



# **STATEMENT OF ACCOUNTS**

**2009/2010**

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

Corporate Head of Financial Management, Craven District Council, Council Offices, Granville Street, Skipton, North Yorkshire, BD23 1PS (01756) 706202  
or by email to [contactus@cravendc.gov.uk](mailto:contactus@cravendc.gov.uk)

This document can also be made available in large print and Braille.

# **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 2003.

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 the Craven District Council in 2009/10 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: A Statement of Recommended Practice (SORP).

The Council's accounts for the year 2009/10 are set out on pages 23 to 90 and comprise:

- **The Statement of Accounting Policies (pages 23 to 34).** 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 Statement of Responsibilities for the Statement of Accounts (pages 35 to 37).** 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.

***Core financial Statements Comprising:***

- **The Income and Expenditure Account (page 39).** This reports the day-to-day running costs and incomes for the services for which the Council is responsible. The account also identifies the balance (surplus or deficit) arising from the day-to-day running of the Council.
- **The Statement of Movement on the General Fund Balance (page 39).** This reports additional amounts required to show the actual change in the General Fund Balance (surplus or deficit for the year) and more accurately reflects the performance of the Council. An explanation of this Statement is provided in the narrative to the Statement itself.
- **The Statement of Total Recognised Gains and Losses (page 41).** This statement shows all gains and losses for the year, including revaluations of assets and pension fund changes, and shows the change in net worth.
- **The Balance Sheet (pages 42 to 43).** This summarises the Council's assets and liabilities as they were at 31<sup>st</sup> March 2010. It indicates the level of reserves and balances at that date, together with long-term indebtedness, investments and the value of assets held.
- **The Cash Flow Statement (page 44).** This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue purposes.
- **The Notes to the Core Financial Statements (pages 45 to 71).** These provide additional information about the figures in the core financial statements.

*Supplementary Statements Comprising:*

- **The Collection Fund Account (page 73).** 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 74 to 76).** These provide additional information about the figures in the Collection Fund.

*Other Statements Comprising:*

- **The Corporate Governance Statement (pages 14 to 22).** This statement sets out the framework within which corporate governance is managed and reviewed and the main components of the governance system including arrangements for internal audit. The statement also identifies actions to be taken to strengthen the governance arrangements in some areas.
- **The Independent Auditor's Report to Craven District Council – Audit Certificate and Opinion (pages 77 to 80).** This will be provided by the Council's external auditors upon completion of the audit.
- **Glossary of Terms (pages 81 to 90).** Terms used throughout this document are described in detail in these pages.

## **A REVIEW OF THE 2009/10 FINANCIAL YEAR**

### **Significant Issues for the 2009/10 Financial Year**

The 2009/10 financial year proved to be a challenging year for both Members and Officers as the Authority took measures to improve its financial position from the problems encountered in 2007/08 and 2008/09.

In February 2009 the Council approved the net cost of services for 2009/10 of £9,819m, net revenue expenditure of £7.999m and a net revenue budget of £7.444m based on an increase in the level of Council Tax at Band "D" of 4.5% and a draw on reserves of £0.555m. At this time it was envisaged that this would still have left the balance on the General Fund at 31<sup>st</sup> March 2010 at £0.650m. These decisions were taken before the extent of the overspending in 2008/09 was known which eventually resulted in the level of the General Fund balance at 31st March 2009 being reduced to £400,242.

As the 2008/09 accounts were being closed in April and May 2009 and the level of overspending in 2008/09 became clear, it became obvious that the budgeted draw on balances of £0.555m in 2009/10 was unsustainable, and the Authority therefore embarked on a further series of cost cutting measures aimed at addressing the situation. This involved a major review of the Council's staffing structure and a range of other efficiency measures.

The final position for 2009/10 is a draw on balances of £231,000 which reflects the steps taken during the year, the full year effect of which will impact in 2010/11 and has been taken account of in setting the 2010/11 budget. The balance on the General Fund at 31<sup>st</sup> March 2010 is £169,000 and the budget for 2010/11 includes £300,000 to start to build this balance up to an appropriate level. The medium term financial plan also shows a similar contribution in 2011/12.

Regular budget monitoring continued to take place during the year and many other financial controls were re-established, introduced or strengthened. The unaudited 2008/09 accounts were completed and approved by Members before the deadline of 30<sup>th</sup> June 2009, with an unqualified opinion obtained on them on 24<sup>th</sup> November 2009 following an unsustained objection by an elector.

### **Current Economic Climate**

Local Authorities and the services they provide are not immune from the effects of the global and national economic climate. The ability of Councils to react quickly and the adequacy of their reserves are very important. Over the past eighteen months or so, the Council has taken steps to ensure it is in a stronger position to cope with the public expenditure restraint likely to be introduced in the near future as the country tries to resolve its own budget deficit.

### **Net Cost of Services/Draw on General Fund**

The original budget for 2009/10 approved in February 2009 showed the net cost of services as £9,819m. A comparison of the actual outturn is shown in the table below.

Net Cost of Services	Budget £'000	Actual £'000	Variance £'000	Reasons for Variance
Central Services to the Public	1,030	967	(63)	FRS17 Credit (£113k) ,Depreciation £62k
<b>Cultural and Related Services</b>				
Culture and Heritage	563	433	(130)	Additional Govt Grants (£61k),Savings Depreciation (£29k),FRS17 Credit (£27k)
Recreation and Sport	938	495	(443)	Savings Utilities/Maint (£127k),Depreciation (£162k) Additional Income (£50k),FRS17 Credit (£55k)
Open Spaces	131	104	(27)	Savings Planned /Other maintenance (£27k) - Ribblesdale Wall
Tourism	112	62	(50)	Additional Govt Grants(£32k) ,Savings Print & Stationery (£18k)
<b>Environmental Services</b>				
Cemeteries and Crematorium	(92)	38	130	Additional Depreciation £160k,Shortfall Cremation Income £20k,Savings Reactive/Planned Maintenance (£38k)
Environmental Health	806	839	33	FRS17 Credit (£78k),Shortfall Income £45k, Depreciation £65k
Community Safety	0	0	0	
Flood Defence and Drainage	21	7	(14)	Savings in Flood Alleviation/Maint costs (£14k)
Street Cleansing	467	305	(162)	Savings Vehicle Costs (£48k),Depreciation (£62k), Employees (£52K)
Waste Collection	1,250	1,302	52	FRS17 Credit (£112k), Additional Employee costs £119k, Additional Leasing costs £35k
<b>Planning and Development</b>				
Building Control	(25)	44	69	Shortfall in Building Control Income £79k
Development Control	308	235	(73)	Reduced use of external services (£68k)
Planning Policy	183	125	(58)	FRS17 Credit (£18k), Savings in Salaries (£19k) Additional Govt Grants (£20k)
Economic and Comm Development	496	785	289	Savings in Employment Initiative expenditure (£125k)
<b>Cultural, Env &amp; Planning Services Total</b>	<b>5,158</b>	<b>4,774</b>	<b>(384)</b>	
<b>Highways, Roads and Transport</b>				
Parking Services	(542)	(503)	39	Shortfall in Income (Winter months) £26k , Depreciation £33k,Savings Equipment (£16k)
Public Transport	451	451	0	
<b>Highways, Roads and Transport Total</b>	<b>(91)</b>	<b>(52)</b>	<b>39</b>	
<b>Housing – Other Services</b>				
Housing Advances	0	0	0	
Private Sector Renewal	160	273	113	Net write off- capital housing grants £136k, Savings in salaries (£11k)
Homelessness	245	211	(34)	Savings premises costs Aireview House (£25k)
Housing Benefit Payments	(366)	(300)	66	Additional benefit payments (net of rent allowance income) £66k
Housing Strategy	177	124	(53)	FRS17 Credit (£13k),Depreciation (35k)
HGF Other Property	(33)	(6)	27	Additional Depreciation/Impairment Charges £42k
Other Welfare Services	0	0	0	
<b>Housing – Other Services</b>	<b>183</b>	<b>302</b>	<b>119</b>	
<b>Corporate and Democratic Core</b>	<b>3,299</b>	<b>3,200</b>	<b>(99)</b>	FRS17 Credit (£184k),Salaries/Agency/Redundancy £109k
<b>Non-Distributed Costs</b>	<b>240</b>	<b>439</b>	<b>199</b>	Pension Curtailment Costs £84k,Savings Equipment (£11K), Impairment charges £137k
<b>Total Net Cost of Services</b>	<b>9,819</b>	<b>9,630</b>	<b>(189)</b>	

The difference between the £555,000 budgeted draw from balances and the actual draw of £231,000 is explained as follows:

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Total Net Cost of Services as above	9,819	9,252	(567)
Interest Payable	292	326	34
Investment Income	(300)	(297)	3
General Government Grants	(779)	(850)	(71)
Minimum Revenue Provision	163	205	42
Savings	(107)	0*	107
Revenue Expenditure Funded from Capital under Statute	(192)	(166)	26
Surplus on Disposal of Assets under £10,000	0	(26)	(26)
Other Income	0	(248)	(248)
Redistributed NNDR	(3,374)	(3,374)	0
Precept from Collection Fund (net of Parish Precepts)	(3,284)	(3,284)	0
FRS 17 (Net Pension Adjustment)	0	673	673
Depreciation	(1,683)	(1,980)	(297)
<b>Draw on General Fund Balance</b>	<b>555</b>	<b>231</b>	<b>(324)</b>

\* Actual savings achieved included in "Net Cost of Services" figure

The balance on the General Fund at 31 March 2010 was £168,779. (31 March 2009 £400,242)



**Where the money comes from:**

	<b>Original Estimate 2009/10 £'000</b>	<b>Actual Income 2009/10 £'000</b>	<b>% (actual)</b>
Revenue Support Grant	779	779	8.5
National Non-Domestic Rates entitlement	3,374	3,374	36.9
Council Tax Precept on Collection Fund (including Parish Precepts)	4,273	4,273	46.7
Area Based Grant	0	71	0.8
Investment Income	300	297	3.2
Non Specific Government Grants and Other Income	110	131	1.4
Transfer from Reserves	555	231	2.5
<b>Total</b>	<b>9,391</b>	<b>9,156</b>	<b>100.0</b>

**Where the money goes:**

	<b>Original Estimate 2009/10 £'000</b>	<b>Actual Expend- iture 2009/10 £'000</b>	<b>% (actual)</b>
Central Services to the Public	1,030	967	10.6
Cultural, Environmental and Planning Services	5,158	4,362	47.6
Highways and Transport	(91)	(52)	(0.6)
Housing Services - Other	183	302	3.3
Corporate and Democratic Core	3,299	3,234	35.3
Non Distributed Costs	240	439	4.8
	<b>9,819</b>	<b>9,252</b>	
Precepts paid	991	991	10.8
Interest payable	292	326	3.6
MRP	163	205	2.2
Depreciation included above	(1,683)	(1,980)	(21.6)
Other	(191)	362	4.0
<b>Total</b>	<b>9,391</b>	<b>9,156</b>	<b>100.0</b>

### Borrowing Facilities

The Council's borrowing facilities for 2009/10 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

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 these 2009/10 Prudential Indicator limits on 29 June 2009.

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

Short-term borrowing: £2.2m at 31 March 2009 was repaid on 1 April 2009. £2.0m borrowing was undertaken for cashflow purposes on 18 March 2010 to be repaid 18 June 2010.

### Capital Expenditure

In 2009/10 the Council spent £1,345,357 on acquiring and improving assets including grants made for the improvement of private homes. This spending results in a benefit that lasts for a number of years. The following table details the areas of capital expenditure in 2009/10.

