APPENDIX A

CRAVEN

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DISTRICT

STATEMENT OF ACCOUNTS

2012/2013

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These Accounts are subject to audit. The Auditor's Report will be attached when it is available

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

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

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

SECTION 1

EXPLANATORY FOREWORD

Explanatory Foreword

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

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

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

The following pages summarise the financial activities of Craven District Council in 2012/13 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 2012/13: Based on International Financial Reporting Standards*** (**The Code**).

The Council's accounts for the year 2012/13 are set out on pages 13 to 71 and comprise of:

- **The Statement of Responsibilities for the Statement of Accounts (pages 11 to 12).** Under the Code of Practice on Local Authority Accounting in the UK 2005, there is a requirement for the Council, in addition to the Chief Financial Officer, to certify its approval of the Statement of Accounts.

- **The Movement in Reserves Statement (MIRS) (page 14).** This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

- **The Comprehensive Income and Expenditure Statement (CIES) (page 15).** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Balance Sheet (page 16).** The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the

Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

- **The Cash Flow Statement (page 17).** The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

- **The Notes to the Financial Statements (pages 18 to 71).** These provide additional information about the figures in the core financial statements.

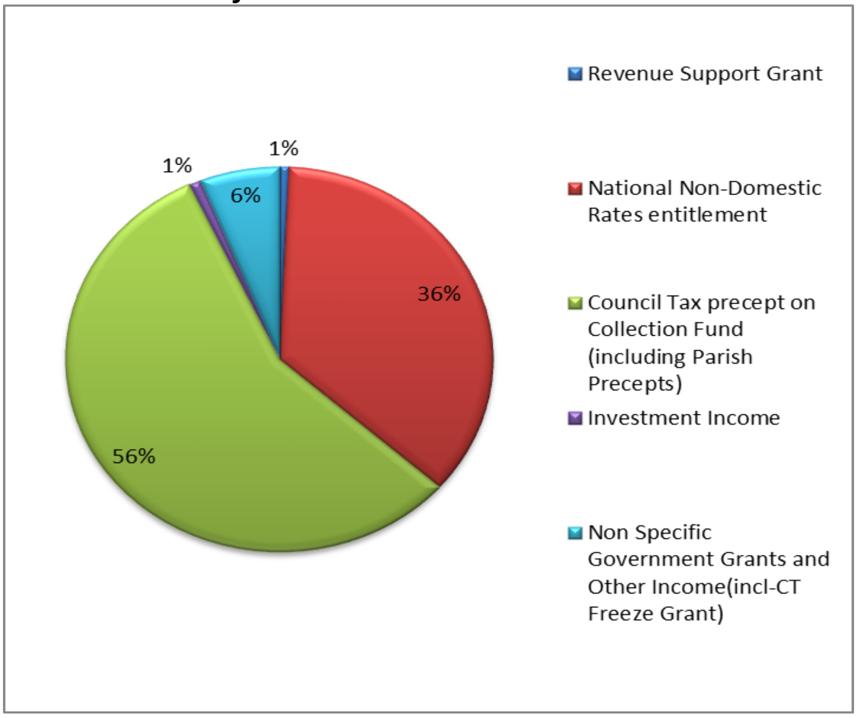
Supplementary Statements Comprising:
- **The Collection Fund Account (page 73).** This reports the transactions of the Council as a billing authority. Amounts in respect of business rates and council tax due are shown, together with how these have been distributed to precepting authorities, the Council’s 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 Independent Auditor’s Report to Craven District Council – Audit Certificate and Opinion (pages 78 to 80).** This will be provided by the Council’s external auditors upon completion of the audit.
- **Glossary of Terms (pages 81 to 88).** Terms used throughout this document are described in detail in these pages.

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

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

Where the money comes from:

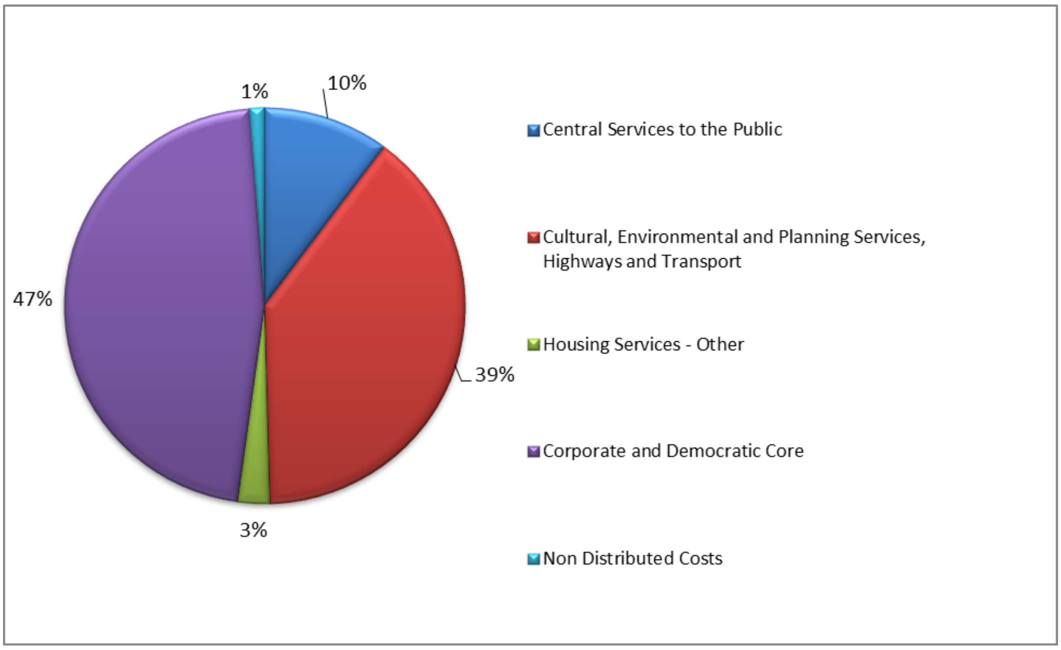


Comparison against Original Estimate	Original Estimate 2012/13 £'000	Actual Income 2012/13 £'000	Variance (Actual vs. Estimate) £'000
Revenue Support Grant	56	56	-
National Non-Domestic Rates entitlement	2,883	2,883	-
Council Tax Precept on Collection Fund (including Parish Precepts)	4,515	4,549	34
Investment Income	21	70	49
Non Specific Government Grants and Other Income (incl-CT Freeze Grant)	551	486	(65)
Total	**8,026**	**8,044**	**18**

In 2012/13 as can be seen from the chart and table above the Council received 49.4% (49.2% 2011/12) of its net funding from grant, 49.6% (49.4% 2011/12) from council tax (excluding parishes) and 1% (1.5% 2011/12) from investment income.

The table and chart aove and on the following page summaries the actual against budgetd income and expenditure for the Council. The figures do not include the impact of asset sales which are included within the CIES, but do include contributions to earmarked reserves and the capital accounttting transactions which form part of the transactions within the the MiRS.

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



Difference between Budget and Actual Income / Expenditure			
	Original Estimate 2012/13 £'000	Actual Expenditure 2012/13 £'000	Variance (Actual vs. Estimate) £'000
Central Services to the Public	817	664	(153)
Cultural, Environmental and Planning Services, Highways and Transport	2,115	2,569	454
Housing Services - Other	79	169	90
Corporate and Democratic Core	3,119	3,042	(77)
Non Distributed Costs	906	78	(828)
	7,036	**6,522**	**(514)**
Precepts paid	1,111	1,111	-
Interest payable	302	295	(7)
MRP	321	322	1
Depreciation included above	(1,227)	(1,653)	(426)
Transfer to GF/ Earmarked reserves	406	837	431
Other	77	610	533
Total	**8,026**	**8,044**	**18**

Review of Financial Performance 2012/13

The Council has continued to strengthen its financial position in 2012/13.

The Cost of Services is £514k lower than budget this is due mainly to requirements for accounting for the Council's share of pension cost liabilities which varies from the amounts actually paid in year to the North Yorkshire pension fund. Savings across services have been achieved through a combination of increases in income and reduced costs. The Council monitors the financial performance of departments against budget on a quarterly basis throughout the year. The final outturn accounts show that all Departments made savings against their Revised Budgets totalling £241k.

	Revised Budget 2012/13 £000's	Actual 2012/13 £000's	Variance 2012/13 £000's
Chief Executive/Director of Services	1,912	1,840	(72)
Resources Department	1,836	1,727	(109)
Community Department	2,155	2,095	(60)
Total Departmental Net Costs	5,903	5,662	(241)

The Council planned to contribute to its Planning Reserve 50k and Enabling Efficiencies Fund £39k. Through strong financial management, the Council has achieved this target and made additional contributions of £167k to the Enabling Efficiencies Fund, and in addition created three new reserves for Buildings £50k, IT projects £83k and Vehicle Replacements £50k. Additional Government funding from the New Homes Bonus Grant has been set aside in its reserve to fund specific, approved initiatives.

The strong financial performance in 2012/13 has improved the Council's financial resilience. As a result, at 31 March 2013 the Council has maintained its General Fund Balance of £1,030k (£1,030k at 31 March 2012) and Earmarked Reserves of £1,726k (£886k at 31 March 2012).

Borrowing Facilities

The Council's borrowing facilities for 2012/13 are as follows;

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

The maximum amount of external borrowing the Council can have at any one time is governed by the Prudential Code, which was introduced in April 2004. The Prudential Code controls borrowing by reference to an Authorised Limit and Operational Boundary. The Council agreed the Prudential Indicator limits for 2012/13.

