management and auditor

As explained more fully in the Statement of the Corporate Head of Financial Management's Responsibilities, the Corporate Head of Financial Management is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Head of Financial Management; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Craven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Craven District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Cameron Waddell
District Auditor
Nickalls House
Metro Centre
GATESHEAD
NE11 9NH

26 September 2012

SECTION 8

GLOSSARY OF TERMS

Glossary of Terms

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised; the basis on which it is to be measured, and where in the revenue account or balance sheet it is to be presented.

ACCRUALS

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payments have not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

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 each user).

AMORTISATION

The measure of the consumption or other reduction in the useful life of an intangible asset.

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 purposes as general contingencies and cash flow management.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at a specific date at the end of an 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.

BUDGETS

A Statement of the Council's forecast spend.

BUSINESS RATES

See "National Non-Domestic Rates"

SERCOP (previously BVACOP)

Service Reporting Code of Practice (previously Best Value Accounting Code of Practice). This Code of Practice provides guidance to local authorities on how to classify costs for comparative purposes between authorities. The Code of Practice is the accounting guidance developed by CIPFA in support of the Government's Best Value legislation.

CAPITAL ADJUSTMENT ACCOUNT

This account replaced the former Capital Financing Account with effect from 1 April 2007 and provides a balancing mechanism between the different rates at which assets depreciated under the SORP and are financed through the capital controls system. It should be noted that this account and the Revaluation Reserve are matched by non-current assets within the balance sheet; they are not resources available to the authority.

CAPITAL CHARGES

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

CAPITAL EXPENDITURE

Spending that produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

CAPITAL PROGRAMME

The capital projects an authority proposes to undertake over a set period of time. The usual period covered by a capital programme is three to five years.

CAPITAL RECEIPTS

The proceeds from the sale of non-current assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on non-current assets or to finance new capital expenditure within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The professional accountancy body concerned with local authorities and the public sector.

COLLECTION FUND

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

COMMUNITY ASSETS

These are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used in the direct provision of services.

CONTINGENT LIABILITIES

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

COUNCIL TAX

The main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

COUNCIL TAX BASE

The council tax base of an area is equal to the number of band “D” equivalent properties. It is calculated by counting the number of properties in each of the eight council tax bands and then converting this into an equivalent number of band “D” properties (e.g. a band “H” property pays twice as much council tax as a band “D” property and therefore is equivalent to two band “D” properties). For the purpose of calculating revenue support grant, the Government assumes a 100% collection rate. For the purpose of calculations made by a local authority of the basic amount of council tax for its area for each financial year, the authority makes an estimate of its collection rate and reflects this in the tax base.

CURRENT EXPENDITURE

Expenditure on running costs such as that in respect of employees, premises and supplies and services.

DEFERRED CAPITAL RECEIPTS

Amounts derived from the sale of assets that will be received in instalments over agreed periods of time. These arise mainly from mortgages on the sale of council houses.

DEFERRED CREDITORS

This is the term applied to deferred capital receipts. These transactions arise when non-current assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

DEPRECIATION

Charges reflecting the wearing out, consumption or other reduction in the useful life of a non-current asset.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

EMOLUMENTS

All sums paid to or receivable by an employee and any sums due by way of expenses allowance (as far as those 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 employee or employer are excluded.

EXTERNAL AUDIT

The independent examination of the activities and accounts of local authorities to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure that the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

FEES AND CHARGES

Income raised by charging users of services for the facilities. For example, local authorities usually make charges for the use of leisure facilities, car parks and the collection of trade refuse etc.

FINANCE LEASE

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within non-current assets on the balance sheet.

FINANCIAL INSTRUMENT

A physical or electronic document that has intrinsic monetary value or transfers value.

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

An account that holds the accumulated difference between the financing costs included in the CIES and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

FINANCIAL YEAR

The local authority financial year commences on 1st April and ends on 31st March the following year.

NON-CURRENT ASSET

Tangible asset that yields benefits to the Council and the services it provides for a period of more than one year.

GAAP

Generally Accepted Accounting Principles is the standard framework of guidelines for financial accounting. It includes the standards, conventions and rules accountants follow in recording and summarising transactions and in the preparation of financial statements.

GENERAL FUND

The main revenue fund of a billing authority. Day to day spending on services is met from this fund. Spending on the provision of council housing must be charged to a separate housing revenue account.

GROSS EXPENDITURE

The total cost of providing a council's services before taking into account income from government grants and fees and charges for services.

HISTORIC COST

This is the original cost of acquisition, construction or purchase of a fixed asset.

HOUSING BENEFIT

Financial help given to local authority or private tenants whose income is below prescribed amounts. The Government finances about 95% of the cost of benefits to non HRA tenants ("rent allowances") and the whole of the cost of benefits to HRA tenants (through the rent rebate element of housing subsidy).

HOUSING SUBSIDY

This represents a Government grant payable towards the cost of providing Local Authority housing and the management and maintenance of that housing.

IEG

Implementing Electronic Government is a Government initiative aimed at assisting local authorities to become e-enabled.