2008/09 £'000	Areas of Capital Expenditure	2009/10 £'000
78	Car Parks	0
88	Litter Bins	13
290	Refuse Vehicles	33
924	Health Capital Grants	773
74	IT System Improvements	253
65	Cremator	0
0	Craven Swimming Pool Energy Saving	160
0	Community Schemes and Signage	16
2	Planning Capital Expenditure	0
2	Flood Alleviation/Riverside Project	23
0	Council Office Improvements	74
4	Other Miscellaneous Schemes	0
<b>1,527</b>	<b>Total Capital Expenditure</b>	<b>1,345</b>

This expenditure compares with an initial budget of £2.779m. The decrease of £1.434m is due to slippage and reclassification of items as Revenue as follows:

	<b>2009/10 £'000</b>
Environmental Health: Flood Alleviation	15
Waste Management	62
Private Sector Renewals and Disabled Facilities Grants	(13)
Gypsy & Traveller Research funding	221
Stronger Communities: Community Capital Grants	34
Leisure & Community Facilities: Community Buildings & Car Parks	102
Sports & Leisure	10
Unbudgeted expenditure	(16)
Information Services	81
Upgrading of Accounting System	50
New Office Accommodation	864
Capital Administration	24
<b>Total Slippage &amp; Reclassification</b>	<b>1,434</b>

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

<b>2008/09 £'000</b>	<b>Method of Financing</b>	<b>2009/10 £'000</b>
<b>683</b>	Prudential Borrowing	699
<b>842</b>	Health Capital Grants	637
<b>2</b>	Planning Delivery Grant Reserve	0
<b>0</b>	Other Grants	9
<b>0</b>	Capital Receipts	0
<b>1,527</b>	<b>Total Financing</b>	<b>1,345</b>

### **Service Delivery Changes**

The Council is currently undergoing a period of change with the expectation that savings will be achieved through a restructuring of services.

The Council has limited revenue resources available and has set a budget for 2010/11 based on achieving substantial savings.

### **Fixed Assets**

Fixed asset values reflect impairment on specific assets in 2009/10 due to a fall in market prices. For one private garage site there was impairment due to a consumption of economic benefits as a result of the granting of a wayleave.

## **Pensions**

Disclosure requirements under the SORP are included and are in accordance with Financial Reporting Standard (FRS) 17. Details of the information are set out in Note 28 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 28 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 £21,008,550 at 31 March 2009 to £26,835,550 at 31 March 2010.

## **Accounting Practices and Policies Changes**

The council has reviewed the accounting 'rules' it must follow and revised them in accordance with the 2009 SORP. The changes included in the 2009 SORP which are applicable to Craven District Council's accounts are as follows:

### Accounting for local taxes

The 2009 SORP includes detailed requirements for accounting changes in relation to Council Tax and NNDR:

#### **Council Tax**

The change reflects the fact that, as a billing authority, Craven District Council acts as an agent of the major preceptors (county council and police and fire authorities) in collecting their shares of council tax, so the arrears and overpayments correctly belong on their balance sheets rather than the district council's.

#### **NNDR**

Similarly, the removal of the arrears and overpayments of National Non-Domestic Rates (NNDR) from the council's balance sheet reflects the fact that the council acts as the government's agent in collecting the tax. The only remaining debtor or creditor relating to NNDR on the council's balance sheet is that representing the cash collected but not yet paid to the government, or overpaid to the government, at the balance sheet date.

For further information on the adjustments required in relation to this change in Accounting Policy, see Accounting Policy 2 on page 24 and note 1 to the Core Financial Statements on page 46.

### Removal of Disclosure Notes

The following disclosure notes have been removed:

- Publicity Expenditure
- Section 137 Expenditure
- Building Control Account
- Business Improvement District Schemes
- Local Government Goods and Services Act

None of these disclosures are required by accounting standards or legislation. Consequently, these notes are no longer included in the notes to the core financial statements.

### Officers' Emoluments

Under a new legal requirement, the council must disclose the number of employees whose remuneration is above £50,000 in the year, in bands of £5,000 (previously £10,000). Additionally, the council is required to disclose by job title the remuneration for each senior officer paid above £50,000 but less than £150,000. Employees whose remuneration is above £150,000 are required to be named. The council does not have any employees in

this category. Additional information showing officers' emoluments is included in note 11 to the Core Financial Statements (page 50).

#### IFRIC 12 Service Concession Arrangements

Previous editions of the SORP required PFI schemes and similar contracts to be accounted for in accordance with FRS 5 Substance of Transactions. SORP 2009 requires these contracts to be accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements as this will assist in the transition to IFRS for 2010/11. The council has reviewed all relevant contracts, applying key tests which indicate whether an arrangement should be recognised as a service concession (IFRIC 12) and the related assets therefore recognised on the Balance Sheet. No changes have been required as a result of the review and the expenditure has been charged to services.

The cash flow statement for 2009/10 has been drawn up using a different method to that used in 2008/09. The 2008/09 figures have been restated accordingly.

#### **Further Information**

If you require further information concerning the accounts of the Council, this is available from the Corporate Head of Financial Management, Craven District Council, Council Offices, Granville Street, Skipton, North Yorkshire, BD23 1PS (01756 700600) or by email: [contactus@cravendc.gov.uk](mailto:contactus@cravendc.gov.uk)

# **SECTION 2**

## **CORPORATE GOVERNANCE STATEMENT**

## Corporate Governance Statement

### Introduction

The preparation and publication of a Corporate Governance Statement is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006. This requires authorities to conduct a review at least once a year of the effectiveness of its system of internal control and prepare a statement on internal control in accordance with proper practices.

The practices to which the Authority conforms are defined through the principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'.

### Scope of Responsibility

Craven District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is properly spent and accounted for, and used economically, efficiently and effectively.

Craven District Council also has a duty under the Local Government Act 1999 to make arrangements for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Craven District Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions, including arrangements for the management of risk.

### The Purpose of the Governance Framework

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

It enables the authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and it seeks to provide reasonable, but not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2010, and up to the date of the approval of the Statement of Accounts.

### The Internal Control/Governance Framework

The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the six principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'.

The six core principles are:

- Principle 1 – Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Principle 3 – Promoting Values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Principle 5 –Developing the capacity and capability of members and officers to be effective.
- Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability

A copy of the Local Code can be obtained from the Council's website [www.cravendc.gov.uk](http://www.cravendc.gov.uk) or by writing to:- Financial Services, Craven District Council, Council Offices, Granville Street, Skipton, North Yorkshire, BD23 1PS.

This statement explains how Craven District Council has complied with the code and also how it meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment (England) Regulations in 2006 in relation the publication of a statement on internal control.

The key elements of the Council's internal/control governance framework include:

- An approved "Local Code of Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance
- The designation of the Chief Executive as the Head of Paid Services
- The designation of the Corporate Head of Financial Management as Section 151 Officer in accordance with Section 112 of the Local Government Finance Act 1988
- The designation of the Strategic Manager – Legal and Democratic Services as Monitoring Officer
- The maintenance and review of the Council's Constitution including: Standing Orders; Financial Regulations; Committee Membership and Terms of Reference; Scheme of Delegation to Officers; and Members Code of Conduct
- The Audit and Governance Committee which receives regular reports monitoring and reporting regarding the Council's governance arrangements
- The Overview and Scrutiny Committee which receives regular reports monitoring the Council's performance
- The work of the Standards Committee
- Corporate planning processes through the Council's Performance Management Framework including the production of a Council Plan setting out the Council's Vision and Priorities



- Financial management and reporting including budget monitoring, treasury management monitoring
- Asset Management processes including the implementation and review of an Asset Management Strategy
- Performance Management through the implementation of the Council's Performance Management Framework
- An approved Corporate Risk Management Strategy which includes the maintenance of a comprehensive risk register along with monitoring arrangements
- Partnership Evaluation arrangements
- The implementation and review of a Workforce Strategy
- Anti Fraud and Corruption Policy and Anti Money Laundering Policy
- Whistleblowing Policy
- Complaints Procedure
- Community engagement and consultation

### **Review of Effectiveness**

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This review of effectiveness is informed by the work of the Council's Management Team, which has overall responsibility for developing and maintaining good governance, the Internal Audit annual report, as well as comments made by the external auditors and other review agencies and inspectorates.

The purpose of a review is to identify and evaluate the key controls in place to manage the main risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances, and should result in an action plan for addressing significant internal control issues.

This document is produced as a result of that review in respect of 2009/10 financial year.

Key roles in maintaining and reviewing the effectiveness are performed by:

#### **The Council**

The Council is the supreme body of Members and has overall responsibility for the Council's policy and budget framework, which includes adoption of, and any fundamental changes to, the Council's Constitution.

#### **Policy Committee**

The Policy Committee is responsible for exercising the Council's powers within the budget and policy framework in the non-regulatory areas of its functions. It is also charged with making recommendations to the Council on the budget and framework and any plans, policies or strategies that have a significant corporate impact.

#### **Overview and Scrutiny Committee**

This Committee plays an important part in Members' influence on the Council's governance, including holding the decision-makers to account, primarily through the call-in procedure, contributing to policy development and review.

**Audit and Governance Committee**

The Audit and Governance Committee has overall responsibility for ensuring the effective development and operation of corporate governance within the Council and ensuring compliance with best practice. The Committee's remit includes internal and external audit activities, the control environment, risk management and the review and approval of the Council's annual Statement of Accounts.

The Committee is also responsible for maintaining the Council's Constitution and for conducting community governance reviews within the District.

**Standards Committee**

The Standards Committee has responsibilities relating to the Council's ethical framework. It monitors compliance with codes and protocols, reviews the operation of the Members' Code of Conduct, ensures the provision of effective training and is responsible for the system that ensures complaints relating to alleged breaches of this Council's and the Parish Councils' Codes of Conduct are dealt with. The Committee is a consultee on all elements of the Constitution relating to the ethical framework, i.e. local codes and protocols.

In order to ensure a good level of independence, the membership includes four independent members, including the Chair of the Committee, and three parish councillors. In light of recent guidance, the Committee has reviewed its terms of reference to ensure that it can effectively process alleged breaches of the code in accordance with the procedures for dealing with local assessments of complaints. The terms of reference have been extended to include responsibilities for granting dispensations for politically restricted posts.

**Monitoring Officer**

The Council's Monitoring Officer, Democratic Services Manager and the Council in general, oversee the operation of the Constitution in order to ensure that its aims and principles are given full effect. A Corporate Governance Working Group consisting of the s151 officer, the Monitoring Officer, other relevant officers and Members oversees the review of the governance framework, and prepares the Corporate Governance Statement for approval at the Audit and Governance Committee.

**Internal Audit**

The work of the Council's Internal Audit Service is in compliance with the CIPFA 2006 Code of Practice on Internal Audit in Local Government in the United Kingdom.

The Council formally appointed Harrogate Borough Council to provide its Internal Audit Service from 1<sup>st</sup> April 2010. However, in order to facilitate the transition from Furness Audit, Harrogate also undertook a number of the planned 2009/10 annual audits. The overall opinion of the Council's Internal Audit is that:

**Furness Audit**

"for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk. The profile of assurance is in our experience comparable to other local authorities, with the majority of the Council systems receiving Substantial Assurance. Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to senior management and Members."

**Harrogate Borough Council**

"Generally key controls were found to be in place with a reasonable level of compliance."

Additional weaknesses identified through the Corporate Governance Statement process are recorded separately as an Appendix to that Statement and reflect the assurance provided from all sources both internal and external.

In 2009/10 there were no areas where only limited assurance could be provided through the work undertaken by Internal Audit.

### **External Audit**

The external audit of the Council is provided by the Audit Commission. Whilst external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance. The Council believes that a proactive relationship with the Audit Commission strengthens its governance arrangements. Regular meetings have taken place to cover corporate matters and accounting and internal audit matters.

Conclusions and significant issues arising have been included in their report to those charged with governance. The 2008/09 Audit highlighted a number of governance issues, which were incorporated into the Annual Governance Report Action Plan. The only element of the 2008/09 Action Plan which remained to be finalised during the course of 2009/10 was the item in respect of bank reconciliations. As a fundamental source system check, assurances were given that this reconciliation would be undertaken in a timely manner by December 2009. This was indeed achieved and all systems are now fully reconciled with sound working papers to support.

### **Significant Governance Issues**

It is stressed that no system of control can provide absolute assurance against material mis-statement or loss. This statement is intended to provide reasonable assurance.

Significant Governance Issues are included in Appendix A. Appendix B sets out the major issues arising from the work of Internal Audit ('priority one' issues). Under the Council's governance arrangements, all internal audit recommendations are reported through the Audit and Governance Committee. The majority of Priority 1 issues included in the 2008/09 Corporate Governance Statement have now been completed and no new Priority 1 issues arose during the year.