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

Capital Expenditure

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

In 2012/13 the Council spent a total of £321k on acquiring and improving assets, including grants made for the improvement of private homes.
The following table shows an analysis of the Council's capital expenditure:

2011/12 £'000	Areas of Capital Expenditure	2012/13 £'000
35	Wheeled Bins	25
413	Refuse Vehicles and associated equipment	55
353	Health Capital Grants	150
214	IT Infrastructure (including new office accommodation)	70
3,816	Completion of works / acquisition of leasehold for Belle Vue Square	0
45	Furniture, fixtures & fittings	0
145	Craven Swimming Pool	0
40	Community Schemes	21
0	Flood Alleviation/Riverside Project	0
0	Improvements to offices and public buildings	0
155	Computer software and website	0
0	Other Miscellaneous Items	0
5,216	**Total Capital Expenditure**	**321**

This expenditure compares with an initial budget of £800k. The decrease of £479k is a result of projects completing within budget, slippage and reclassification of items as follows:

	2012/13 £'000
Slippage	
Waste Management (Replacement Vehicles)	70
Building works	15
Private Sector Renewals and Disabled Facilities Grants	129
Community Schemes	14
IT Projects	78
Budget savings	158
Reclassified	15
Total Slippage and Reclassification	479

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

2011/12 £'000	Method of Financing	2012/13 £'000
913	Prudential Borrowing	0
215	Health Capital Grants	150
23	Revenue contribution	0
4,065	Capital Receipts and Reserves	171
0	Other Grants	0
5,216	**Total Financing**	**321**

Non-Current Assets

In accordance with the Council's 5-year rolling programme, a number of properties (land and buildings) were revalued in 2012/13. Valuations were carried out by an in-house surveyor – a member of the R.I.C.S.
An impairment review of properties was undertaken which resulted in the downwards revaluation of three properties.

Pensions

Disclosure requirements under the Code are included and are in accordance with International Accounting Standard (IAS) 19. Details of the information are set out in Note 34 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 34 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 £25.5m at 31 March 2012 to £29.5m at 31 March 2013. This is a long-term position, and contribution rates are set to meet 100% of local authorities’ liabilities over time, under Pension Fund Regulations.

Current Economic Climate

Government measures to reduce the budget deficit continue to have an impact on the Council’s finances. The Council requires financial resources to fund the delivery of its corporate priorities, statutory obligations and discretionary services. Although the Council has set a balanced budget for 2013/14, the actual level of Government funding after 2013/14 is uncertain. Assumptions in the current Medium Term Financial Strategy (MTFS) show that further savings of £580k will need to be made in 2014/15 with an additional £110k in each of 2015/16 and 2016/17. The government spending review announcement due in late June is expected to increase these savings further. Changes in government funding have a major impact on the Council’s finances. The ability to plan ahead, prioritise and align resources is essential to meeting medium term objectives and achieving Value for Money. Similarly, there is uncertainty on how the current economic downturn will impact on customer debts and how it will continue to directly affect income from sources such as parking fees.

Service Delivery Changes

The Council is continuing with its Transformation programme. The asset rationalisation programme is ongoing, procurement savings are being realised, and the shared service initiatives are delivering efficiency savings, with further initiatives being investigated. The Value for Money programme continues to ensure that our services are economic, efficient and effective, and sets out a framework and timetable of service reviews. Additional contributions have been made to the Council’s Enabling Efficiency Fund which will be utilised for investment in initiatives which will bring longer term savings to the Council.

Although there is a high degree of uncertainty about future levels of funding for local government, the Council’s savings and transformation initiatives, which link through to the four year MTFS, aim to minimise service reductions so that we can continue to deliver our Council Plan priorities. The MTFS will continue be reviewed on an annual basis to take into account the inevitable further reductions in the level of Government funding, changes introduced under the Local Government Resource Review and the continuing turbulence of the economic climate; this will set the direction of travel for the 2014/15 budget and beyond. Whilst we have worked prudently to rebuild the Council’s financial base, we realise that there will be many challenges ahead.

Further Information

If you require further information concerning the Council’s accounts, this is available from the Corporate Head of Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ (01756 700600) or by email: **contactus@cravendc.gov.uk**

SECTION 2

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Head of Financial Management;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Corporate Head of Financial Management's Responsibilities

The Corporate Head of Financial Management is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Corporate Head of Financial Management has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Corporate Head of Financial Management has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of Craven District Council at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Joanna Miller CPFA
Corporate Head (Financial Management and s151 Officer) **Date: 29 October 2013**

Approval by Chair of Audit and Governance Committee

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

Chair of Audit and Governance Committee **Date: 29 October 2013**

SECTION 3

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Contributions Unapplied	Capital Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2011	**598**	**476**	**2,176**	**394**	**1,928**	**5,572**	**5,678**	**11,250**
Movement in Reserves during 2011/12								
Surplus (deficit) on the provision of services (CIES)	**(1,918)**	**-**	**-**	**-**	**-**	**(1,918)**	**-**	**(1,918)**
Other Comprehensive Income and Expenditure (CIES)	**-**	**-**	**-**	**-**	**-**	**-**	**(2,752)**	**(2,752)**
Total Comprehensive Income and Expenditure	**(1,918)**	**-**	**-**	**-**	**-**	**(1,918)**	**(2,752)**	**(4,670)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	2,760	-	(1,186)	(278)	(1,928)	(632)	632	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**842**	**-**	**(1,186)**	**(278)**	**(1,928)**	**(2,550)**	**(2,120)**	**(4,670)**
Transfers to Earmarked Reserves (Note 40)	(410)	410	-	-	-	-	-	-
Increase/Decrease in 2011/12	**432**	**410**	**(1,186)**	**(278)**	**(1,928)**	**(2,550)**	**(2,120)**	**(4,670)**
Balance at 31 March 2012 c/f	**1,030**	**886**	**990**	**116**	**-**	**3,022**	**3,558**	**6,580**
Movement in Reserves during 2012/13								
Surplus (deficit) on the provision of services (CIES)	**(942)**	**-**	**-**	**-**	**-**	**(942)**	**-**	**(942)**
Other Comprehensive Income and Expenditure (CIES)	**-**	**-**	**-**	**-**	**-**	**-**	**(4,013)**	**(4,013)**
Total Comprehensive Income and Expenditure	**(942)**	**-**	**-**	**-**	**-**	**(942)**	**(4,013)**	**(4,955)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	1,782	-	304	5	-	2,091	(2,091)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**840**	**-**	**304**	**5**	**-**	**1,149**	**(6,104)**	**(4,955)**
Transfers to Earmarked Reserves (Note 40)	(840)	840	-	-	-	-	-	-
Increase/Decrease in 2012/13	**0**	**840**	**304**	**5**	**-**	**1,149**	**(6,104)**	**(4,955)**
Balance at 31 March 2013 c/f	**1,030**	**1,726**	**1,294**	**121**	**-**	**4,171**	**(2,546)**	**1,625**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2013

2011/12 Restated				2012/13		
Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
4,447	3,558	889	Central services to the public	4,441	3,551	890
2,262	1,169	1,093	Cultural Services	2,471	1,279	1,192
3,703	1,932	1,771	Environmental and Regulatory Services	4,047	2,012	2,035
1,510	517	993	Planning services	1,572	474	1,098
390	1,434	(1,044)	Highways and transport services	361	1,373	(1,012)
10,822	10,399	423	Other housing services	10,879	10,657	222
2,012	263	1,749	Corporate and democratic core	1,906	186	1,720
1,121	6	1,115	Non distributed costs	587	210	377
26,267	**19,278**	**6,989**	**COST OF SERVICES**	**26,264**	**19,742**	**6,522**
		1,902	Other operating expenditure (Note 8)			1,090
		1,186	Financing and investment income and expenditure (Note 9)			1,304
		(8,159)	Taxation and non-specific grant income (Note 10)			(7,974)
		1,918	**(Surplus) or Deficit on the Provision of Services**			**942**
		(55)	(Surplus) or deficit on revaluation of non-current assets			494
		2,807	Actuarial (gains) or losses on pension assets and liabilities			3,519
		2,752	**Other Comprehensive Income and Expenditure**			**4,013**
		4,670	**Total Comprehensive Income and Expenditure**			**4,955**

Balance Sheet as at 31 March 2013

1 April 2011 Restated	31 March 2012 Restated		31 March 2013		
£'000	£'000		Notes	£'000	£'000
30,161	31,464	Property, Plant and Equipment	18	27,381	
1,789	1,578	Investment Properties	18	1,450	
1,455	1,455	Heritage and Community Assets	18	2,627	
264	258	Intangible Assets	17	191	
3	3	Long-term Investments		3	
8	12	Long-term Debtors	27	661	
33,680	**34,770**	**LONG-TERM ASSETS**			**32,313**
5,551	1,012	Short-term Investments	29	1,004	
44	53	Inventories		53	
0	828	Assets held for sale	28	828	
4,728	1,299	Short-term Debtors	30	2,164	
98	2,570	Cash and Cash Equivalents	31	3,697	
10,421	**5,762**	**CURRENT ASSETS**			**7,746**
-	-	Bank Overdraft	31	(755)	
(2,066)	(64)	Short-term Borrowing	45	(1,317)	
(2,164)	(2,073)	Short-term Creditors	32	(1,820)	
(4,230)	**(2,137)**	**CURRENT LIABILITIES**			**(3,892)**
(6,294)	(6,286)	Long-term Borrowing	45	(5,028)	
(22,327)	(25,529)	Other Long-term Liabilities	33	(29,514)	
(28,621)	**(31,815)**	**LONG-TERM LIABILITIES**			**(34,542)**
11,250	**6,580**	**NET ASSETS**			**1,625**
5,572	**3,022**	Usable Reserves	38		**4,171**
5,678	**3,558**	Unusable Reserves	38		**(2,546)**
11,250	**6,580**	**TOTAL RESERVES**			**1,625**

Joanna Miller CPFA
Corporate Head (Financial Management and s151 Officer)
29 October 2013

Cash Flow Statement

2011/12 Restated £'000		Notes	2012/13 £'000
(1,918)	**Net surplus or (deficit) on the provision of services**		**(942)**
6,256	Adjustments to net surplus or deficit on the provision of services for non-cash movements	42	2,938
(391)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	42	(1,125)
3,947	**Net cash flows from Operating Activities**		**871**
69	Investing Activities:	43	975
(1,544)	Financing Activities:	44	(1,474)
2,472	**Net increase or (decrease) in cash and cash equivalents**		**372**
98	Cash and cash equivalents at the beginning of the reporting period		2,570
2,570	**Cash and cash equivalents at the end of the reporting period**	31	**2,942**

SECTION 4

NOTES TO THE CORE FINANCIAL STATEMENTS

Notes to the Core Financial Statements

Restatement of Accounts

Under IAS8 Councils are required to disclose changes made to the previous years Statement of Accounts in relation to changes in accounting policy and material prior period adjustments. The following tables explain the differences between the amounts presented in the 2011/12 financial statements and the equivalent amounts presented in the 2012/13 financial statements. None of these changes have affected the general fund balances held by the Council.