IMPAIRMENT

Impairment occurs when that value of an asset has reduced. This can be either as a result of a general fall in prices or by a clear consumption of economic benefits such as by physical damage to the asset.

INFRASTRUCTURE ASSETS

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to, highways.

INTERNAL AUDIT

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. Every local authority is required to maintain an adequate and efficient internal audit. A review of the effectiveness of the internal audit function of a local authority has to be considered and approved by the authority's Members each year.

INVESTMENTS

Deposits for less than one year with approved institutions.

LONG TERM DEBTORS

Amounts due to the Council more than one year after the balance sheet date.

MINIMUM REVENUE PROVISION (MRP)

The minimum annual provision from revenue towards a reduction in an authority's overall borrowing requirement.

NATIONAL NON-DOMESTIC RATES (NNDR)

Under the revised arrangements for uniform business rates that came into effect on 1st April 1990 the Council collect Non-Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate. The total amount, less certain reliefs and deductions, is paid to a central pool managed by the Government, that in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

NET CURRENT REPLACEMENT COST

This is the cost of replacing or recreating a particular asset in its existing condition and in its existing use. That is, the cost of replacing an asset, adjusted to reflect the current condition of the existing asset.

NET EXPENDITURE

Gross expenditure less specific service income, but before deduction of revenue support grant.

NET REALISABLE VALUE

The open market value of an asset in its existing use less any expenses incurred in realising the asset.

NON-OPERATIONAL ASSET

Non-current assets held by the Council but not directly used or consumed in the delivery of its services. This would include surplus properties awaiting disposal.

OPERATIONAL ASSET

Non-current assets held by the Council and used or consumed in the delivery of its services.

OPERATIONAL LEASE

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

PENSION FUND

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

PRECEPTING AUTHORITIES

Those authorities that are not billing authorities (i.e. do not collect Council Tax or NNDR) and precept upon the billing authority, which then collects on their behalf. North Yorkshire County Council, North Yorkshire Police Authority, North Yorkshire Fire and Rescue and Parish Councils all precept upon Craven District Council.

PRIVATE FINANCE INITIATIVE

A means of procurement for delivering investment in public infrastructure that supports public services using a partnership arrangement with private sector. The private sector assumes the majority of the risks of the scheme.

PROVISIONS

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

PUBLIC WORK LOANS BOARD (PWLB)

A Government body that meets part of the Council's loan finance for capital purposes.

RELATED PARTIES

Two or more parties are related parties when at any one time in the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial or operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- Central Government;
- Local authorities and other bodies precepting or levying demands on the council tax;
- Its subsidiary and associated companies;
- Its joint ventures and joint venture partners;
- Its Members;
- Its Chief Officers.

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of close family, or the same household, and
- Partnerships, companies, trusts and other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

RECHARGES

The transfer of costs within the Council from one account to another to reflect work undertaken on behalf of the other service.

RESERVES

Amounts set aside in the accounts for future purposes that fall outside the definition of provisions. They include general balances and reserves that have been earmarked for specific purposes. Expenditure is not charged directly to a reserve, but to the appropriate service revenue account.

REVENUE CONTRIBUTIONS

A method of financing capital expenditure from revenue.

REVENUE EXPENDITURE

This is the day to day running cost incurred in providing council services. Such costs principally include employees' costs, supplies and services costs etc.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or renovation grants to private persons. Up to 1st April 2008 this type of expenditure was known as deferred charges.

REVALUATION RESERVE

This reserve replaced the former Fixed Asset restatement Account on 1st April 2007 and records unrealised revaluation gains arising since that date from holding assets. It should be noted that this reserve and the Capital Adjustment Account are matched by non-current assets within the balance sheet; they are not resources available to the authority.

REVENUE SUPPORT GRANT (RSG)

This funding is the Government Grant provided by the Department of Communities and Local Government (DCLG) that is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

SOFT LOANS

A "soft loan" is where a loan has been made for policy reasons, rather than as a financial instrument. These loans may be interest free or at rates below prevailing market rates. Commonly, such loans are made to local organisations that undertake activities that the authority considers benefit the local population.

SOLACE

The Society of Local Authority Chief Executives.

CODE (CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UK)

This statement is the main accounting guidance that local authorities are required to follow in the preparation of the Statement of Accounts. It is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

SSAPs

This stands for Statements of Standard Accounting Practice. These are statements issued by the Accounting Standards Committee that seek to ensure consistency in the treatment of certain accounting issues, and any departure must be disclosed in the published accounts.

STATEMENT OF ACCOUNTS

Local authorities are required to prepare, in accordance with proper practices, a statement of accounts in respect of each financial year, which contains prescribed financial statements and associated notes. Members of the Authority must approve the statement by 30th June following the end of the financial year.

TOTAL COST

The total cost of a service or activity includes all costs that relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads that need to be apportioned.

TRADING SERVICES

Services that are, or are generally, intended to be, financed mainly from charges levied on the users of the service.

USABLE CAPITAL RECEIPTS

These are amounts available to finance capital expenditure in future years.

WORKING BALANCE

This is the accumulated surplus (excess of income over expenditure) on the Council's revenue accounts (i.e. General Fund).