The governance issues set out in Appendices A and B will be addressed during 2010/11. Progress on actions identified to address the recommendations of the Audit Commission's report will be subject to regular monitoring by the Council's Audit and Governance Committee.

<b>Appendix A                      SIGNIFICANT GOVERNANCE ISSUES 2009/10</b>				
<b>Ref</b>	<b>Gaps in 2009/2010</b>	<b>Improvement Action</b>	<b>Responsible Officer</b>	<b>Timescales</b>
<b>1</b>	Audit Commission Annual Governance Report 2008/09	Ensuring bank reconciliations are kept up to date and reviewed	Strategic Manager – Finance	31 December 2009
<b>2</b>	Member / Employee protocol not in line with current best practice	Review Member / Employee Protocol to bring in line with current best practice	Strategic Manager – Legal and Democratic Services	December 2010
<b>3</b>	Asset Management Strategy	Revised Asset Management Strategy in place	Corporate Head of Financial Management	September 2010
<b>4</b>	Review of governance arrangements of key partnerships in line with Council Plan action for 2009/10 not undertaken	Review constitution and governance arrangements in line with partnership protocol and toolkit	Corporate Head of Business Support	31 March 2011
<b>5</b>	S151 Officer not an employee of the Council	Strategic Manager – Financial Services to be appointed as S151 Officer and to sign off 2009/10 accounts	Chief Executive	30 June 2010

**Appendix B**  
**SIGNIFICANT GOVERNANCE ISSUES 2009/10 (Priority 1 issues arising from Internal Audit Work)**

**09-04 Contract & Financial Procedures (Compliance) SUBSTANTIAL ASSURANCE**

Priority 1 Issue	Improvement Action	Responsible Officer	Timescale
The Council should ensure that the Head of Financial Services is requested to perform an appraisal of the financial standing of each relevant contractor, in accordance with the Council's Contract Procedure Rules	Include requirement on Tender Checklist. Advise relevant staff of this requirement in training. Make Tender checklist available on intranet to all staff. Monitor compliance.	Corporate Management Team	28 February 2010
The Council should ensure that any deviations from Contract Procedure Rules are reported to Members for approval	Any deviations from Contract Procedure Rules approved by Members	Corporate Management Team	28 February 2010
All Managers / Responsible Officers should produce necessary reports where exemptions to Contract Financial Procedure Rules are required	Reports to be produced	Corporate Management Team	28 February 2010

**Audit Report IT 05-02 Disaster Planning, Backup & Recovery dated Oct 2006 (Implementation Review Feb 08) (LIMITED ASSURANCE)**

IT Disaster Recovery Plans should be formulated, to help ensure that disasters affecting IT assets do not adversely impact relevant business processes to an extent considered unacceptable to the Council. They should include: Instructions for recovery of all hardware, operating systems and software, within timescales identified by the risk assessment process; Procedures for procurement and installation of replacement equipment; Procedures for reporting and escalating a disaster to appropriate levels of management. Contact details of all relevant personnel and essential suppliers; and Procedures to ensure that the plans are kept up-to-date.	<p>The Council has completed the virtualisation of the existing server infrastructure.</p> <p>The next stage is to re-develop existing disaster recovery plans to align to the new infrastructure and capture further changes being brought about by the move to Belle Vue Mills which is now expected to go ahead May 2011.</p> <p>At present there is a process in place to store and replace all data held on the Council I.S. systems. This is being expanded to include business continuity requirements.</p>	IS Manager	Originally 31 Mar 2010 but revised to 31 Dec 2010
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The Council should ensure that suitable plans are developed by Service to ensure continuity of business for the period that the IT systems are unavailable following an IT disaster	Council does have a business continuity plan with the identification of urgent priority systems for each service having been undertaken.	IS Manager	March 2010
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Through the action referred to above, we propose over the coming year to address the issues that have been identified, with a view to further enhancing our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

**Signed**

**Signed**

.....  
**Councillor S Place**  
**Chairman of the Audit & Governance**  
**Committee**

.....  
**Paul Shevlin**  
**Chief Executive**

# **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 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - a Statement of Recommended Practice 2009 (the SORP). This is recognised by statute as representing proper accounting practices, together with guidance notes issued by CIPFA on the application of Statements of Standard Accounting Practice (SSAPs) and the Financial Reporting Standards (FRS's), approved by the Accounting Standards Board. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 2. Changes in Accounting Policy

There has been a change in the accounting policy relating to Council Tax. Up to 2008/09 the SORP required the Council Tax income in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority, or, in the case of major preceptors, the amount that under regulation was paid from the Collection Fund to the major preceptor. From the year commencing 1<sup>st</sup> April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. Each major preceptor's share of the accrued Council Tax income would be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

For both the billing authority and major preceptors, the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account (a non-usable reserve) and included as a reconciling item in the Statement of Movement on the General Fund Balance.

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 since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

As a result of this change, the 2008/09 Accounts have required prior year adjustments to the Income and Expenditure account, the Balance Sheet, the Statement of Movement on the General Fund Balance and the Cash Flow Statement. These accounts have been restated to reflect the adjustments.

The 2009 SORP has also changed the way in which billing authorities show NNDR balances in their Balance Sheets. Prior to 2009/10 billing authorities balance sheets included:

- NNDR taxpayers' debtor and creditor balances and an impairment allowance for doubtful debts, and
- A creditor or debtor with the Government for the under or over payment into the national pool for the year, representing the difference between NNDR income accruing for the year (net of the billing authority's cost of collection allowance) and the NNDR cash paid to the Government in the year excluding the amount



paid/received to settle the previous year's under or overpayment into the national pool.

Under the 2009 SORP (and GAAP) the NNDR taxpayers' debtor and creditor balances and impairment allowance for doubtful debts are not Balance Sheet items of the billing authority since it acts as an agent of the Government when collecting NNDR. The position that needs to be recognised in the billing authority's Balance Sheet is the amount of cash collected from NNDR taxpayers (less the amount retained in respect of the billing authority's cost of collection allowance) that has not yet been paid to the Government or has been overpaid to the Government on the Balance Sheet date.

No prior year adjustment to the Income and Expenditure Account or Statement of Movement on the General Fund Balance is necessary for this. However one is to the Cash Flow Statement and the Balance Sheet to reflect the SORP changes and these statements have been restated accordingly

### **3. Accruals of Income and Expenditure**

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.

### **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.

In accordance with FRS12 ('Provisions, Contingent Liabilities and Contingent Assets') 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 Statement of Movement on the General Fund Balance. 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 Income and Expenditure Account. The reserve is then appropriated back in the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed 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 Fixed Asset Revaluation Reserve and the Capital Adjustment Account fall into this category. However, reserves of capital grants, contributions and usable capital receipts 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 Fixed 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 Fixed Assets is capitalised at cost and, in accordance with FRS10 – Goodwill and Intangible Assets, 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. Tangible Fixed Assets**

Tangible fixed 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 fixed assets 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. 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) 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.
- 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 SORP requirements. The last full valuation was undertaken as at 31 March 2008 by Windle Beech Winthrop, Chartered Surveyors, and a 20% rolling revaluation programme has been introduced with effect from 1 April 2009.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains might be credited to the Income and Expenditure Account 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 1<sup>st</sup> 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. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- charging the loss to the relevant service revenue account where attributable to the clear consumption of economic benefits
- where impairment is caused through a general fall in prices the decrease is reflected in the STRGL and taken to the Revaluation Reserve (to the extent that there are accumulated revaluation gains for the particular asset to absorb the loss) and thereafter to the Capital Adjustment Account.

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or

loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 from the Statement of Movement on the General Fund Balance.

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

### **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. In accordance with FRS 15 - Tangible Fixed Assets, depreciation must be provided for on certain fixed assets regardless of any repair and maintenance undertaken in the year. This is to reflect the use of fixed assets in the provision of services.

Depreciation is provided for on all fixed and intangible assets on a straight-line basis over the period of their useful economic life, except for vehicles and plant which is calculated on a reducing balance basis. 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 tangible fixed asset were determined 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 fixed assets, with the exception of software for the Revenues and Benefit System where a 3 year life has been applied, 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.

### **Government Grants and Contributions (Capital)**

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the

related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Grants are accounted for and recognised in the accounts in the same period in which they are payable or in which the related expenditure was charged. Where the grant or contribution cannot be matched to a specific revenue service, the credit is made to the Income & Expenditure Account, in the section below 'Net Operating Expenditure'.

Where an asset is not depreciated, the grant or contribution is credited to the Income and Expenditure Account and then to the Capital Adjustment Account via the Statement of the Movement in General Fund Balance.

### **Charges to Revenue for Fixed Assets**

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed 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 fixed 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 in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

For 2009/10, £2.127m (net of revaluations) was charged to the service revenue accounts for depreciation, impairment and amortisation.

## **8. Minimum Revenue Provision**

The prudent provision made by the Council in 2009/10 is £205,487 calculated in accordance with the MRP Policy agreed by the Policy Committee on 31<sup>st</sup> March 2010.

## **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 fixed 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 in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

## **10. Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with

the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

## **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 tangible fixed asset – the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, 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 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 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 Income and Expenditure Account is the amount receivable for the year in the loan agreement.

In 2008/09 the Council made a loan to Kirkby Malhamdale Parish Council at less than market rates (a soft loan). When a soft loan is made a loss is normally recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is normally credited at a marginally higher effective rate than the rate receivable on the soft loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions normally require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment account in the Statement of Movement on the General Fund balance. However such entries relating to the outstanding loan to Kirkby Malhamdale Parish Council did not involve a material transaction and the loan is therefore

presented in the 2008/09 Balance Sheet as a debtor at the outstanding principal receivable (£6,000). The loan was repaid in 2009/10.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

### **13. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account 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 Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account, 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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

### **14. Stocks and Work in Progress**

Stocks and stores are included in the balance sheet on a latest price basis. This is not in accordance with the Code of Practice which requires them to be held at the lower of cost and net realisable value and is likely to be inflated as a result, although the difference is immaterial. Work in progress (if any) is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

### **15. 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 Best Value Accounting Code of Practice 2008 (BVACOP). 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.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account as part of Net Cost of Services.

## 16. Retirement Benefits

The Council has fully adopted the requirements of FRS17 – 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 FRS17 – 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. In 2009/10 there was a reduction in the real discount rate during the year (as measured by the yields on corporate bonds and index-linked gilts, as required by FRS17). The real discount rate at the start of the year was 3.8% (actual corporate bond yield 7.1% less 3.3% inflation assumption) whereas at the end of the year it was 2.3% (actual corporate bond yield 5.6% less 3.3% inflation assumption). Therefore liabilities as at 31 March 2010 have been discounted at 5.6%.
- The assets of the North Yorkshire pension fund attributable to the council are included in the balance sheet at their fair value as at 31 March 2010:
  - 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 Income and Expenditure Account to the revenue accounts of services for which the employees worked. Current Service costs have been valued on the basis of the most recent actuarial valuation (at 31 March 2007) adjusted to reflect economic conditions at 1 April 2009.
  - 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 Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account. The Interest cost on the Scheme liabilities has been based on the discount rate and the attributable Scheme liabilities at 1 April 2009.
- 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 Net Operating Expenditure in the Income and Expenditure Account. The Expected Rate of Return on the attributable scheme assets is based on the value of assets at 1 April 2009, any movement in assets during the year and an expected return factor for each class of asset. More details of this are provided in Note 28 to the Core Financial Statements.
- 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 Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses.
- 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 Statement of Movement on the General Fund Balance 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.

# **SECTION 4**

## **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.

I confirm that these accounts were approved by the Audit and Governance Committee on 5 October 2010.

**Signed:**

**Councillor S Place**

**On behalf of Craven District Council**

**Chairman of the Audit and Governance Committee**

**Date: 5 October 2010**

### 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 SORP).

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 SORP.