The errors in the 2011/12 accounts all relate to the accounting treatment of Council Assets:

1. There was as an error in accounting for disposals of assets in 2011/12. The Council sold Settle Town Hall and its associated land in 2011/12 and the writing out of the land element £827k was omitted from the 2011/12 accounts.

2. The Council implemented new asset register accounting software in 2012/13 and as part of that implementation in was discovered that there were a number of issues in respect of the carrying value of assets requiring a net amendment of :
   a) On revaluation of a number of Land and Building assets the value of depreciation had not been credited to the revaluation reserve £176k. Resulting in a mis-statement of the asset values and balance on the Revaluation Reserve at 31 March 2012.

   b) Disposals of Vehicles Plant and equipment were overstated by £91k and depreciation understated by £1k. Resulting in a mis-statement of the asset values and balance on the Capital Adjustment Account.

   c) Reclassification of Land and Buildings between Surplus Assets and Assets held for Sale were overstated by £603k. Resulting in a mis-statement of the asset type values on the Balance Sheet.

Correcting entries are also required to put the changes through the Comprehensive Income and Expenditure Accounts and the Movement in Reserves Statement.

The movements to the primary statements are set out below. The Notes to the Accounts and Statements are amended in line with these changes.

	2011/12 Statements £'000	Adjustment Made £'000	2011/12 Re- Statement £'000
Movement in Reserves Statement			
Surplus or (Deficit) on Provision of Services:	(1,181)	(737)	(1,918)
Other Comprehensive Income & Expenditure:	(2,928)	176	(2,752)
Adjustments between accounting basis and funding basis under regulations:			
General Fund Balance	2,023	737	2,760
Unusable Reserves	1,369	(737)	632
Total Movement		(561)	

	2011/12 Statements £'000	Adjustment Made £'000	2011/12 Re- Statement £'000
Comprehensive Income & Expenditure Statement			
Expenditure:			
Environmental and Regulatory Services	3,702	1	3,703
Other Operating Expenditure	1,166	736	1,902
(Surplus) or deficit on revaluation of non-current assets	121	(176)	(55)
Total Movement		561	
Balance Sheet			
Property Plant & Equipment	31,995	(531)	31,464
Assets Held for Sale	858	(30)	828
Unusable Reserves	4,119	(561)	3,558
Total Movement		0	
Cash Flow			
Net surplus or (deficit) on the provision of services	(1,181)	(737)	(1,918)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	5,519	737	6,256
Total Movement		0	

Notes to the Core Financial Statements

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Accounts have been prepared in accordance with the 2012/13 Code of Practice on Local Authority Accounting issued in February 2012 by the Chartered Institute of Public Finance and Accountancy (CIPFA), based on International Financial Reporting Standards and the Service Reporting Code of Practice (SERCOP) in accordance with the Accounts and Audit (England) Regulations 2011. The Accounts have been prepared under the historical cost convention modified to account for the revaluation of non-current assets.

1.2 Accruals of Income and Expenditure (Debtors and Creditors)

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

- Revenue relating to such items Council Tax and Non Domestic Rates, is measured at the full amount receivable (net of any impairment losses as they are non-contractual non-exchange transactions and there can be no difference between the delivery and payment dates.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the balance sheet.

- In the event that consideration has been paid in advance of the receipt of goods or services or other benefit, an authority shall recognise a debtor (i.e. payment in advance) in respect of that outflow of resources.

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

- In the event that consideration is received but the revenue does not meet the recognition criteria as described above, the Council recognises it as a creditor (i.e. receipt in advance in respect of that inflow of resources.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where 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 dependent upon the value of outstanding aged debts.
- Income and expenditure are credited and debited to the relevant service revenue

account, unless they properly represent capital receipts or capital expenditure.

- Year-end accruals and prepayments are made, as appropriate, subject to a de-minimis level of £500.

1.3 Cash and Cash Equivalents

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

1.4 Collection Fund

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

Council Tax

The funds key features relevant to accounting for council tax in the core financial statements are:

- In its capacity as billing authority the Council acts as an agent. It collects and distributes Council Tax income on behalf of the major preceptors and itself. The major preceptors are North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Service.
- Council Tax accrued income for the year and Council Taxpayers debtors, creditors and provision for bad debts at the 31 March are shared between the major preceptors and the Council based on their percentage share of the total demands/precepts for the year.

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

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

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

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

National Non-Domestic Rates

As a billing authority the Council collects NNDR under what is in substance an agency arrangement for the Government. It therefore follows that:

- NNDR income is not the income of the Council and is not to be included in its CIES. The cost of collection allowance which is paid to the Council is income and as such is included in the Council's CIES.

- NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and shall not be recognised in the Council's Balance Sheet.

- Cash collected from NNDR taxpayers by the Council belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date shall be included as a creditor; similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers, the excess shall be included in the Balance Sheet as a debtor.

- Cash collected from NNDR taxpayers by the Council is collected for the Government and is therefore not an operating activity of the Council and shall not be included in the Council's Cash Flow Statement as a cash inflow except for the cash retained in respect of the cost of collection allowance. Similarly the Council's payment into the NNDR national pool is not an operating activity and is not included in the Council's Cash Flow Statement as a cash outflow.

- The difference between the cash collected from NNDR taxpayers and the amount paid into the NNDR pool is included in management of liquid resources as a net increase/decrease in other liquid resources.

- Amounts billed to NNDR tax payers over and above the NNDR due, usually to recover the Council's costs in pursuing unpaid NNDR debts are income for the Council and are not required to be accounted for to the Government.

The NNDR taxpayer's debtor and creditor balances and impairment allowances for doubtful debt are not Balance Sheet items of the Council since it acts as an agent when collecting NNDR. The balance due to or from the Government based on an estimate or actual NNDR 3 return is not an amount that should be recognised in the Council's Balance Sheet. It does not represent an actual debtor/creditor position between the Council and the Government: it is simply part of the mechanism for determining the instalments by which the Council pays over NNDR cash to the Government. The correct debtor/creditor position that needs to be recognised in the Council's Balance Sheet is the amount of cash from NNDR taxpayers that has not been paid to or overpaid to the Government at the Balance Sheet date.

Since they are not operating activities of the Council the Cash Flow Statement will exclude:

- Cash received from non-domestic rate receipts (except for the amount retained as the cost of collection allowance), and
- National non-domestic rate payments to the Government pool.

The difference between these two above amounts shall be included in management of liquid resources as a net increase/decrease in other liquid resources.

1.5 Exceptional Items

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

1.6 Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.7 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual prudent provision from revenue (MRP) to contribute towards the reduction in its overall borrowing requirement. Depreciations, impairment losses and amortisations are therefore replaced by revenue provision, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

1.8 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

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

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

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

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

The attributable scheme liabilities have been discounted to their value at current prices, using the redemption yield available on long dated AA rated Corporate Bonds.

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

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

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

- Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the CIES to the revenue accounts of services for which the employees worked.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the CIES as part of Non Distributed Costs.

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure in the CIES.

- Expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Financing and Investment Income in the CIES.

- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the CIES as part of Non Distributed Costs.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the CIES – Other Comprehensive Income and Expenditure.

- Contributions paid to the North Yorkshire Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

1.9 Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where a

category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

1.10 Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

The Council only has one type of significant financial asset:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost Annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Account is the amount receivable for the year in the loan agreement.

1.11 Government Grants and Contributions

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

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

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

1.12 Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of the heritage. They may include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

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

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

Heritage assets are held in perpetuity with no defined useful life and consequently are not depreciated.

1.13 Intangible Assets

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

1.14 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.

1.15 Inventories and Long-term Contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value.

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

1.16 Investment Property

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

An Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period. When an asset is transferred to this category it is re-valued to fair value on transfer and any gain is recognised in the Revaluation Reserve. A loss is recognised in the Revaluation Reserve up to the balance on the Reserve and then to the CIES. Any balance on the Revaluation Reserve is frozen until the asset is derecognised.

Revaluation gains or losses on Investment Property are included in the CIES in addition to the rental income and any direct expenditure.

Depreciation is not charged on Investment Property.

1.17 Accounting for Leases

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

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

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

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

The Council as a Lessee
Rentals payable are charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council as a Lessor
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is no premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.18 Overheads and Support Services

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

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

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

1.19 Property, Plant and Equipment

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

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

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

- Operational land and properties, investment properties and assets that are surplus to requirements are included in the Balance Sheet at the lower of net current replacement cost or net realisable value.
- Infrastructure assets (e.g. highways and footpaths) if any are included in the Balance Sheet at historic cost net of depreciation.
- Community assets (e.g. parks, cemeteries, etc.) acquired prior to 1 April 1994 have been given a nil value. Assets acquired after 1 April 1994 are valued at historic cost.
- Heritage assets have been included in the balance sheet at last insurance valuation.
- Vehicles, plant and equipment are recorded in the Balance Sheet at historic cost net of depreciation. This is regarded as a reasonable indication of net current replacement cost.

Otherwise, net current replacement cost is assessed as:

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

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from a reversal of an impairment loss previously charged to a service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of the Reserve's formal inception. Gains before that date have been consolidated into the Capital Adjustment Account.

Componentisation:

All property assets containing a building are split into two components – land and buildings. The buildings are then further reviewed to assess if there are additional significant components which should be recognised. A component is considered significant when the cost of the component is 20% or greater than the total cost of the asset and has a differing useful life. Each component is depreciated separately and where there is more than one significant component of the same asset which has the same useful life and depreciation method, such components may be grouped in determining the depreciation charge. Assets with a value less than £50k will not be considered for componentisation (on the basis of materiality) unless the circumstances are deemed appropriate.

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

Impairment:

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

Depreciation:

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

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

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

Where an asset has major components with different estimated useful lives, the components are depreciated separately.

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

- For depreciable buildings, the asset lives range between 2 and 100 years depending on the type of asset and its current use.
- For intangible assets a standard 5 year life has been used for the calculation of annual amortised amounts.
- For vehicles and plant, a standard 7 year life has been used.

Disposals and Non-Current Assets Held For Sale:
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. These are assets that have been declared surplus to the Council's operational requirements, are being actively marketed and have an estimated sale date within twelve months of the balance sheet date. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the CIES as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve relating to the asset sold are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government, including mortgage receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account via the MIRS.

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the council an obligation that properly requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

Contingent Liabilities are not recognised within the financial statements. Contingent Liabilities are disclosed by way of a note to the accounts if there are possible obligations that may require payment or a transfer of economic benefits. A contingent liability arises either where a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Council or where a provision would otherwise be made but it is not probable that an outflow of resources will be required and or the obligation cannot be measured reliably.

Contingent Assets

Contingent Assets are not recognised within the financial statements. Contingent Assets are disclosed by way of a note to the accounts if the inflow of economic benefits or service potential is probable. A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. The disclosure will indicate the nature of the contingent asset and an estimate of its value.

1.21 Reserves

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

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MIRS so that there is no net charge against council tax for the expenditure.

In addition the Council maintains an unallocated General Fund Balance Reserve which may be used to fund one off unexpected items of expenditure or for appropriations of annual surpluses or deficits.
Certain reserves are kept to manage the accounting processes for non-current assets such as the Revaluation Reserve and the Capital Adjustment Account, financial instruments, pension costs and employee benefits and do not represent usable resources

for the Council.

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

1.22 Revenue Expenditure Funded from Capital under Statute

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

1.23 Value Added Tax (VAT)

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

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

Changes in accounting policies are retrospective unless alternative arrangements are specified in the Code.

The 2012/13 Code has introduced several changes in accounting policies which will be required from 1 April 2013 in respect of the following:

IFRS 7 – Financial Instruments: Disclosures – It is unlikely that this standard will have a material effect on the council's financial statements but will provide users of the accounts with additional information on:
the risk and exposure relating to the transfer of financial assets; and
the effect of these risks on the councils financial position.

IAS 1 – Presentation of Financial Statements. This standard revises the presentation of other comprehensive income in the financial statements to show gains and losses separately.

IAS 12 – Income Taxes: Deferred Taxation re Investment Properties. As the council is not liable to Corporation Tax the standard will not apply to the council's accounts.

IAS 19 – Employee Benefits. This standard refines the existing calculation and disclosure of pension costs within the council's financial statements. IAS 19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted expense for the next financial year. If adopted the impact on the councils Comprehensive Income and Expenditure Statement would be to increase the pension charge by £173k.

3. Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government.

However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

The items in the Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £265k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £954k. However, the assumptions interact in complex ways. During 2012/13, the Authority's actuaries advised that the net pensions liability had remained the same as a result of estimates being corrected as a result of experience.
Arrears	At 31 March 2013, the Authority had a balance of sundry debtors for £339k and housing benefit overpayments of £265k. A review of all balances suggested that an impairment of doubtful debts of £388k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts (for non-public body sundry debtors) would require an additional £45k to set aside as an allowance.

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

5. Material Items of Income and Expenditure

There have been no material items of income or expenditure in 2012/13 (2011/12 £nil).

6. Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves				
2012/13	General Fund Balance	Capital Receipts Reserve	Capital Contributions Unapp	Capital Reserve	Movement in Unusable Rese
	£'000	£'000	£'000	£'000	£'000
Charges for depreciation and impairment of non-current assets	1,557				(1,557)
Amortisation of intangible assets	96				(96)
Revenue expenditure funded from capital under statute	21				(21)
Net gain or loss on sale of non-current assets	630	475	5		(1,110)
Reversal of items relating to retirement benefits debited or credited to the CIES	1,874				(1,874)
Employer's pension contributions and direct payments to pensioners payable in the year	(1,404)				1,404
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(15)				15
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(5)				5
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0				0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(650)				650
Use of the Capital Receipts Reserve to finance new capital expenditure		(171)			171
Statutory provision for the repayment of debt	(322)				322
Total Adjustments	**1,782**	**304**	**5**	**0**	**(2,091)**

Prior year comparison:

	Usable Reserves				
2011/12 Restated	General Fund Balance	Capital Receipts Reserve	Capital Contributions Unapplied	Capital Reserve	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Charges for depreciation and impairment of non-current assets	1,633				(1,633)
Amortisation of intangible assets	115				(115)
Revenue expenditure funded from capital under statute	178				(178)
Net gain or loss on sale of non-current assets	823	391			(1,214)
Reversal of items relating to retirement benefits debited or credited to the CIES	1,801				(1,801)
Employer's pension contributions and direct payments to pensioners payable in the year	(1,405)				1,405
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(5)				5
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements.	(8)				8
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0				0
Capital grants and contributions credited to the CIES	(22)		22		0
Capital expenditure charged against the General Fund	(23)				23
Application of grants to capital financing transferred to the Capital Adjustment Account			(109)		109
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,577)			1,577
Use of the Capital Reserve to finance new capital expenditure				(1,928)	1,928
Use of the Capital Contributions Unapplied to finance new capital expenditure			(191)		191
Statutory provision for the repayment of debt	(327)				327
Total Adjustments	**2,760**	**(1,186)**	**(278)**	**(1,928)**	**632**

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

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

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

2011/12 £'000	Net Cost of Services	2012/13 £'000
889	Central Services to the Public	**890**
	Cultural and Related Services	
366	Culture and Heritage	548
503	Recreation and Sport	448
131	Open Spaces	124
93	Tourism	72
	Environmental Services	
(32)	Cemeteries and Crematorium	89
612	Environmental Health	617
(7)	Flood Defence and Drainage	-
361	Street Cleansing	395
836	Waste Collection	934
	Planning and Development	
21	Building Control	8
398	Development Control	411
207	Planning Policy	232
367	Economic and Community Development	447
3,856	**Cultural, Environmental and Planning Services Total**	**4,325**
	Highways, Roads and Transport	
(1,076)	Parking Services	(1,048)
32	Public Transport	36
(1,044)	**Highways, Roads and Transport Total**	**(1,012)**
	Housing – Other Services	
228	Private Sector Renewal	26
206	Homelessness	221
(175)	Housing Benefit Payments	(82)
207	Housing Strategy	100
(43)	HGF Other Property	(43)
423	**Housing – Other Services**	**222**
1,749	**Corporate and Democratic Core**	**1,720**
1,115	**Non-Distributed Costs**	**377**
-	**Pensions- past service gain**	**-**
6,988	**Total Net Cost of Services**	**6,522**

8. Other Operating Expenditure

2011/12 Restated £'000		2012/13 £'000
1,079	Parish Precepts	1,111
823	(Gains)/losses on the disposal of non-current assets	(21)
1,902	**Total**	**1,090**

9. Financing and Investment Income and Expenditure

2011/12 £'000		2012/13 £'000
299	Interest payable and similar charges	295
(101)	Interest and investment income	(70)
988	Pension interest cost and expected return on pensions assets	1,079
1,186	**Total**	**1,304**

10. Taxation and Non-Specific Grant Incomes

2011/12 £'000		2012/13 £'000
(4,499)	Council tax income	(4,549)
(2,476)	Non domestic rates	(2,883)
(1,149)	Non-ringfenced government grants	(542)
(35)	Capital grants and contributions and other	-
(8,159)	**Total**	**(7,974)**

11. Minimum Revenue Provision for Capital Financing

The Prudential Code for Capital Finance in Local Authorities was introduced with effect from 1 April 2004. This introduced a new prudential framework for local authority capital investment, under which capital investment plans are required to be affordable, prudent and sustainable. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 and the associated guidance note issued by Communities and Local Government now requires a local authority to make an amount of MRP which it considers to be prudent. A charge of £321,870 has been made in the 2012/13 Accounts (£326,567 in 2011/12) based on the policy agreed by the Council.

12. Analysis of Government Grants

An analysis of Government Grants included in the CIES for 2012/13 is shown below:

2011/12 £'000		2012/13 £'000
765	Revenue Support Grant	56
85	Local Services Support Grant	85
12,958	DWP Grant for HB and CTB	13,308
215	Private Sector Housing Renewal Grant (DFG)	150
-	Community Right to Challenge	9
121	NNDR Collection	120
3	NNDR- small Business Rates Relief	0
85	Council Tax Freeze Grant	85
229	New Homes Bonus Grant	369
0	Council Tax New Burdens Grant	84
17	Habitat and Climate Change	0
0	Community Right to Buy	5
0	DEL Contingency	3
0	Mary Portas Pilots	10
14,478	**TOTAL GOVERNMENT GRANTS**	**14,284**

13. Appointed Auditor Costs

During the year, the Council incurred the following fees relating to external audit and inspection services for 2012/13 provided by its appointed auditors, Mazars (2011/12: the Audit Commission):

2011/12 £'000		2012/13 £'000
-	External Audit 12/13	55
93	External Audit 11/12	-
23	Grant and Projects Certification	18
2	Other Services	-
118	**Total Fees**	**73**

14. 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 2012/13 is £156,784 (compared to £162,500 in 2011/12).