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 for 2009/10 gives a true and fair view of the financial position of Craven District Council at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

**Joanna Miller, CPFA**  
**Corporate Head of Financial Management**  
**Craven District Council**

**Date: 5 October 2010**

# **SECTION 5**

## **CORE FINANCIAL STATEMENTS**

## Income & Expenditure Account

2008/09			2009/10		
Net Expend- iture As Previously Reported	Net Expend- iture Restated See Note 1		Gross Expenditure	Income	Net Expenditure
£'000	£'000		£'000	£'000	£'000
		<b>Statement of Net Expenditure</b>			
1,039	1,039	Central Services to the Public	4,487	3,520	967
5,332	5,332	Cultural, Environmental and Planning Services	8,664	3,890	4,774
(313)	(313)	Highways and Transport	1,539	1,591	(52)
221	221	Housing Services - Other	9,920	9,618	302
3,977	3,977	Corporate and Democratic Core	3,307	107	3,200
4,747	4,747	Non Distributed Costs	445	6	439
<b>15,003</b>	<b>15,003</b>	<b>NET COST OF SERVICES (2)</b>	<b>28,362</b>	<b>18,732</b>	<b>9,630</b>
(50)	(50)	(Gain)/loss on disposal of fixed assets			(188)
938	938	Precepts Paid to Parish Councils (3)			991
360	360	Interest Payable & similar charges			326
1	1	Amount payable to Housing Capital Receipts Pool			0
(753)	(753)	Interest and Investment Income (4)			(297)
1,112	1,112	Pension Interest Cost and Expected Return on Pension Asset			1,560
<b>16,611</b>	<b>16,611</b>	<b>NET OPERATING EXPENDITURE</b>			<b>12,022</b>
		<b>Income</b>			
(4,079)	(4,070)	Income from Collection Fund			(4,275)
(3,620)	(3,620)	Distribution from Non Domestic Rates Pool			(3,374)
(550)	(550)	General Government Grants (7)			(850)
(112)	(112)	Government Grants and other income not attributable to specific services			(435)
<b>8,250</b>	<b>8,259</b>	<b>(SURPLUS)/DEFICIT FOR YEAR</b>			<b>3,088</b>

### STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

2008/09			2009/10
(8,250)	(8,259)	Surplus/(Deficit) for the Year	(3,088)
7,839	7,848	Net additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund Balance for the year	2,857
(411)	(411)	Surplus/(Deficit) for the Year on General Fund	(231)
811	811	General Fund balance at start of year	400
<b>400</b>	<b>400</b>	<b>General Fund Balance Carried Forward</b>	<b>169</b>

Notes indicated in brackets.

Reconciling Items for the Statement of Movement on the General Fund Balance

2008/09			2009/10	
As previously Reported £'000	Re-stated. See Note 1 £'000		£'000	£'000
		<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
(145)	(145)	Amortisation of intangible fixed assets	(157)	
(5,495)	(5,495)	Depreciation or impairment of fixed assets	(1,970)	
164	164	Government Grants Deferred amortisation	147	
(84)	(84)	Net Revenue Expenditure funded from Capital Under Statute	(166)	
50	50	Net gain / (loss) on sale of fixed assets	347	
		Decrease in Financial Instruments Adj Account	34	
0	(9)	Collection fund adjustment	2	
(2,197)	(2,197)	Net Charges made for retirement benefits in accordance with FRS 17	(2,203)	
<b>(7,707)</b>	<b>(7,716)</b>			<b>(3,966)</b>
		<b>Amounts not included in the Income &amp; Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</b>		
161	161	Minimum revenue provision for capital financing	205	
(1)	(1)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	0	
1358	1358	Employer's contributions payable to the NYCC Pension Fund and retirement benefits payable direct to pensioners.	1,316	
<b>1,518</b>	<b>1,518</b>			<b>1,521</b>
		<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
(1,650)	(1,650)	Net transfer to or from reserves	(412)	
<b>(1,650)</b>	<b>(1,650)</b>			<b>(412)</b>
<b>(7,839)</b>	<b>(7,848)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>		<b>(2,857)</b>

The purpose of the Statement of Movement on General Fund Balance is to show that there is no impact on Council Tax payers arising from the adjustments required to be included in the Income and Expenditure Account. For example, under FRS17, pension adjustments are required to be included in the Income and Expenditure Account, but these are reversed in the Statement of Movement on the General Fund Balance so that there is no impact on the Council Tax charged.



## Statement of Total Recognised Gains & Losses

This statement brings together all of the recognised gains and losses of the Council during the financial year.

2008/09 As previously reported £'000	2008/09 Restated See Note 1 £'000		2009/10 £'000
(8,250)	(8,259)	Surplus/(Deficit) on Income & Expenditure Account for the year	(3,088)
312	312	Actuarial Gains/(Losses) on Pension Fund Assets and Liabilities	(4,940)
(554)	(554)	Surplus/(Deficit) Arising on Revaluation of Fixed Assets	3,981
(9)	0	Surplus/(Deficit) on Collection Fund	0
44	44	Other	5
(8,457)	(8,457)	<b>Total Recognised Gains/(Losses) for the Year</b>	<b>(4,042)</b>
(8,457)	(8,457)	<b>Total Recognised Gains/(Losses) for the Year as above</b>	<b>(4,042)</b>
(101)	(101)	Prior Year Adjustment	0
(8,558)	(8,558)	<b>Total Recognised Gains/(Losses) since last audited Financial Statement</b>	<b>(4,042)</b>

## Balance Sheet as at 31 March 2010

2008/09 As previously reported £'000	2008/09 Restated See Note 1 £'000		2009/10 £'000	£'000
		<b>FIXED ASSETS</b>		
444	444	Intangible Fixed Assets (13)	287	
		Tangible Fixed Assets (14)		
		Operational Assets:		
27,542	27,542	- Non Housing Land and Buildings	26,275	
1,950	1,950	- Vehicles, Plant, Furniture and Equipment	1,916	
0	0	- Infrastructure Assets	0	
0	0	- Community Assets	0	
		Non Operational Fixed Assets:		
1,969	1,969	- Investment Properties	5,481	
0	0	- Surplus Assets held for Disposal	99	
<b>31,905</b>	<b>31,905</b>	<b>TOTAL FIXED ASSETS</b>	<b>34,058</b>	
3	3	Long Term Investments	3	
43	43	Long Term Debtors (22)	26	
<b>31,951</b>	<b>31,951</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>34,087</b>
		Current Assets		
29	29	- Stocks and Work in Progress	39	
1,832	1,440	- Debtors (24)	2,873	
9,613	9,267	- Short Term Investments (23)	6,158	
663	1,009	- Cash at Bank and in hand	1,180	
<b>12,137</b>	<b>11,745</b>	<b>TOTAL CURRENT ASSETS</b>		<b>10,250</b>
<b>44,088</b>	<b>43,696</b>	<b>TOTAL ASSETS</b>		<b>44,337</b>
		Current Liabilities		
(2,302)	(2,302)	- Borrowings Repayable within 12 months (39)	(2,064)	
(3,242)	(2,850)	- Creditors (26)	(2,318)	
<b>(5,544)</b>	<b>(5,152)</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>(4,382)</b>	
		Long Term Liabilities		
(6,310)	(6,310)	- Long Term Borrowing (39)	(6,302)	
(21,009)	(21,009)	- Liability related to Defined Benefit Pension Scheme (28)	(26,836)	
(492)	(492)	- Government Grants Deferred	(179)	
(1,900)	(1,900)	- Capital Contributions Deferred	(1,848)	
(15)	(15)	- Deferred Credits (27)	(14)	
<b>(29,726)</b>	<b>(29,726)</b>	<b>TOTAL LONG TERM LIABILITIES</b>	<b>(35,179)</b>	
<b>(35,270)</b>	<b>(34,878)</b>	<b>TOTAL LIABILITIES</b>		<b>(39,561)</b>
<b>8,818</b>	<b>8,818</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>4,776</b>

2008/09 As previously Reported £'000	2008/09 Restated See Note 1 £'000		2009/10 £'000
		<b>Financed by:</b>	
7,795	7,795	Revaluation Reserve <b>(31)</b>	11,249
17,269	17,269	Capital Adjustment Account <b>(31)</b>	15,622
1,513	1,513	Capital Receipts Reserve <b>(31)</b>	2,094
198	198	Other Capital Contributions Unapplied <b>(31)</b>	201
(21,009)	(21,009)	Pensions Reserve <b>(29)</b>	(26,835)
1,928	1,928	Capital Reserve <b>(31)</b>	1,928
780	780	Other Reserves <b>(33)</b>	368
(57)	(57)	Financial Instruments Adjustment Account <b>(31)</b>	(23)
1	0	Collection Fund	0
0	1	Collection Fund Adjustment Account	3
400	400	General Fund Balance <b>(32)</b>	169
<b>8,818</b>	<b>8,818</b>	<b>TOTAL EQUITY</b>	<b>4,776</b>

## Cashflow Statement 2009/10

2008/09		2009/10	
As Previously Reported £'000	Restated £'000		£'000
		<b>Revenue Activities</b>	
4,031	(929)	<b>Revenue Activities Net Cash (Inflow)/Outflow (34)</b>	<b>1,853</b>
		<b>Return on Investment and Servicing of Finance</b>	
		<u>Cash Outflow</u>	
232	232	Interest Paid	372
		<u>Cash Inflow</u>	
(760)	(760)	Interest Received	(500)
<b>(528)</b>	<b>(528)</b>	<b>Net Cost of Investments/Servicing of Finance</b>	<b>(128)</b>
		<b>Capital Activities</b>	
		<u>Cash Outflows</u>	
583	583	Purchase of Fixed Assets	506
		<u>Cash Inflows</u>	
(1,081)	(1,081)	Sale of Fixed Assets	(581)
(814)	(814)	Capital Grant Received	
<b>(1,312)</b>	<b>(1,312)</b>	<b>Net Cost of Capital Activities</b>	<b>(75)</b>
<b>2,191</b>	<b>(2,769)</b>	<b>Net Cash (Inflow)/Outflow before Financing</b>	<b>1,650</b>
		<b>Management of Liquid Resources</b>	
(10)	(356)	Increase/(Decrease) in Short Term Investments	(2,904)
0	4,960	Increase/(Decrease) in Council Tax/NNDR liquid resources	882
		<b>Financing</b>	
		<u>Cash Outflows</u>	
2	2	Long Term Investment	0
		Short Term Loan Repaid	2,200
		<u>Cash Inflows</u>	
(2,200)	(2,200)	New Loans Raised	(2,000)
<b>(2,208)</b>	<b>2,406</b>	<b>Net Financing</b>	<b>(1,822)</b>
<b>(17)</b>	<b>(363)</b>	<b>(Increase)/Decrease in Cash</b>	<b>(172)</b>

# **SECTION 6**

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

## Notes to the Core Financial Statements

### 1. Prior Year Adjustments

Following a change in the accounting policy relating to Council Tax, from 1<sup>st</sup> April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year is now shown on an accruals basis rather than a cash basis.

For both the billing authority and major preceptors, the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account (a non-usable reserve) and included as a reconciling item in the Statement of Movement on the General Fund Balance. 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 since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

The 2009 SORP has also changed the way in which billing authorities show National Non-Domestic Rates (NNDR) balances in their Balance Sheets. Prior to 2009/10, billing authorities' Balance Sheets included:

- NNDR taxpayers' debtor and creditor balances and an impairment allowance for doubtful debts, and
- A creditor or debtor with the Government for the under or over payment into the national pool for the year, representing the difference between NNDR income accruing for the year (net of the billing authority's cost of collection allowance) and the NNDR cash paid to the Government in the year excluding the amount paid/received to settle the previous year's under or overpayment into the national pool.

Under the 2009 SORP (and GAAP) the NNDR taxpayers' debtor and creditor balances and impairment allowance for doubtful debts are not Balance Sheet items of the billing authority since it acts as an agent of the Government when collecting NNDR. The position that needs to be recognised in the billing authority's Balance Sheet is the amount of cash collected from NNDR taxpayers (less the amount retained in respect of the billing authority's cost of collection allowance) that has not yet been paid to the Government or has been overpaid to the Government on the Balance Sheet date.