15. Officers' Emoluments

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

2011/12 Total	Remuneration Band	2012/13 Total
1	£50,000 to £54,999	1
1	£55,000 to £59,999	0
1	£60,000 to £64,999	2
0	£65,000 to £69,999	0
1	£70,000 to £74,999	1
0	£75,000 to £79,999	0
0	£80,000 to £84,999	0
0	£85,000 to £89,999	0
0	£90,000 to £94,999	0
1	£95,000 to £99,999	0
0	£100,000 to £104,999	1

	Salary, Fees and Allowances £	Bonuses £	Expense Allowance and Other Benefits in Kind £	Pension Contribution £	Total £
2012/13					
Chief Executive	95,000	5,000	139	12,100	**112,239**
Deputy Chief Executive	73,500	-	35	8,894	**82,429**
Corporate Head Financial Management Section 151	62,875	-	-	7,608	**70,483**
Corporate Head Business Support	60,375	-	13	7,305	**67,693**
Strategic Manager Legal and Democratic (Monitoring Officer)	52,929	-	26	6,404	**59,359**
2011/12					
Chief Executive	95,000	3,000	258	11,858	110,116
Deputy Chief Executive	72,000	-	207	8,712	80,919
Corporate Head Financial Management Section 151	61,375	-	6	7,426	68,807
Corporate Head Business Support	58,875	-	50	7,124	66,049
Strategic Manager Legal and Democratic (Monitoring Officer)	51,779	-	-	6,265	58,044

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

Exit package cost band (incl special payments) (a)	Number of compulsory redundancies (b)		Number of other departures agreed (c)		Total number of exit packages by cost band (b) + (c) (d)		Total cost of exit packages in each band (e)	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	6	2	1	-	7	2	54,878	5,659
£20,001-£40,000	1	-	1	-	2	-	51,847	-
£40,001-£60,000	-	-	-	-	-	-	-	-
£60,001-£80,000	1	-	-	-	1	-	63,236	-
£100,001-£120,000	-	-	-	-	-	-	-	-

16. Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council may have been constrained in its ability to operate independently or may have secured the ability to limit another party's ability to bargain freely with the Council. They are described here except for those appearing elsewhere in these accounts.

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

Members:
Members of the Council have direct control over the Council's financial and operating policies, and annually are asked to declare any third party interests (e.g. directorships, chairpersonships, etc).
During 2012/13, there were services provided by the Council, to organisations of which Members had a declared interest. The agreements are in place with no bias, and no discounts or benefits were afforded to these organisations. The material transactions are included below.

Officers:
During the year 2012/13 current Council Officers declared no transactions with any organisation of which they have an interest.

Other bodies:
The Council collects Council Tax to fund its own revenue requirements and to distribute to other precepting authorities. These being North Yorkshire County Council, North Yorkshire Police Authority, The Police & Crime Commissioners for North Yorkshire, North Yorkshire Fire and Rescue Service and various Town & Parish Councils. For further details see Collection Fund Note 4.

North Yorkshire County Council: Craven District Council Councillors who were also North Yorkshire County Councillors are as follows; Cllr Ireton, Cllr Heseltine, Cllr P. English (Mrs), Cllr Barrett and Cllr Welch. In the year Craven District Council had £446k (£406k 2011/12) in receivables of which £6k (£62k 2011/12) were outstanding at year end, they also had £545k (£758k 2011/12) in payables, all relating to North Yorkshire County Council.

Cllr Barrett is also a member of the North Yorkshire Fire and Rescue Service. Craven District Council also had receipts from the North Yorkshire Fire and Rescue Service of £1k (£8.1k 2011/12).

Cllr P. English (Mrs) and Cllr Ireton were members of the North Yorkshire Police Authority until its abolition in November 2012. Cllr Myers is a member of the North Yorkshire Police & Crime Panel. Craven District Council had receipts from the North Yorkshire Police Authority of £6k (£8.1k 2011/12) and payments to of £2k (£5.4k 2011/12).

Cllr Kerwin-Davey and Cllr Harbron are members of the Skipton Town Council. Transactions relating to the Skipton Town Council were £9k in receipts and £10k in payments.

Four Members of the Council declared an interest in the following grants paid to community or charitable organisations in 2012/13:

2011/12 £	Organisation	2012/13 £
22,400	Citizens Advice Bureau	17,700
10,000	Settle Victoria Hall	9,620
1,200	Settle-Carlisle Railway Development Company	1,000
6,700	Craven Recycled Furniture Centre	5,960
40,300	**TOTAL**	**34,280**

Cllr Paul English Cllr John Roberts and Cllr Robert Heseltine had an interest in Craven Citizens Advice Bureau. Cllr Donny Whaites had an interest in Settle Victoria Hall and the Settle-Carlisle Railway Development Company. Cllr Paul English also had an interest in the Craven Recycled Furniture Centre.
The grants were made with proper consideration of declarations of interest, and none of the relevant members took part in any discussion relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open for public inspection at the Council offices.

The Council does not administer any pension fund.

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

17. Non-current Intangible Assets

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

Intangible Assets 2012/13:-

	Software Licences £'000	Total £'000
Cost		
Historic Cost brought forward 1/4/12	1,095	1,095
Additions	29	29
Disposals	0	0
Historic Cost carried forward 31/3/13	1,124	1,124
Depreciation and impairments		
Accumulated b/fwd at 1/4/12	837	837
Charge for 2012/13	96	96
Disposals	0	0
Accumulated c/fwd 31/3/13	933	933
Balance Sheet at 31 March 2013	**191**	**191**
Balance Sheet at 31 March 2012	**258**	**258**

Intangible Assets 2011/12:-

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

18. Non-current Tangible Assets

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

	Land & Buildings * £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	PPE TOTAL £'000	Investment Property £'000	Community & Heritage Assets £'000	TOTAL £'000
Cost or valuation							
At 1 April 2012	31,302	4,850	325	36,477	1,578	1,455	39,510
Additions	0	121	0	121	0	0	121
Disposals	(870)	(75)	(325)	(1,270)	(70)	0	(1,340)
Revaluation increases/(decreases)	(974)	0	0	(974)	(58)	0	(1,032)
Reclassification	(1,172)	0	0	(1,172)	0	1,172	0
At 31 March 2013	28,286	4,896	0	33,182	1,450	2,627	37,259
Depreciation and impairments							
At 1 April 2012	2,224	2,629	160	5,013	0	0	5,013
Charge for 2012/13	366	522	0	888	0	0	888
Depreciation reversed on revaluation & impairment	130	0	0	130	0	0	130
Written out on disposal	0	(70)	(160)	(230)	0	0	(230)
At 31 March 2013	2,720	3,081	0	5,801	0	0	5,801
Balance Sheet amount at 31 March 2013	**25,566**	**1,815**	**0**	**27,381**	**1,450**	**2,627**	**31,458**
Balance Sheet amount at 1 April 2012	**29,078**	**2,221**	**165**	**31,464**	**1,578**	**1,455**	**34,497**

** includes those held on finance lease*

Assets held under leases

No additional finance leases were arranged in 2012/13. The Council's offices at Belle Vue Square are held under a finance lease which was fully paid 2011/12.

Assets leased to third parties at 31st March 2013 are valued at £1.968m (£1.559m 2011/12).

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

Restated	Land & Buildings * £'000	Vehicles, Plant & Equipment £'000	Surplus Assets £'000	PPE TOTAL £'000	Investment Property £'000	Community & Heritage Assets £'000	TOTAL £'000
Cost or valuation							
At 1 April 2011	37,544	4,085	77	41,706	1,789	1,455	44,950
Adjustment to opening balance	(6,138)	(20)	23	(6,135)	1	0	(6,134)
Revised Balance at 1 April 2011	31,406	4,065	100	35,571	1,790	1,455	38,816
Additions	3,849	846	0	4,695	0	0	4,695
Disposals	(1,271)	(61)	(100)	(1,432)	0	0	(1,432)
Revaluation increases/(decreases) to Revaluation Reserve	(773)	0	0	(773)	(166)	0	(939)
Revaluation increases/(decreases) to CIES	(348)	0	0	(348)	(46)	0	(394)
Reclassification	(325)	0	325	0	0	0	0
Reclassificatied as held for sale- current	(1,236)	0	0	(1,236)	0	0	(1,236)
At 31 March 2012	31,302	4,850	325	36,477	1,578	1,455	39,510
Depreciation and impairments							
At 1 April 2011	9,310	2,213	22	11,545	0	0	11,545
Adjustment to opening balance	(6,148)	(14)	(22)	(6,184)	0	0	(6,184)
Revised Balance at 1 April 2011	3,162	2,199	0	5,361	0	0	5,361
Charge for 2011/12	672	469	0	1,141	0	0	1,141
Written out on disposal	(121)	(39)	0	(160)	0	0	(160)
Depreciation reversed to revaluation reserve	(994)	0	0	(994)	0	0	(994)
Impairment losses reversed to CIES	0	0	73	73	0	0	73
Reclassified as held for sale- current	(87)	0	87	0	0	0	0
Other	(408)	0	0	(408)	0	0	(408)
At 31 March 2012	2,224	2,629	160	5,013	0	0	5,013
Balance Sheet amount at 31 March 2012	**29,078**	**2,221**	**165**	**31,464**	**1,578**	**1,455**	**34,497**
Revised Balance Sheet amount at 1 April 2011	**28,244**	**1,866**	**100**	**30,210**	**1,790**	**1,455**	**33,455**
Balance Sheet restated amount at 31 March 2011	**28,234**	**1,872**	**55**	**30,161**	**1,789**	**1,455**	**33,405**

Note: Adjustments to opening balances were made as a result of work performed as part of the project to check the accuracy of all data within the fixed asset register prior to loading data onto a new fixed asset system that is integrated within the main accounting system.

Community Assets
Community assets include allotments and the cemeteries at Waltonwray's and Ingleton

Heritage Assets
Heritage assets are included in the Balance Sheet at their insurance valuations.
Revaluation occurs every five years with the last one being done in January 2011.
There have been no disposals or acquisitions of capitalised Heritage Assets in the year.
Of the Heritage Assets capitalised, the most significant are the Shakespeare First Folio and paintings comprising the Roebuck Collection.

19. Provision for Depreciation of Non-Current Assets

The Council's non-current assets have been depreciated to reflect their use in the provision of the Council's Services. In accordance with the Council's policy on depreciation, which is set out in the Council's Statement of Accounting Policies on pages 21 to 35, a charge for depreciation has been made to each service that uses non-current assets with an equivalent credit to the Provision for Depreciation.

Similarly, Intangible Assets have been amortised to reflect their use in the provision of the Council's Services. The policy for the amortisation of Intangible Assets is also set out in Council's Statement of Accounting Policies on pages 21 to 35.

20. Componentisation

In 2012/13 componentisation was applied to two of the Council's property assets to separately value different buildings, structures and areas included in the sites.
These assets are:
- properties comprising Waltonwrays Cemetery, and
- the Waste Management Depot at Engine Shed Lane.

21. Revenue Expenditure Funded from Capital under Statute

In 2012/13 this expenditure forms part of the surplus/deficit on the Comprehensive Income and Expenditure Statement. An adjustment is made in the Movement in Reserves Statement to ensure that there is no impact on Council Tax.

Such expenditure in 2012/13 is as follows:

2011/12 £'000		2012/13 £'000
	Expenditure:	
357	Disabled Facilities Grants	150
(6)	Repairs Assistance Scheme	0
2	Empty Homes	0
17	Community Capital Grants Scheme	21
23	Projects	0
393	**TOTAL**	**171**
	Funded by:	
215	Government Grants	150
69	Prudential Borrowing	0
109	Capital reserves	21
393	**TOTAL**	**171**

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

22. Major Operational Assets Held by the Council at 31 March 2013

The Council owns the following major assets:

2011/12		2012/13
2	Office Accommodation:	
	Lease	1
	Town Halls	1
2	Depots	2
9	Pay and Display Car Parks	9
13	Designated free car parks	13
1	Aireville (Community) Park	1
4	Industrial Units	4
13	Public Conveniences	13
2	Cemeteries	2
1	Crematorium	1
1	Museum	1
1	Swimming Pool	1
1	Multi Use Games Area	1
50	**Total**	**50**

23. Valuation of Non-Current Assets

Non-current assets are valued on the basis recommended by CIPFA and in accordance with the ‘Statements of Asset Valuation Practice and Guidance Notes’ issued by the Royal Institute of Chartered Surveyors. The basis of valuation of the various categories of non-current assets is shown in point 18 of the ‘Statement of Accounting Policies’ (See pages 21 to 35). For 2012/13 the valuation date for all assets is 1st April 2012 except for investment properties which were valued at 31st March 2013. A rolling programme of revaluations is adopted and has been implemented in accordance with the requirement of The Code except for Investment Properties which are valued annually at the balance sheet date. Valuations for 2012/13 have been undertaken in-house by Andrew Whelan MRICS, Estates Surveyor.

24. Continuous Review of the Council’s Assets

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

i) The Skipton Developments Programme.

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

The site of former Council Offices on Granville Street remains held for sale pending transfer of title, the surplus asset at 9 High Street has been transferred for a mixed hereditament development, and the Council decided to maintain holding of the greenfield site at Horse Close pending further review.

9 High Street Site:

The Council will receive a payment of £650k 10 working days after practical completion of the development to shell and core on the car park as part of the development taking place on land in respect of the High Street site, Clinic Car Park and land to the rear of Skipton Town Hall.

Granville Street:

The Council has agreed to sell its property at Granville Street to Lovell for £1,150k. The sale monies will be received in two instalments the first £675k on completion and the balance on the earlier of either two years from the completion date or the deferred payment date being 48 months from the date of the agreement which is April 2015.

ii) Provision of land for affordable housing.

In October 2010 Policy Committee recommended adoption of the North Yorkshire Housing Strategy 2010-2015, and this was ratified by full Council on 7th December 2010.
The strategy explicitly commits the Council to explore ways to increase the availability of land for affordable housing by:

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

25. Impairment of Non-Current Assets

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

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

An impairment review has been carried out in 2012/13.

26. Capital Expenditure and Sources of Finance

Total capital expenditure financed during the year was £321k. This is represented by expenditure on Non-Current Assets of £150k and Revenue Expenditure Funded by Capital Under Statute of £171k. An analysis of Capital Expenditure financed and the sources of financing are shown in the following table:

2011/12 £'000		2012/13 £'000
	Expenditure in Year	
4,800	Non-Current Assets	150
393	Revenue Expenditure Funded by Capital Under Statute (REFCUS)	171
23	Capital expenditure to be funded from revenue contribution	0
5,216	**Total Expenditure**	**321**
	Sources of Finance Utilised	
327	MRP	0
586	Debt Overhang	0
391	Capital Receipts in year	171
215	REFCUS Income	150
3,674	Capital reserves	0
23	Revenue contributions	0
5,216	**Total of Sources of Finance**	**321**

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

27. Long Term Debtors

This represents the value of long term loans and deferments granted by the Council to external parties and reflects the amounts which are not due for full repayment in the next 12 months. These are analysed as follows:

2011/12 £'000		2012/13 £'000
6	Mortgages	2
6	Car Purchase Loans	9
-	Asset sale proceeds	650
12	**TOTAL LONG TERM DEBTORS**	**661**

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.

28. Assets Held for Sale

	Restated 2011/12 £'000	Current 2012/13 £'000
Balance at start of year	0	828
Assets newly classified as held for sale:		
Property, Plant & Equipment	828	0
Balance at year end	**828**	**828**

29. 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 2013 the Council had short-term investments totalling £1.0m (£1.0m in 2011/12).

30. Short-term Debtors

The following table shows the amounts owed to the Council for which payments have not been received by 31 March 2013. Payments to Government departments and the HM Customs have been grouped in Central Government Bodies. The other entities and individuals are made up of any debtors or prepayments that do not fall under the other categories. These include Council Tax and Rental debtors, as well as general debtors, joint projects and any accrued income.

2011/12 £000		2012/13 £000
223	Central Government Bodies	1,589
653	Other Public Bodies	91
766	Other entities and individuals	946
-	Office Accommodation Move Prepaid	-
	Less bad debt provisions:	
(343)	General Fund	(462)
1,299	**TOTAL SHORT-TERM DEBTORS**	**2,164**

31. Cash and Cash Equivalents

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

2011/12 £'000		2012/13 £'000
29	Cash in hand	30
(24)	Cash at bank	(755)
2,565	Short-term deposits	3,667
2,570	**TOTAL CASH AND CASH EQUIVALENTS**	**2,942**

32. Short-term Creditors

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

2011/12 £'000		2012/13 £'000
42	Council Tax Payers	34
451	Government Departments	103
-	Rents	-
352	Other Public Bodies	319
120	Joint Projects	249
177	HMRC and NYPF (PAYE, NI and Superannuation)	176
127	Capital	-
79	General	144
725	Accrued Charges	795
2,073	**TOTAL SHORT-TERM CREDITORS**	**1,820**

33. Other Long Term Liabilities

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

2011/12 £'000		2012/13 £'000
25,517	Defined Benefit Pension Scheme liability (See Note 34)	29,506
12	Deferred Credits	8
25,529	**TOTAL OTHER LONG TERM LIABILITIES**	**29,514**

34. Pensions

Participation in Pensions Schemes

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

Transactions relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable to the

Pension Fund during the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

2011/12 £'000	Pension Adjustments in the Comprehensive Income and Expenditure Statement	2012/13 £'000
	Local Government Pension Scheme	
	Cost of Services	
735	Current Service Costs	785
-	Past service (Gain)/Loss	-
78	Curtailment Cost	10
	Financing and Investment income and Expenditure	
2,508	Interest Cost of Liabilities	2,399
(1,520)	Expected Return on Assets in the Scheme	(1,320)
1,801	**Net Charge/(Income) to the Comprehensive Income and Expenditure Account**	**1,874**

2011/12 £'000	Movement in Reserves Statement	2012/13 £'000
1,801	Reversal of net charges made for retirement benefits in accordance with IAS 19	1,874
(1,405)	Actual amount charged against Council Tax for year: Employer's Contributions	(1,404)
396	**Net Contribution (to)/from Pension Reserve**	**470**

In addition to the recognised gains and losses included in the CIES, an actuarial loss of £3,519,000 (2011/12 loss of £2,807,000) is included in the Movement in Reserves Statement.

Assets and Liabilities in Relation to Retirement Benefits
Reconciliation of present value of the scheme liabilities:

Liabilities: Local Government Pension Scheme	Funded			Unfunded		
	2010/11 £'000	2011/12 £'000	2012/13 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
1 April b/fwd	46,266	45,615	48,954	258	416	433
Current Service Cost	858	735	785	0	0	0
Interest on Pension Liabilities	2,574	2,486	2,378	14	22	21
Member Contributions	305	277	274	0	0	0
Past Service Cost/ (gain)	(2,893)	0	0	(23)	0	0
Actuarial (gains)/losses on liabilities	(182)	1,632	6,034	182	10	34
Curtailments	448	78	10	0	0	0
Settlements	0	0	0	0	0	0
Benefits/transfers paid	(1,761)	(1,869)	(1,875)	(15)	(15)	(15)
31 March c/fwd	**45,615**	**48,954**	**56,560**	**416**	**433**	**473**

Reconciliation of fair value of the scheme assets:

Assets: Local Government Pension Scheme	Funded 2010/11 £'000	2011/12 £'000	2012/13 £'000	Unfunded 2010/11 £'000	2011/12 £'000	2012/13 £'000
1 April b/fwd	19,688	23,717	23,870	0	0	0
Expected rate of return	1,261	1,520	1,320	0	0	0
Actuarial gains/(losses)	2,914	(1,165)	2,549	0	0	0
Employer Contributions	1,310	1,390	1,389	15	15	15
Member Contributions	305	277	274	0	0	0
Benefits/transfers paid	(1,761)	(1,869)	(1,875)	(15)	(15)	(15)
31 March c/fwd	**23,717**	**23,870**	**27,527**	**0**	**0**	**0**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £3,869,000 (2011/12 £356,000)

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities	33,885	46,524	46,031	49,387	57,033
Less Fair value of assets	12,876	19,688	23,717	23,870	27,527
Surplus/(deficit) in the scheme	**(21,009)**	**(26,836)**	**(22,314)**	**(25,517)**	**(29,506)**

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £30m 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 2013/14 is £1.247m (2012/13 £1.221m).