The 2008/09 accounts have been restated to reflect the changes required by the SORP. In summary, the main changes to the 2008/09 comparators are in the Balance Sheet, where £525k of NNDR / Council Taxpayers debtors and £462k NNDR/Council Taxpayers creditors have been derecognised as Craven District Council debtors and creditors and replaced with the net creditor position for accrued Council Tax income due from other Local Authorities (major preceptors) and a net debtor for Business Rates due from the Government.

Overall debtors are down £392k matched by a decrease in creditors of £392k.

The 2008/09 accounts have also been adjusted to reflect the reclassification of call accounts from short-term investments to cash at bank. The changes to the 2008/09 comparators are an increase in cash at bank of £346k matched by a decrease in short term investments of £346k.

## 2. Analysis of Net Cost of Services (based on Best Value Accounting Code of Practice)

The Local Government Act 1999 places a duty upon all local authorities to achieve Best Value in the provision of services.

In response to the need to develop financial and accounting arrangements that represent best practice when accounting for Best Value, CIPFA developed the Best Value Accounting – Code of Practice (BVACOP).

The BVACOP establishes 'proper practice' with regard to consistent financial reporting below the level presented in the Statement of Accounts. In addition to representing best practice, it is also intended that reporting on the basis of the BVACOP will facilitate accurate comparison between the services of local authorities.

<b>2008/09 £'000</b>	<b>Net Cost of Services</b>	<b>2009/10 £'000</b>
<b>1,039</b>	<b>Central Services to the Public</b>	<b>967</b>
	<b>Cultural and Related Services</b>	
503	Culture and Heritage	433
875	Recreation and Sport	495
111	Open Spaces	104
3	Tourism	62
	<b>Environmental Services</b>	
(196)	Cemeteries and Crematorium	38
849	Environmental Health	839
57	Community Safety	0
31	Flood Defence and Drainage	7
536	Street Cleansing	305
1,271	Waste Collection	1302
	<b>Planning and Development</b>	
27	Building Control	44
574	Development Control	235
4	Planning Policy	125
687	Economic and Comm Development	785
<b>5,332</b>	<b>Cultural, Env &amp; Planning Services Total</b>	<b>4,774</b>
	<b>Highways, Roads and Transport</b>	
(712)	Parking Services	(503)
399	Public Transport	451
<b>(313)</b>	<b>Highways, Roads and Transport Total</b>	<b>(52)</b>
	<b>Housing – Other Services</b>	
(6)	Housing Advances	0
87	Private Sector Renewal	273
188	Homelessness	211
(324)	Housing Benefit Payments	(300)
264	Housing Strategy	124
-	HGF Other Property	(6)
12	Other Welfare Services	0
<b>221</b>	<b>Housing – Other Services</b>	<b>302</b>
<b>3,977</b>	<b>Corporate and Democratic Core</b>	<b>3,200</b>
<b>4,747</b>	<b>Non-Distributed Costs</b>	<b>439</b>
<b>15,003</b>	<b>Total Net Cost of Services</b>	<b>9,630</b>

### 3. Parish Precepts

£991,230 represents the total precepts paid to the Council's 68 (precepting) Parish and Town Councils (2008/09 £938,286). The additional Council Tax income to meet these precept requirements is included within the Council Tax demand on the Collection Fund.

### 4. Interest and Investment Income

During the year the Council received interest and investment income of £296,775 (£753,651 in 2008/09).

### 5. 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 £205,488 has been made in the 2009/10 Accounts (£160,760 in 2008/09) based on the policy agreed by the Council.

### 6. Operating Leases

The Council uses operating leases to acquire most of its plant (including wheeled refuse bins) and vehicles. The Council paid lessors £74,749 in rentals during 2009/10 (£142,146 in 2008/09). This included £1,820 in respect of an early termination fee. At 31 March 2010 undischarged obligations in respect of operating leases were estimated at £65,941 (£165,185 in 2008/09). The expiry period of undischarged obligations in respect of operating leases is shown in the following table:

2008/09 £'000	By Maturity	2009/10 £'000
82	Up to 1 year	61
83	Between 2 and 5 Years	5
0	In 5 years and more	0
165	Total	66

The expiry period of payments which the Council is committed to make during the next financial year is shown in the following table:

2008/09 £'000	By Maturity	2009/10 £'000
21	Up to 1 year	56
61	Between 2 and 5 Years	5
0	In 5 years and more	0
82	Total	61

### 7. Analysis of Government Grants

From 2008/09 Local Area Agreement Grant has been replaced by Area Based Grant (ABG). ABG is a non-ringfenced general grant, no conditions on use are imposed as part of the grant determination ensuring full local control over how funding can be used. This means that, unlike LAA Grant, its use is not restricted to supporting the achievement of LAA targets. Also, unlike LAA



Grant, ABG is paid directly to the authority that benefits from the grant, rather than to the authority that is acting as the "accountable body" for onward distribution.

An analysis of Government Grants included in the Income and Expenditure Account for 2009/10 is shown in the following table:

2008/09 £'000		2009/10 £'000
501	Revenue Support Grant	779
49	Area Based Grant	71
9,677	DWP Grant for HB and CTB	11,742
172	Disabled Facilities Grant	637
94	DCLG Planning Delivery Grant	337
7	DWP Local Housing Allowance	0
246	Local Authority Business Growth	283
60	DWP Homelessness Grant	41
0	DWP In & Out of Work Grant	4
123	NNDR Collection	123
213	Concessionary Fares	218
0	Habitat & Climate Change	31
0	Free Swimming	21
0	Getting it Right	100
0	Local Plan Reserve	17
0	New Burdens	9
<b>11,142</b>	<b>TOTAL GOVERNMENT GRANTS</b>	<b>14,413</b>

## 8. Concessionary Fares

The Transport Act 2000 introduced a new statutory minimum Concessionary Fares Scheme from 1 June 2001. The administering authority for the North Yorkshire Concessionary Fares Scheme is Harrogate Borough Council. This was replaced by a free fares scheme in April 2006 resulting in the increased costs to the scheme below. The Council pays Bus Operators for concessions given in North Yorkshire on behalf of the authorities in the scheme. This Council's share of the expenditure is included in Highways, Roads and Transport Services expenditure in the Income and Expenditure Account and is detailed in the table below:

2008/09 £'000		2009/10 £'000
	Expenditure:	
564	Payments to Bus Operators	591
39	Administration Expenses	39
<b>603</b>	<b>Total Cost</b>	<b>630</b>

## 9. Appointed Auditor Costs

During the year, the Council incurred the following fees relating to external audit and inspection services for 2009/10 provided by its appointed auditors, the Audit Commission:

2008/09 £'000		2009/10 £'000
	Fees paid for:	
0	External Audit 09/10	102
92	External Audit 08/09	0
32	External Audit 07/08	0
6	Inspection	8
20	Grant & Projects Certification	32
<b>150</b>	<b>Total Fees</b>	<b>142</b>

## 10. 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 2009/10 is £165,312.58 (compared to £166,161.40 in 2008/09).

## 11. Officers' Emoluments

The number of employees whose remuneration excluding pension contributions was £50,000 or more in bands of £5,000 is shown in the table below:

2008/09 Total	Remuneration Band	2009/10 Total
2	£50,000 to £54,999	1
0	£55,000 to £59,999	1
0	£60,000 to £64,999	0
0	£65,000 to £69,999	0
0	£70,000 to £74,999	0
0	£75,000 to £79,999	0
0	£80,000 to £84,999	0
0	£85,000 to £89,999	0
0	£90,000 to £94,999	0
1	£95,000 to £99,999	2

2008/09			2009/10		
Head of Paid Service £'000	Assistant Chief Executive £'000		Chief Financial Officer (Section 151) £'000	Head of Paid Service £'000	Assistant Chief Executive £'000
32	N/A	Salary		95	50
1	N/A	Expenses & Allowances		1	1
7	N/A	Employers' Superannuation		24	12
		Costs including expenses	100.5		
<b>40</b>	<b>N/A</b>	<b>Total</b>	<b>100.5</b>	<b>120</b>	<b>63</b>

Remuneration for the Head of Paid Service was for a period of 4 months only in 2008/09 and thereafter annualised.

## 12. 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.

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 7.

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 2009/10, no works or services were commissioned from companies in which any member had an interest.

Eight Members of the Council had an interest in the following grants paid to community or charitable organisations in 2009/10:

	£
• Citizens Advice Bureau	33,100
• Settle Swimming Pool	30,000
• Settle Victoria Hall	10,000
• Craven Safety Partnership	10,000
• Yorkshire Dales National Park Authority	8,750
<b>TOTAL</b>	<b>91,850</b>

Cllr John Roberts, Cllr Pamela Heseltine and Cllr Robert Heseltine had an interest in Craven Citizens Advice Bureau. Cllr David Heather had an interest in Settle Swimming Pool and Settle Victoria Hall. Cllr Donny Whaites had an interest in Settle Victoria Hall. Cllr Marcia Turner had an interest in Craven Safety Partnership. Cllr John Roberts, Cllr Butcher and Cllr Carl Lis had an interest in the Yorkshire Dales National Park Authority.

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.

Additionally, one member, Cllr Carl Lis, had an interest in an organisation which provided funding to the Council in 2009/10:

	£
• Yorkshire Dales Millenium Trust	15,000

There are no disclosures in relation to any other public body.

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.

Management contracts - no disclosures.

### 13. Intangible Fixed Assets

Intangible Fixed Assets are accounted for in accordance with FRS10 – Goodwill and Intangible Assets. In this Council these comprise the cost of software licences purchased and used in the delivery of Council services.

	Software Licences	Other Licences, Trademarks & Artistic Originals	Patents	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2009	862	0	0	862
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2010	862	0	0	862
<b>Depreciation and impairments</b>				
At 1 April 2009	418	0	0	418
Charge for 2009/10	157	0	0	157
Disposals	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2010	575	0	0	575
<b>Balance Sheet amount at 31 March 2010</b>	<b>287</b>	<b>0</b>	<b>0</b>	<b>287</b>
<b>Balance Sheet amount at 1 April 2009</b>	<b>444</b>	<b>0</b>	<b>0</b>	<b>444</b>

# **14. Analysis of Movement in Fixed Assets**

Movements in the balance on fixed assets during the year are shown in the table below:

	Other Land & Buildings	Vehicles, Plant & Equipment	Non – Operational Assets: Investment Properties	Non- Operational Assets: Held for Sale	TOTAL
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 April 2009	30,607	3,288	6,888	0	40,783
Reclassification	(1,749)	0	1,622	127	0
Revaluations	1,807	0	2,365	0	4,172
Adjustment on revaluation	(839)	0	(410)	0	(1,249)
Additions	20	513	0	0	533
Disposals	(40)	(170)	(153)	0	(363)
At 31 March 2010	29,806	3,631	10,312	127	43,876
<b>Depreciation and impairments</b>					
At 1 April 2009	3,065	1,338	4,919	0	9,322
Reclassification	(75)	0	50	25	0
Adjustment on revaluation	(839)	0	(410)	0	(1,249)
Charge for 2009/10	1,385	493	281	3	2,162
Disposals	(5)	(116)	(9)	0	(130)
At 31 March 2010	3,531	1,715	4,831	28	10,105
<b>Balance Sheet amount at 31 March 2010</b>	<b>26,275</b>	<b>1,916</b>	<b>5,481</b>	<b>99</b>	<b>33,771</b>
<b>Balance Sheet amount at 1 April 2009</b>	<b>27,542</b>	<b>1,950</b>	<b>1,969</b>	<b>0</b>	<b>31,461</b>

Capital Expenditure in the year refers only to that expenditure which has added value to the Council's Fixed Assets.

## **Assets Held for Leases**

The gross book value for assets leased to third parties at 31<sup>st</sup> March 2010 is £320,000 (Accumulated Depreciation £155,340).

# **15. Provision for Depreciation of Fixed Assets**

In accordance with FRS 15 – Tangible Fixed Assets, the Council's Fixed 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 23 to 34, a charge for depreciation has been made to each service that uses fixed assets with an equivalent credit to the Provision for Depreciation.