Basis for Estimating Pension Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon the assumptions about mortality rates, salary levels etc. The assessment of the North Yorkshire Pension Fund liabilities has been undertaken by Mercer Ltd., an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31st March 2010.

The main assumptions used in their calculations have been:

Financial assumptions:	**2010/11**	**2011/12**	**2012/13**
Rate of RPI inflation	3.4%	N/A	N/A
Rate of CPI inflation	2.9%	2.5%	2.4%
Rate of increase in salaries	4.65%	4.25%	4.15%
Rate of increase in pensions	2.9%	2.5%	2.4%
Discount rate	5.5%	4.9%	4.2%
Long-term expected rate of return on assets in the scheme:			
Equity investments	7.5%	7.0%	7.0%
Government Bonds	4.4%	3.1%	2.8%
Other Bonds	5.1%	4.1%	3.9%
Property	N/A	6.0%	5.7%
Cash/Liquidity	0.5%	0.5%	0.5%
Other	N/A	7.0%	7.0%
Split of assets between investment categories:			
Equities	74.7%	70.8%	64.0%
Government Bonds	8.9%	20.2%	13.1%
Other bonds	15.9%	8.2%	10.1%
Property	0.0%	0.0%	3.7%
Cash/Liquidity	0.5%	0.8%	0.4%
Other	0.0%	0.0%	8.7%
Post retirement mortality assumptions:			
Non-retired members (retiring in the future in normal health)	Males- 97% S1PMA CMI_2009_M(1%) Females- 90% S1PFA CMI_2009_F(1)	SPA02_CMI_2009_1% Tables (97% Males, 90% Females)	S1PA CMI_2009_(1.25%) (97% Males, 90% Females)
Current pensioners (retired in normal health)	Males- 97% S1PMA CMI_2009_M(1%) Females- 90% S1PFA CMI_2009_F(1%)	SPA02_CMI_2009_1% Tables (97% Males, 90% Females)	S1PA CMI_2009_(1.25%) (97% Males, 90% Females)
Life Expectancy;			
Male (female) future pensioner aged 65 in 20 years' time	23.5 (26.3) years	23.6 (26.4) years	24.4 (27.2) years
Male (female)current pensioner aged 65	22.1 (24.7) years	22.2 (24.8) years	22.6 (25.3) years
Commutation of pension for lump sum at retirement	50% take max cash 50% take 3/80ths cash	50% take max cash 50% take 3/80ths cash	50% take max cash 50% take 3/80ths cash
Market value of total fund assets (£m) (bid value at 31st March)	**1,359**	**1,418**	**1,834**

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

History of Experience – Gains and Losses
The actuarial gain identified as movements on the Pension Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March of the relevant year:

	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**
	%	%	%	%	%
Differences between the expected and actual return on assets	(64.8)	(30.9)	12.3	4.9	9.3
Experience gains and losses on liabilities	0	0	0.1	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**

35. Pensions Reserve

The movements on the Pensions Reserve are as follows:

2011/12 £'000	Pensions Reserve (IAS19)	2012/13 £'000
1,405	Pension Contribution to Reserve	1,404
(1,801)	Pension Contribution from Reserve	(1,874)
(2,807)	Actuarial Gain/(Loss)	(3,519)
(25,517)	**Balance c/fwd**	**(29,506)**

36. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2013.

1. Local Land Charges
   Craven District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £13,248 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £37,276 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

2. Municipal Mutual Insurance
   The Scheme of Arrangement was enacted in 2012/13. The impact upon the Council as a scheme creditor is not clear and the consequential impact on future funding for unknown claims incurred but not reported between 1974 and 1992. Whilst the council has considered the financial impact in producing its Statement of Final Accounts there is a risk that the Council's financial liability could increase from this level.

3. Land at Granville Street
   A small contingent liability may arise as a result of pursuing designated structures status on land at the Granville St. development.

37. Contingent Assets

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

38. Total Movement on Reserves

Reserve	Purpose of Reserve	Balance at 31 March 2012 Restated £'000	Expend-iture in the year £'000	Income in the year £'000	Net amount transferred to or from other reserves £'000	Balance at 31 March 2013 £'000
Unusable Reserves:						
Revaluation Reserve	Store of gains on revaluation of individual non-current assets, net of impairments	10,639	(3,742)	1,960	0	8,857
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability on the Balance Sheet	(25,517)	(3,989)	0	0	(29,506)
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	18,465	(2,784)	1,781	0	17,462
Financial Instruments Adjustment Account	Holds the accumulated difference between the financing costs in the Income and Expenditure Account and those charged to the General Fund balance	(5)	0	5	0	0
Accumulated Absences Account	Holds the differences arising from accruing for compensated absences earned but not taken in the year.	(58)	0	0	0	(58)
Collection Fund Adjustment Account	Holds the accumulated timing differences on the recognition of income between the CIES and the Collection Fund.	34	0	15	0	49
Deferred Capital Receipts Reserve	This holds the gains recognised on the disposal of non-current assets.	0	0	650	0	650
Usable Reserves:						
General Fund Balance	Resources available to meet future running costs of services	1,030	0	0	0	1,030
Earmarked General Fund Reserves	Resources held for delivery of specific services	886	0	840	0	1,726
Capital Receipts Reserve	Proceeds of non-current asset disposals available to meet future capital investment	990	(175)	479	0	1,294
Other Capital Contributions Unapplied	Grants received available to meet future capital investment	116	0	5	0	121
		6,580	(10,690)	5,735	0	1,625

Prior year comparatives:

Reserve	Purpose of Reserve	Balance at 1 April 2011 £'000	Expend-iture in the year £'000	Income in the year £'000	Net amount transferred to or from other reserves £'000	Balance at 31 March 2012 Restated £'000
Unusable Reserves:						
Revaluation Reserve	Store of gains on revaluation of individual non-current assets, net of impairments	11,656	(1,062)	45	0	10,639
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability on the Balance Sheet	(22,314)	(3,203)	0	0	(25,517)
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	16,378	(2,463)	4,550	0	18,465
Financial Instruments Adjustment Account	Holds the accumulated difference between the financing costs in the Income and Expenditure Account and those charged to the General Fund balance	(13)	0	8	0	(5)
Accumulated Absences Account	Holds the differences arising from accruing for compensated absences earned but not taken in the year.	(58)	0	0	0	(58)
Collection Fund Adjustment Account	Holds the accumulated timing differences on the recognition of income between the CIES and the Collection Fund.	29	0	5	0	34
Usable Reserves:						
General Fund Balance	Resources available to meet future running costs of services	598	0	432	0	1,030
Earmarked General Fund Reserves	Resources held for delivery of specific services	476	0	410	0	886
Capital Receipts Reserve	Proceeds of non-current asset disposals available to meet future capital investment	2,176	(1,577)	391	0	990
Other Capital Contributions Unapplied	Grants received available to meet future capital investment	394	(300)	22	0	116
Capital Reserves	Store of capital resources set for specific purposes	1,928	(1,928)	0	0	0
		11,250	(10,533)	5,863	0	6,580

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

Revaluation Reserve:

2011/12 Restated £'000		2012/13 £'000
11,656	Balance at 1st April	10,639
1,039	Upward revaluation of assets	1,960
(984)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,454)
-	Revaluation balances written out following the disposal of non-current assets	-
-	Depreciation written against revaluation reserve	-
(245)	Difference between fair value depreciation and historical cost depreciation	(677)
(827)	Accumulated gains on assets sold or scrapped	(611)
-	Amount written off to the Capital Adjustment Account	-
10,639	**Balance at 31st March**	**8,857**

Capital Adjustment Account:

2011/12 Restated £'000		2012/13 £'000
16,378	Balance at 1st April	18,465
(1,633)	Charges for depreciation and impairment of non-current assets	(1,499)
(115)	Amortisation of intangible assets	(96)
-	Movements in the market value of investment properties debited or credited to the CIES	(58)
-	Revaluation Losses on PPE	-
(1,214)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,110)
-	Difference between fair value depreciation and historical cost depreciation	677
-	Accumulated gains on assets sold or scrapped	-
1,072	Amount written on from revaluation reserve	611
(178)	Revenue expenditure funded from capital under statute	(21)
23	Capital Expenditure charged in year to General Fund	0
1,577	Use of the Capital Receipts Reserve to finance new capital expenditure	171
109	Application of grants to capital financing from the Capital Contributions Unapplied Account	0
191	Use of the Capital Contributions Unapplied Account to finance new capital expenditure	0
1,928	Use of the Capital Reserve to finance new capital expenditure	0
327	Statutory provision for the repayment of principal	322
18,465	**Balance at 31st March**	**17,462**

Deferred Capital Receipts Reserve:

2011/12 £'000		2012/13 £'000
0	Balance at 1st April	0
0	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	650
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
0	**Balance at 31st March**	**650**

39. General Fund Revenue Balances

At the 31 March 2013, the Council's General Fund balances are £1.030m (£1.030m at 31 March 2012). The balance is held as a contingency for unforeseen costs.