Similarly, in accordance with FRS10 – Goodwill and Intangible Assets, Intangible Fixed Assets have been amortised to reflect their use in the provision of the Council's Services. The policy for the amortisation of Intangible Fixed Assets is also set out in Council's Statement of Accounting Policies on pages 23 to 34.

## 16. Revenue Expenditure Funded from Capital under Statute

Prior to the 2008 SORP, English and Welsh authorities used deferred charges to recognise expenditure that regulations permitted to be funded from capital resources, but which did not satisfy the SORP's criteria to be classified as capital expenditure. The 2008 SORP has replaced deferred charges with a new category of expenditure – Revenue Expenditure Funded from Capital Under Statute.

In 2009/10 this expenditure forms part of the surplus/deficit on the Income and Expenditure. An adjustment is made in the Statement of Movements on the General Fund Balance to ensure that there is no impact on Council Tax.

Such expenditure in 2009/10 is as follows:

2008/09		2009/10
£'000		£'000
	<b>Expenditure:</b>	
254	Disabled Facilities Grants	320
42	Repairs Assistance Scheme	74
496	Empty Homes	327
121	Energy Efficiency Scheme	52
-	Community Capital Grants Scheme	7
11	Gypsy and Travellers	-
2	Settle Riverside Project	23
-	Signage	9
2	Historic Buildings	-
<b>928</b>	<b>TOTAL</b>	<b>812</b>
	<b>Funded by:</b>	
842	Government Grants	637
2	Planning Delivery Grant Reserve	-
-	RMT Grant for Signage	9
84	Prudential Borrowing	166
<b>928</b>	<b>TOTAL</b>	<b>812</b>

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

**17. Major Operational Assets Held by the Council at 31 March 2010**

The Council owns the following major assets:

2008/09		2009/10
4	Office Accommodation	4
2	Depots	2
25	Car Parks	25
1	Aireville (Community) Park	1
13	Industrial Units	13
14	Public Conveniences	13
2	Cemeteries	2
1	Crematorium	1
1	Museum	1
1	Swimming Pool	1
1	Multi Use Games Area	1
<b>65</b>	<b>Total</b>	<b>64</b>

**18. Valuation of Fixed Assets**

Fixed 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 fixed assets is shown in Section 7 of the 'Statement of Accounting Policies' (See pages 23 to 34). For 2009/10 the valuation date for all assets is 1<sup>st</sup> April 2009. A rolling programme of revaluations is adopted and has been implemented from 2008/09 onwards in accordance with the SORP requirement. Valuations for 2009/10 have been undertaken in-house by Bess Martin MRICS, Estates Manager (for 2008/09 Michael J Beech BSc (Est Man) MRICS for Windle Beech Winthrop.)

**Continuous Review of the Council's Assets**

A significant amount of work continues to be undertaken on the review and development of the Council's assets. Central to this work is the Council's Capital Strategy and Asset Management Plan both of which were updated in 2006/7. Notwithstanding this, the Council has embarked on 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 to March 2011), 9 High Street (partly operational building), and Horse Close (green field residential development site). The project is gaining momentum in spite of the current economic uncertainty, with the financial benefit to the Council being finalised. The valuation of the assets involved is consistent with the Impairment Review carried out in March and April 2009.

**ii) Provision of land for affordable housing.** Following a review of the Council's land and asset holdings, The Council is in the process of implementing a strategy for the disposal of land for the purposes of affordable housing development.

## **19. FRS 11 – Impairment of Fixed Assets**

Financial Reporting Standard (FRS) 11 - Impairment of Fixed Assets requires the Council to undertake an annual review of the balance sheet value of each category of fixed 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 was carried out by the Council's in-house surveyor Mark Wilson (MRICS) and was completed on 8<sup>th</sup> April 2010. Impairments of £890k were identified and are reflected in these accounts.

## **20. Capital Expenditure and Sources of Finance**

Total capital expenditure financed during the year was £1,345k. This is represented by expenditure on Fixed Assets of £533k and Revenue Expenditure Funded by Capital Under Statute of £812k. An analysis of Capital Expenditure financed and the sources of financing are shown in the following table:

<b>2008/09 £'000</b>		<b>2009/10 £'000</b>
	<b><u>Expenditure in Year</u></b>	
599	Fixed Assets	533
928	Revenue Expenditure Funded by Capital Under Statute	812
<b>1,527</b>	<b>Total Expenditure</b>	<b>1,345</b>
	<b><u>Sources of Finance Utilised</u></b>	
683	Prudential Borrowing	699
0	Capital Receipts	0
842	Government Grants	637
2	Planning Delivery Grant Reserve	0
0	Other Grants	9
<b>1,527</b>	<b>Total of Sources of Finance</b>	<b>1,345</b>

Details of the Expenditure shown as Revenue Expenditure Funded by Capital Under Statute are shown in note 16.

## **21. Significant Capital Commitments**

The Council is committed to significant capital expenditure in 2010/11 in relation to the lease and fit-out costs of proposed new office accommodation. A monthly payment schedule has been proposed to discharge an anticipated capital cost of £3.5m.



## 22. Long Term Debtors

This represents the value of long term loans granted by the Council to external parties or long term debtors and reflects the amounts which are not due for full repayment in the next 12 months. The total amount of long term debtors can be analysed as follows:

2008/09 £'000		2009/10 £'000
7	Mortgages	7
29	Car Purchase Loans	19
	<b>Transferred Debt:</b>	
7	Pendle Borough Council	0
<b>43</b>		<b>26</b>

Car Purchase Loans refer to those loans that are provided to the Council's own staff for the purchase of cars that are required for the discharge of their duties as officers of the Council.

The Transferred Debt relates to long term debts transferred to Craven District Council following the local government re-organisation in 1974. This was redeemed during 2009/10.

## 23. Investments

### Short Term 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 2010 the Council had short-term investments totalling £6.158m (£9.613m in 2008/09).

## 24. Debtors and Prepayments

The following table shows the amounts owed to the Council for which payments have not been received by 31 March 2010:

2008/09 £'000	2008/09 £'000 restated		2009/10 £'000
355	35	Council Tax Payers	38
205	0	Business Rate Payers	0
34	34	Rents	44
412	545	Government Departments	1,934
81	81	HM Revenue & Customs	136
85	85	Other Public Bodies	121
27	27	Joint Projects	24
24	24	Parishes	12
29	29	Car Loans and Leases	18
79	79	Leases	61
146	146	Housing Benefit Overpayments	113
138	138	General	117
217	217	Prepayments and Accrued Income	255
<b>1,832</b>	<b>1,440</b>	<b>TOTAL DEBTORS &amp; PREPAYMENTS</b>	<b>2,873</b>

## 25. Provision for Bad and Doubtful Debts

The Council makes provision for outstanding debts which it is anticipated will not be recovered. These amounts (analysed below) have been reflected in the total figure shown for debtors and prepayments in the above table and in the Balance Sheet.

2008/09 £'000	2008/09 £'000 Restated		2009/10 £'000
255	26	Council Tax	27
127	127	Non Domestic Rates	154
298	298	General Fund	271
<b>680</b>	<b>451</b>	<b>TOTAL PROVISIONS</b>	<b>452</b>

## 26. Creditors and Accrued Charges

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

2008/09 £'000	2008/09 £'000 Restated		2009/10 £'000
436	45	Council Tax Payers	44
71	0	Business Rate Payers	0
79	79	Government Departments	34
2	2	Rents	2
166	236	Other Public Bodies	76
413	413	Joint Projects	600
285	285	HMRC & NYPF (PAYE, NI & Superannuation)	255
18	18	Capital	45
1,100	1,100	General	509
672	672	Accrued Charges	753
<b>3,242</b>	<b>2,850</b>	<b>TOTAL CREDITORS &amp; ACCRUED CHARGES</b>	<b>2,318</b>

## 27. Deferred Credits

This item comprises deferred capital receipts. Deferred capital receipts arise from, for example, the repayment of loans granted to individuals for the purchase of Council houses and other dwellings. The net change in the balance of Deferred Credits is a decrease of £660 arising primarily from the repayment of mortgage principle on mortgages granted in previous years by the Council.

## 28. 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 Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable to the Pension Fund during the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2008/09 £'000	Pension Adjustments in Income and Expenditure Account	2009/10 £'000
	<b>Local Government Pension Scheme</b>	
	<b>Net Cost of Services</b>	
946	Current Service Costs	559
0	Past service (Gain)/Loss	0
139	Curtailement Cost	84
	<b>Net Operating Expenditure</b>	
2,442	Interest Cost of Liabilities	2,376
(1,330)	Expected Return on Assets in the Scheme	(816)
<b>2,197</b>	<b>Net Charge to the Income and Expenditure Account</b>	<b>2,203</b>

2008/09 £'000	Statement of Movement in the General Fund Balance	2009/10 £'000
2,197	Reversal of net charges made for retirement benefits in accordance with FRS 17	2,203
(1,358)	Actual amount charged against Council Tax for year: Employer's Contributions	(1,316)
<b>839</b>	<b>Net Contribution (to)/from Pension Reserve</b>	<b>887</b>

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial loss of £4,940,000 (2008/09 gain of £312,000) is included in the Statement of Total Recognised Gains and Losses.

**Assets and Liabilities in Relation to Retirement Benefits**

Reconciliation of present value of the scheme liabilities:

<b>Liabilities: Local Government Pension Scheme</b>	<b>Funded</b>		<b>Unfunded</b>	
	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>
1 April b/fwd	39,868	33,670	251	215
Current Service Cost	946	559	0	0
Interest on Pension Liabilities	2,427	2,361	15	15
Member Contributions	347	331	0	0
Past Service Cost	0	0	0	0
Actuarial (gains)/losses on liabilities	(8,619)	10,979	(37)	43
Curtailments	139	84	0	0
Settlements	0	0	0	0
Benefits/transfers paid	(1,438)	(1,718)	(14)	(15)
<b>31 March c/fwd</b>	<b>33,670</b>	<b>46,266</b>	<b>215</b>	<b>258</b>

Reconciliation of fair value of the scheme assets:

<b>Assets: Local Government Pension Scheme</b>	<b>Funded</b>		<b>Unfunded</b>	
	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>
1st April b/fwd	19,637	12,876	0	0
Expected rate of return	1,330	816	0	0
Actuarial gains/(losses)	(8,344)	6,082	0	0
Employer contributions	1,344	1,301	14	15
Member contributions	347	331	0	0
Benefits/transfers paid	(1,438)	(1,718)	(14)	(15)
<b>31<sup>st</sup> March c/fwd</b>	<b>12,876</b>	<b>19,688</b>	<b>0</b>	<b>0</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields 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 £6,898,000 (2008/09 £7,014,000)

**Scheme History**

	<b>2005/06* £'000</b>	<b>2006/07 £'000</b>	<b>2007/08 £'000</b>	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>
Present value of liabilities	36,281	36,081	40,119	33,885	46,524
Less fair value of assets	19,158	20,469	19,637	12,876	19,688
<b>Surplus/(deficit) in the scheme</b>	<b>(17,123)</b>	<b>(15,612)</b>	<b>(20,482)</b>	<b>(21,009)</b>	<b>(26,836)</b>

\* The Council has elected not to restate fair value of Scheme assets for 2005/06 as permitted.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £27m 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 2010/11 is £1.252m.

### 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 31<sup>st</sup> March 2007.

The main assumptions used in their calculations have been:

	2008/09	2009/10
<b>Financial assumptions:</b>		
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	5.05%	5.05%
Rate of increase in pensions	3.3%	3.3%
Discount rate	7.1%	5.6%
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	7.5%	7.5%
Government Bonds	4.0%	4.5%
Other Bonds	6.0%	5.2%
Property	N/A	N/A
Cash/Liquidity	0.5%	0.5%
Other	7.5%	N/A
<b>Split of assets between investment categories:</b>		
Equities	74.8%	76.2%
Government Bonds	8.5%	7.8%
Other bonds	11.2%	13.9%
Property	0.0%	0.0%
Cash/Liquidity	4.4%	2.1%
Other	1.1%	0.0%
<b>Post retirement mortality assumptions:</b>		
Non-retired members (retiring in the future in normal health)	PA92mc YoB Tables +1year	PA92mc YoB Tables +1year
Current pensioners (retired in normal health)	PA92mc YoB Tables +1year	PA92mc YoB Tables +1year
<b>Life Expectancy;</b>		
Male (female) future pensioner aged 65 in 20 years' time	22.2 (25) years	22.2 (25) years
Male (female)current pensioner aged 65	21.2 (24) years	21.2 (24.1) years
<b>Commutation of pension for lump sum at retirement</b>	50% take max cash 50% take 3/80ths cash	50% take max cash 50% take 3/80th s cash
<b>Market value of total fund assets (£ millions) (bid value at 31<sup>st</sup> March)</b>	829	1,251

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 loss identified as movements on the Pension Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March of the relevant year:

	2005/06	2006/07	2007/08	2008/09	2009/10
Differences between the expected and actual return on assets	% 15.1	% 0.5	% (14.2)	% (64.8)	% (30.9)
Experience gains and losses on liabilities	(1.5)	0	1.0	0	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**

## 29. Pensions Reserve

The movements on the Pensions Reserve are as follows:

2008/09 £'000	Pensions Reserve (FRS17)	2009/10 £'000
(20,463)	Balance b/fwd	(21,009)
(19)	Adjustment to Balance	0
(20,482)	Re-stated balance b/fwd	(21,009)
1,358	Pension Contribution to Reserve	1,316
(2,197)	Pension Contribution from Reserve	(2,203)
312	Actuarial Gain/(Loss)	(4,940)
<b>(21,009)</b>	<b>Balance c/fwd</b>	<b>(26,836)</b>

## 30. Contingent Liabilities

There were no contingent liabilities at 31<sup>st</sup> March 2010

**31. Total Movement on Reserves**

<b>Reserve</b>	<b>Purpose of Reserve</b>	<b>Balance at 31 March 2009 as previously reported £'000</b>	<b>Balance at 31 March 2009 restated £'000</b>	<b>Expenditure in the year £'000</b>	<b>Income in the year £'000</b>	<b>Net amount transferred to or from other reserves £'000</b>	<b>Balance at 31 March 2010 £'000</b>
Revaluation Reserve	Store of gains on revaluation of individual fixed assets, net of impairments	7,795	7,795	0	3,909	(455)	11,249
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	17,269	17,269	(2,455)	353	455	15,622
Capital Receipts Reserve	Proceeds of fixed asset disposals available to meet future capital investment	1,513	1,513	0	581	0	2,094
Capital Reserves	Store of capital resources set for specific purposes	1,928	1,928	0	0	0	1,928
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability on the Balance Sheet	(21,009)	(21,009)	(5,826)	0	0	(26,835)
Financial Instruments Adjustment Account	Holds the accumulated difference between the financing costs in the Income & Expenditure Account and those charged to the General Fund balance	(57)	(57)	0	34	0	(23)
Other Capital Contributions Unapplied	Grants received available to meet future capital investment	198	198	(48)	51	0	201
<b>General Fund Reserves:</b>							
General Fund Balance	Resources available to meet future running costs of services	400	400	(231)	0	0	169
Earmarked General Fund Reserves	Resources held for delivery of specific services	780	780	(628)	216	0	368
Collection Fund Balance		1	0	0	0	0	0
Collection Fund Adjustment Account		0	1	0	2	0	3
		<b>8,818</b>	<b>8,818</b>	<b>(9,188)</b>	<b>5,146</b>	<b>0</b>	<b>4,776</b>

### 32. General Fund Revenue Balances

At the 31 March 2010, the Council's General Fund balances were £0.169m (£0.400m at 31 March 2009). The balance is held as a contingency for unforeseen costs.

### 33. 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	Balance at 31 March 2009 £'000	Expenditure in the year £'000	Income in year £'000	Transfers £'000	Balance at 31 March 2010 £'000
Building Control Reserve	25	0	0	0	25
Local Plan Reserve	111	(17)	0	0	94
Partial Exemption Reserve	17	0	0	0	17
Edith Stead Bequest Reserve	19	0	0	0	19
Local Authority Business Growth Incentive	356	(274)	27	0	109
Planning Delivery Grant Reserve	252	(337)	136	0	51
ERDF Funds	0	0	48	0	48
Bishopdale Court	0	0	5	0	5
<b>TOTAL</b>	<b>780</b>	<b>(628)</b>	<b>216</b>	<b>0</b>	<b>368</b>



### 34. Reconciliation of General Fund Deficit on the Income & Expenditure Account to Net Cash Outflow from Revenue Activities

2008/09		Revenue Activities Reconciliation	2009/10
As Previously Reported £'000	Restated £'000		£'000
8,250	8,259	Net (Surplus)/Deficit on Income and Expenditure Account	3,088
(5,476)	(5,476)	Amortisation, Depreciation and Impairment	(2,127)
		Gain on disposal of fixed assets	347
		Government grants deferred	147
(839)	(839)	Charges and Contributions for Retirement Benefits	(887)
	(9)	Collection Fund Adjustments	2
1	1	Movement on Collection Fund	0
(9)	(9)	Increase/(Decrease) in Stocks	10
73	73	Increase/(Decrease) in Revenue Debtors	142
15	15	(Increase)/Decrease in Revenue Creditors	1173
161	161	Minimum Revenue Provision	
(84)	(84)	REFCUS Written Off to Revenue	
(104)	(104)	(Increase)/Decrease in Provisions	(13)
393	393	Net interest Receivable	(29)
1,650	1,650	Contribution from/(to) reserves	0
-	(4,960)	Increase in Council Tax & NNDR Liquid Resources	0
<b>4,031</b>	<b>(929)</b>	<b>Revenue Activities Net Cash (Inflow)/Outflows</b>	<b>1,853</b>

**35. Reconciliation of Financing and Management of Liquid Resources Cash Flow Sections**

2008/09			2009/10
As Previously Reported £'000	Restated £'000		£'000
17	363	Increase/(Decrease) in cash in year	172
(10)	4,594	Cash Inflow/(Outflow) from management of liquid resources	(1,454))
(2,200)	(2,200)	Cash Inflow from new short term loans raised	(2,000)
0	(4,960)	Increase in Council Tax/NNDR Liquid Resources	(1,446)
0	0	Cash outflow from short term loan repaid	2,200
198	198	Other non-cash changes	(172)
(1,995)	(2,005)	Net movement	(2,700)
9,969	9,969	Net Debt/Investment brought forward	7,974
7,974	7,964	Total Net Debt/Investment carried forward (see note 38)	5,274

**36. Cash Flow Net Debt/Investment**

The Accounting Standard FRS 1 (Revised 1996) defines net debt/investment as borrowing less liquid resources. This definition excludes debtors and creditors because, while these are short term claims on and sources of finance to the Council, their main role is as part of the Council's operating activities.

**37. Cash Flow Liquid Resources**

These are current assets investments which are of a short term nature and can be disposed of at reasonably short notice without curtailing or disrupting the Authority's activities. These investments are readily convertible into known amounts of cash at or close to its carrying amount, or traded in an active market. The amounts shown within the financing and management of liquid resources section of the cash flow statement is the difference between the opening and closing balances for short term investments.

**38. Reconciliation of the Movement in Cash to Movement in Net Debt**

	2008/09	Movement		2009/10
	£'000	Cash £'000	Non- cash £'000	£'000
Short Term Investments	9,267	(3,109)	0	6,158
Short Term Borrowing	(2,302)	238	0	(2,064)
Net Investments/Borrowing	6,965	(2,871)	0	4,094
Cash Balance 31 March 2010	1,009	171	0	1,180
Overall Net Debt/Investment 31 March 2010	7,974	(2,700)	0	5,274

### 39. Financial Assets and Liabilities

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

	2009 Total £'000	Principal £'000	Interest £'000	Other £'000	2010 Total £'000
Loans and receivables	0	0	0	0	0
Available-for-sale instruments	0	0	0	0	0
<b>Total long-term investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Loans and receivables	9,613	6,100	58	0	6,158
Available-for-sale instruments	0	0	0	0	0
Held at fair value through P&L	0	0	0	0	0
<b>Total short-term investments</b>	<b>9,613</b>	<b>6,100</b>	<b>58</b>	<b>0</b>	<b>6,158</b>
<b>Short-term borrowing (at cost)</b>	<b>2,302</b>	<b>2,000</b>	<b>64</b>	<b>0</b>	<b>2,064</b>
<b>Long-term borrowing (at cost)</b>	<b>6,310</b>	<b>6,238</b>	<b>64</b>	<b>0</b>	<b>6,302</b>

### Income & Expenditure Account and STRGL Disclosure

The gains and losses recognised in the I&E account and STRGL in relation to financial instruments are made up as follows:

2009/10	Financial Assets Loans & Receivables £'000	Financial Assets Available for Sale £'000	Fair Value thru P&L £'000	Financial Liabilities £'000	Total £'000
Interest income	297	-	-	-	297
Gains & losses on derecognition	-	-	-	-	-
<b>Total investment income</b>	<b>297</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>297</b>
Interest expense	-	-	-	(300)	(300)
Premiums and discounts	-	-	-	(26)	(26)
Other finance charges	-	-	-	-	-
<b>Total interest payable</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(326)</b>	<b>(326)</b>
Revaluation gains & losses	-	-	-	-	-
-recycle to I&E on derecognition	-	-	-	-	-
<b>Total revaluations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net gain/(loss) for year</b>	<b>297</b>	<b>-</b>	<b>-</b>	<b>(326)</b>	<b>(29)</b>

Table of comparison 2008/09

2008/09	Financial Assets Loans & Receivables £'000	Financial Assets Available for Sale £'000	Fair Value thru P&L £'000	Financial Liabilities £'000	Total £'000
Interest income	760	-	-	-	760
Gains & losses on derecognition	-	-	-	-	-
<b>Total investment income</b>	<b>760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>760</b>
Interest expense	-	-	-	(300)	(300)
Premiums and discounts	-	-	-	(60)	(60)
Other finance charges	-	-	-	-	-
<b>Total interest payable</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(360)</b>	<b>(360)</b>
Revaluation gains & losses	-	-	-	-	-
-recycled to I&E on derecognition	-	-	-	-	-
<b>Total revaluations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net gain/(loss) for year</b>	<b>760</b>	<b>-</b>	<b>-</b>	<b>(360)</b>	<b>400</b>

#### 40. Fair Value of Financial Assets and Liabilities

Financial assets classified as loans and receivables and all financial liabilities should be carried in the balance sheet at amortised cost. The Council have not calculated amortised cost and therefore are not fully compliant with the SORP. 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 2009		31 March 2010	
	Balance sheet £'000	Fair value £'000	Balance sheet £'000	Fair value £'000
Investments	9,613	9,613	6,158	6,158
Trade receivables	<u>1,440</u>	<u>1,440</u>	<u>2,574</u>	<u>2,574</u>
<b>Total loans &amp; receivables</b>	<b>11,053</b>	<b>11,053</b>	<b>8,732</b>	<b>8,732</b>
Public Works Loan Board	(5,054)	(5,431)	(5,025)	(5,270)
Market borrowings	(1,358)	(1,451)	(1,285)	(1,445)
Trade payables	<u>(2,850)</u>	<u>(2,850)</u>	<u>(2,019)</u>	<u>(2,019)</u>
<b>Total financial liabilities</b>	<b>(9,262)</b>	<b>(9,732)</b>	<b>(8,356)</b>	<b>(8,734)</b>

#### 41. 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 and refinancing risks – the possibility that the authority might not have funds available, or that it may have to borrow funds at a high rate of interest, to meet its financial obligations
- market risks – the possibility that changes in market variables such as interest rates and asset prices may place an unexpected burden on the authority's finances.

The authority manages its treasury risk exposures in compliance with the CIPFA Code of Practice on Treasury Management in the Public Services, and seeks to minimise the potential adverse impact on its resources that may arise from its holdings of financial instruments. Treasury activities are conducted by the Chief Financial Officer and finance staff in accordance with the authority's Financial Regulations, Treasury Management Policy and Practices. In addition, the full Council approves a treasury management strategy each financial year, which includes its strategy for managing financial risks.

#### 42. 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 banks that hold a minimum short-term credit rating of F2 and building societies with up to a maximum of £2.5m being lent to any one financial institution with the exception of investments with Skipton Building Society where no limit has been set.

An unrated building society is deemed to hold a short-term credit rating of F3.

The following analysis summarises the Authority's calculated exposure to credit risk:

	Amount due at 31 March 2010 £'000	Historical experience of default	Adjusted for current market conditions	Estimated exposure to default £'000
Investments rated F1	1,000	0.03%	0.07%	1,001
Investments rated F2	1,800	0.08%	0.19%	1,805
Investments rated F3	3,300	0.24%	0.58%	3,327
<b>Total</b>	<b>6,100</b>			<b>6,133</b>

The historical experience of default for deposits is based on credit rating agencies records since 1981, with unrated building society deposits assumed to be equivalent to a F3 short-term credit rating.

The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers 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.

#### 43. Liquidity and Refinancing Risk

As the authority has ready access to borrowings from the Public Works Loan Board, there is little risk that it will be unable to raise funds to meet its financial commitments. Instead, the risk is that the authority will need to refinance a significant proportion of its borrowings, or to re-invest its maturing deposits, at a time of unfavourable interest rates.

Liquidity and refinancing risks are managed by arranging fixed term loans and investments with a range of maturity dates, within the framework and indicators approved each year in the treasury management strategy.

The maturity analysis of financial instruments is as follows:

	Financial Assets £'000	Financial Liabilities £'000
Less than three months	1,000	-
Three to six months	3,300	(2,000)
Six months to one year	1,800	-
One to two years	-	-
Two to five years	-	(1,250)
Five to ten years	-	-
Ten to twenty years	-	-
Over twenty years	-	(4,988)
<b>Total</b>	<b>6,100</b>	<b>(8,238)</b>

*This table excludes trade receivables and payables*

#### 44. Market Risks

##### Interest Rate Risk

The authority is exposed to some 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. A rise in interest rates will cause the interest expense charged or interest income credited to the income and expenditure account in respect of variable rate financial instruments to rise and the fair value of fixed rate financial instruments to fall. If fixed rate instruments are refinanced/reinvested on

maturity, there will a subsequent increase in the interest expense or interest income. A fall in interest rates would have the opposite effect.

Financial assets classed as loans and receivables and all financial liabilities are carried on the balance sheet at amortised cost, so changes in their fair values do not impact on the income and expenditure account or STRGL. Changes in interest payable and receivable on all instruments will be posted to the income and expenditure account and affect the General Fund balance £ for £. This impact will be offset to the extent that interest rate changes are reflected in the amount of government grants receivable towards financing costs. The authority does not hold any available-for-sale financial assets.

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.

The financial effect in the 2010/11 financial year of a 1% change in interest rates on 31<sup>st</sup> March 2010 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	36
Fair value of assets held at fair value through profit and loss	(25)
Government grant receivable for financing costs	n/a
<b>Impact on Income and Expenditure Account</b>	<b>11</b>
- impact on General Fund	11
- 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

## 45. Authorisation of the Statement of Accounts

The Statement of Accounts was authorised for issue on 24 June 2010 by the Strategic Manager – Financial Services

## 46. Post Balance Sheet Events

The agreement to lease in respect of Belle Vue Mills, the new office accommodation for Craven District Council was signed on 25 June 2010. As a result the current office accommodation at Granville Street will be reclassified from operational to surplus assets. The agreement to lease commits the Authority to a capital outlay of £3,299,530 for the main lease plus £262,668 for associated fit-out, a total liability of £3,562,198. The financing for the scheme will be in the form of available capital reserves and capital receipts in line with the approved Capital Programme. It is expected that the council will take up occupation at Belle Vue Mills in May 2011.

Following the June 2010 Emergency Budget announcement, HM Treasury have confirmed that from April 2011 the increase in pensions will be linked to the Consumer Price Index (CPI) rather than the

Retail Price Index (RPI). It is not possible to provide an accurate recalculation of the Present Value of Benefit obligations at this time.

# **SECTION 7**

## **SUPPLEMENTARY FINANCIAL STATEMENT**

### **Collection Fund and Notes**

# Supplementary Statement

## Collection Fund 2009/10

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.

2008/09		2009/10		Notes
£'000		£'000	£'000	
	<b>Income</b>			
29,068	Council Tax		30,135	
2,622	Council Tax Benefits		2,913	
15,352	Non Domestic Ratepayers		15,622	(3)
<b>47,042</b>	<b>Total Income</b>		<b>48,670</b>	
	<b>Expenditure</b>			
31,594	Demands on Collection Fund		32,931	(4)
14	Payments of previous surpluses		0	
	Non Domestic Ratepayers			
15,135	- Payment to National Pool	15,324		(3)
123	- Cost of Collection Allowances (to CDC)	123		(3)
8	- Interest on overpayments	27	15,474	(3)
137	Bad and Doubtful Debts - Write Offs		206	(5)
	Contribution to Provision for bad and			
118	Doubtful debts		40	(5)
<b>47,129</b>	<b>Total Expenditure</b>		<b>48,651</b>	
<b>87</b>	<b>(Surplus)/Deficit for Year</b>		<b>(19)</b>	
	<b>Collection Fund Balances</b>			
(92)	Surplus Balance b/fwd 1 April		(5)	(6)
87	(Surplus)/Deficit for Year		(19)	(6)
<b>(5)</b>	<b>Balance c/fwd 31 March</b>		<b>(24)</b>	<b>(6)</b>



# 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-	10	0	10	5/9	5.30
A	3,854	(583)	3,271	6/9	2,180.80
B	5,527	(649)	4,878	7/9	3,793.80
C	5,584	(544)	5,040	8/9	4,479.60
D	3,820	(319)	3,501	9/9	3,501.30
E	2,994	(205)	2,789	11/9	3,408.50
F	1,894	(102)	1,792	13/9	2,588.80
G	1,256	(60)	1,196	15/9	1,993.30
H	91	(6)	85	18/9	169.00
Total	25,030	(2,468)	22,562		22,120.40
Adjustment to reflect 1% non collection rate and decrease in second homes discount					140.87
<b>Council Tax Base (Band D equivalent)</b>					<b>22,261.27</b>

## 2. Council Tax Income

The basic amount of Council Tax for a Band D property (£1,435.22 in 2009/10) is multiplied by the proportion specified for the particular band to give an individual amount due. Council Tax bills were based on the following proportions for Bands A to H:

Council Tax Band	Proportion of Band D charge	2009/10 Council Tax Charge *
		£
A	6/9	956.81
B	7/9	1,116.28
C	8/9	1,275.75
D	9/9	1,435.22
E	11/9	1,754.16
F	13/9	2,073.10
G	15/9	2,392.03
H	18/9	2,870.44

\* these figures exclude any charge for parish precepts.

The basic amount for a band D property in 2009/10 of £1,435.22 is broken down as follows:

2008/09 £	Band D Council Tax	2009/10 £
141.49	Craven District Council	147.86
988.36	North Yorkshire County Council	1,027.30
193.37	North Yorkshire Police Authority	199.17
58.56	North Yorkshire Fire and Rescue Service	60.89
<b>1,381.78</b>	<b>Total</b>	<b>1435.22</b>

### 3. National Non-Domestic Rates

NNDR is organised on a national basis. The Government specifies an amount, 48.5p in 2009/10, (46.2p in 2008/09) 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 31<sup>st</sup> March 2010 was £38.471m (31<sup>st</sup> March 2009 £38.014m).

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 2009/10 was £3.374m (£3.620m in 2008/09).

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

2008/09 £'000	National Non-Domestic Rate Income	2009/10 £'000
17,297	Gross Amount Due	17,957
-1,465	Charitable Relief etc.	-1,629
-480	Transitional, Empty and Part Occupation Relief etc	-706
<b>15,352</b>	<b>Net Amount Collectable</b>	<b>15,622</b>
	<u>Less</u>	
86	Provision for Bad debts	148
8	Interest on Overpayments	27
123	Cost of Collection Allowance payable to General Fund	123
<b>15,135</b>	<b>Amount Payable to NNDR Pool</b>	<b>15,324</b>

### 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:

2008/09 £'000		2009/10 £'000
3,139	Craven District Council	3,282
21,928	North Yorkshire County Council	22,869
4,290	North Yorkshire Police Authority	4,434
1,299	North Yorkshire Fire and Rescue Service	1,355
938	Parishes	991
<b>31,594</b>	<b>Total Demands on Collection Fund</b>	<b>32,931</b>

### 5. Provision for Bad and Doubtful Debts

	National Non Domestic Rates £'000	Council Tax £'000	Total £'000
Provision Brought Forward	(127)	(255)	(382)
Adjustment to Provision in Year	(148)	(98)	(246)
Write on/Write offs	121	85	206
Provision Carried Forward	(154)	(268)	(422)

## 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 2009/10 there was no distribution of surplus based on this calculation.

There was an in-year surplus of £19k on the Collection Fund in 2009/10, the effect of which was to increase the balance on the Account at 31 March 2010 to £24k.

The surplus on the Fund at 31 March 2010 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 2010 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

2008/09 £000	Authority	2009/10 £000
1	Craven District Council	3
3	North Yorkshire County Council	17
1	North Yorkshire Police Authority	3
0	North Yorkshire Fire and Rescue Service	1
<b>5</b>	<b>Balance at 31st March</b>	<b>24</b>

The overall position between Craven District Council as the Billing Authority and the major preceptors is reflected in the Council's balance Sheet at 31<sup>st</sup> March 2010 as required by the 2009 SORP. The figures for 2008/09 in the Balance Sheet have been restated to reflect accurate comparables.

# **SECTION 8**

  

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion on the accounting statements**

I have audited the Authority accounting statements and related notes of Craven District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### **Respective responsibilities of the Corporate Head of Financial Management and auditor**

The Corporate Head of Financial Management responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

### **Opinion**

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Authority's Responsibilities**

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 regularly to review the adequacy and effectiveness of these arrangements.

#### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

#### **Qualified Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I identified the following:

- the Council's draft accounts approved by the Audit and Governance Committee in June 2010 contained a number of material and other errors that required amendment;
- the Council were unable to support an efficient audit due to weaknesses in working papers and delays in responding to audit queries; and
- the Council failed to approve and publish its audited accounts by the statutory deadline of 30 September 2010.

Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, I am satisfied that, in all significant respects, Craven District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010 except for timely and reliable financial reporting that meets the needs of internal users, stakeholders and local people.

**Certificate**

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

Cameron Waddell  
Officer of the Audit Commission  
3 Leeds City Office Business Park  
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8 October 2010

# **SECTION 9**

## **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"

## **BVACOP**

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 fixed 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 fixed 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 fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed 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 fixed 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.

**DEFERRED GRANTS**

Amounts received or receivable that have been used to finance capital expenditure within the year. Under the capital accounting arrangements these amounts will be written off over the same period as the assets to which they relate.

**DEPRECIATION**

Charges reflecting the wearing out, consumption or other reduction in the useful life of a fixed 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.

**FRS**

Financial Reporting Standards. There are a range of financial reporting standards which are established by the Accounting Standards Board. FRS provides the framework for producing information to be presented in the Statement of Accounts.

**FINANCE LEASE**

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed 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 Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

**FINANCIAL REPORTING STANDARD (FRS)**

A statement of accounting practice issued by the Accounting Standards Board.

**FINANCIAL YEAR**

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

**FIXED 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 REVENUE ACCOUNT (HRA)**

A local authority statutory account covering revenue income and expenditure on the housing services relating to its housing stock. Because the Council has transferred its housing stock to Craven Housing a Housing Revenue Account is not required.

**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**

Fixed 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**

Fixed 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 1<sup>st</sup> April 2008 this type of expenditure was known as deferred charges.

## **REVALUATION RESERVE**

This reserve replaced the former Fixed Asset restatement Account on 1<sup>st</sup> 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 fixed 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.



**SORP**

Statement of Recommended Practice. 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 30<sup>th</sup> June following the end of the financial year.

**STATEMENT OF RECOMMENDED PRACTICE (SORP)**

The accounts have been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice. This has introduced a number of changes.

**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).