40. Revenue (Earmarked) Reserves

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

Earmarked Reserves (see Notes below)	Balance at 31 March 2011 £'000	Exp in year £'000	Income in year £'000	Balance at 31 March 2012 £'000	Exp in year £'000	Income in year £'000	Balance at 31 March 2013 £'000
Local Plan Reserve	209	0	101	310	0	50	360
Partial Exemption Reserve	17	0	0	17	0	0	17
Building control Reserve	25	0	0	25	0	0	25
Edith Stead Bequest Reserve	2	0	0	2	0	0	2
Local Authority Business Growth Incentive	9	0	0	9	0	0	9
ERDF Funds	48	0	0	48	0	0	48
Bishopdale Court	5	0	0	5	0	0	5
New Homes Bonus	0	0	253	253	0	367	620
Enabling Efficiencies Fund	161	0	56	217	0	207	424
Buildings Reserve	0	0	0	0	0	50	50
IT Reserve	0	0	0	0	0	83	83
Vehicle Replacement Reserve	0	0	0	0	0	50	50
Contingency	0	0	0	0	0	33	33
TOTAL	**476**	**0**	**410**	**886**	**0**	**840**	**1,726**

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

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

41. Segment Reporting

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

Service Information for the year ended 31 March 2013 – reported by Portfolio

	Chief/Assistant Chief Exec £'000	Resources £'000	Community £'000	Total £'000
Income:				
Government Grants	13,407	0	41	13,448
Fees, Charges and Other income	440	1,755	3,742	5,937
Total Income	**13,847**	**1,755**	**3,783**	**19,385**
Expenditure:				
Employees	1,712	2,114	3,581	7,407
Other Service Expenditure	850	1,363	2,297	4,510
Transfer Payments *	13,125	0	0	13,125
Capital Financing	0	5	0	5
Total Expenditure	**15,687**	**3,482**	**5,878**	**25,047**
Net Cost Of Service Reported	**1,840**	**1,727**	**2,095**	**5,662**
Amounts included in CIES, but not reported to management				**860**
Net Cost of Service per CIES				**6,522**

Reconciliation to Subjective Analysis:

	£'000
Net Cost of Service (above)	6,522
Parish Precepts	1,111
(Gains)/losses on the disposal of non-current assets	(21)
Interest payable and similar charges	295
Interest and Investment Income	(70)
Pension interest cost and expected return on pensions assets	1,079
Council tax income	(4,549)
Non domestic rates income	(2,883)
Non-ringfenced government grants	(542)
(Surplus) or Deficit on the Provision of Service	**942**

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

	Chief/Assistant Chief Exec £'000	Resources £'000	Community £'000	Total £'000
Income:				
Government Grants	13,271	69	465	13,805
Fees, Charges and Other income	153	1,767	3,157	5,077
Total Income	**13,424**	**1,836**	**3,622**	**18,882**
Expenditure:				
Employees	1,783	1,811	3,912	7,506
Other Service Expenditure	794	1,272	2,313	4,379
Transfer Payments *	12,900	0	0	12,900
Capital Financing	0	5	12	17
Total Expenditure	**15,477**	**3,088**	**6,237**	**24,802**
Net Cost Of Service Reported	**2,053**	**1,252**	**2,615**	**5,920**
Amounts included in CIES, but not reported to management				**1,069**
Net Cost of Service per CIES				**6,989**

Reconciliation to Subjective Analysis:

	£'000
Net Cost of Service (above)	6,989
Parish Precepts	1,079
(Gains)/losses on the disposal of non-current assets	823
Interest payable and similar charges	299
Interest and Investment Income	(101)
Pension interest cost and expected return on pensions assets	988
Council tax income	(4,499)
Non domestic rates income	(2,476)
Non-ringfenced government grants	(1,149)
Capital grants and contributions and other	(35)
(Surplus) or Deficit on the Provision of Service	**1,918**

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

42. Cash Flow Statement - Operating Activities

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

2011/12 Restated £'000		2012/13 £'000
(1,918)	Net surplus/(deficit) on the provision of services	**(942)**
	Adjustments to net surplus or deficit on the provision of services for non-cash movements:	
1,748	Depreciation, impairment and downward revaluations	1,653
396	Pension Fund adjustments	470
1,214	Carrying value of property plant and equipment sold	1,110
36	Contributions to provisions	0
(9)	(Increase)/ decrease in inventories	0
3,201	(Increase)/ decrease in debtors	(520)
(330)	Increase/ (decrease) in creditors	225
6,256		**2,938**
	Adjustments for items included in the Surplus/Deficit on the Provision of Services that are Investing or Financing Activities:	
(391)	Proceeds from the disposal of property plant and equipment	(1,125)
(391)		**(1,125)**
3,947	**Net Cash Flows from Operating Activities**	**871**

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

2011/12 £'000		2012/13 £'000
101	Interest received	78
(299)	Interest paid	(300)
(198)		**(222)**

43. Cash Flow Statement - Investing Activities

2011/12 £'000		2012/13 £'000
(4,822)	Purchase of property, plant and equipment and intangible assets	(150)
391	Proceeds from the sale of property, plant and equipment and intangible assets	1,125
4,500	Sale of short-term investments	0
69	**Net cash flows from investing activities**	**975**

44. Cash Flow Statement - Financing Activities

2011/12 £'000		2012/13 £'000
0	Cash receipts of short-term and long-term borrowing	0
(2,000)	Repayments of short-term and long-term borrowing	0
456	Change in net debtors for Council Tax and NNDR income	1,474
(1,544)	**Net cash flows from financing activities**	**1,474**

45. Financial Assets and Liabilities

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

	2012 Total £'000	2013 Principal £'000	Interest £'000	Other £'000	Total £'000
Loans and receivables	0	0	0	0	0
Available-for-sale instruments	3	3	0	0	3
Total long-term investments	**3**	**3**	**0**	**0**	**3**
Loans and receivables	1,012	1,000	4	0	1,004
Available-for-sale instruments	0	0	0	0	0
Held at fair value through CIES	0	0	0	0	0
Total short-term investments	**1,012**	**1,000**	**4**	**0**	**1,004**
Short-term borrowing (at cost)	**64**	**1,250**	**67**	**0**	**1,317**
Long-term borrowing (at cost)	**6,286**	**4,988**	**40**	**0**	**5,028**

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

2012/13	Financial Assets Loans and Receivables £'000	Available for Sale £'000	Fair Value thru CIES £'000	Financial Liabilities £'000	Total £'000
Interest income	70	-	-	-	70
Gains and losses on derecognition	-	-	-	-	-
Total investment income	**70**	**-**	**-**	**-**	**70**
Interest expense	-	-	-	(303)	(303)
Premiums and discounts	-	-	-	8	8
Other finance charges	-	-	-	-	-
Total interest payable	**-**	**-**	**-**	**(295)**	**(295)**
Revaluation gains and losses	-	-	-	-	-
-recycled to CIES on derecognition	-	-	-	-	-
Total revaluations	**-**	**-**	**-**	**-**	**-**
Net gain/(loss) for year	**70**	**-**	**-**	**(295)**	**(295)**

Table of comparison 2011/12:

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

46. Fair Value of Financial Assets and Liabilities

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

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

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

	31 March 2012		31 March 2013	
	Balance sheet £'000	Fair value £'000	Balance sheet £'000	Fair value £'000
Investments	1,012	1,017	1,004	1,005
Trade receivables	386	386	436	436
Total loans and receivables	**1,398**	**1,403**	**1,440**	**1,441**
Public Works Loan Board	(5,063)	(6,507)	(5,028)	(5,529)
Market borrowings	(1,285)	(1,366)	(1,317)	(1,321)
Trade payables	(931)	(931)	(939)	(939)
Total financial liabilities	**(7,279)**	**(8,804)**	**(7,284)**	**(7,789)**

47. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

48. Credit Risk

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

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £1.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum would be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

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

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

Collateral – during the reporting period the Council held no collateral as security.

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

	Amount at 31 March 2013 £'000	Historical Experience of Default %	Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and Uncollectability £'000	Estimated Maximum Exposure 31 March 2012 £'000
Deposits with Banks & Financial Institutions	1,000	0.0	0.0	0	0
Customers:					
Government & Local Authorities	1,680	0.0	0.0	0	0
Other	216	0.6	0.6	1	1
				1	1

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

2011/12 £'000		2012/13 £'000
163	Up to 1 month	120
17	1 - 2 months	57
4	2 – 3 months	33
16	3 – 6 months	6
0	Over 6 months	0
200		**216**

49. Liquidity Risk

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

The maturity analysis of financial instruments is as follows:

	Financial Assets £'000		Financial Liabilities £'000	
	2012/13	2011/12	2012/13	2011/12
Less than three months	1,000	-	-	-
Three to six months	-	1,000	-	-
Six months to one year	-	-	(1,250)	-
One to two years	-	-	-	(1,250)
Two to five years	-	-	-	-
Five to ten years	-	-	-	-
Ten to twenty years	-	-	(700)	(700)
Over twenty years	-	-	(4,288)	(4,288)
Total	**1,000**	**1,000**	**(6,238)**	**(6,238)**

This table excludes trade receivables and payables

50. Market Risks

Interest Rate Risk

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

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

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

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

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	1% rise
Interest payable on variable rate and maturing borrowings	n/a
Interest payable on LOBO borrowings	n/a
Interest receivable on variable rate and maturing investments	146
Fair value of assets held at fair value through profit and loss	8
Government grant receivable for financing costs	n/a
Impact on Comprehensive Income and Expenditure Account	**154**
- impact on General Fund	154
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.

51. Significant Capital Commitments

There were no significant capital commitments as at 31 March 2013 (nil at 31 March 2012).

52. Authorisation of the Statement of Accounts

The Statement of Accounts was authorised for issue on 28 June 2013 by the Finance Manager & Deputy s151 Officer.

53. Events after the Balance Sheet Date

The unaudited Statement of Accounts was authorised for issue on 28 June 2013 by the Finance Manager & Deputy s151 Officer. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2013 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date.

The Council had an agreement with for the sale of its property in Granville Street to Lovell. The sale was completed on 17 April 2013 when the Council received the first instalment of £675k.

New arrangements for the retention of business rates come into effect on 1 April 2013. From that date local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were previously paid to central government in respect of 2012/13 and earlier years.

Previously such amounts would not have been recognised as income by Craven District Council but would have been transferred to DCLG. The new arrangements are that the Government meets 50% of the cost of the refunds, Craven District Council 40%, with the remaining 10% being met by the North Yorkshire County Council and the North Yorkshire Fire and Rescue Authority.

The Local Authority Accounting Panel (LAAP) recommends that, despite the fact that these amounts relate to 2012/13 and earlier years, authorities should only recognise their share of these liabilities on 1 April 2013 as until then no liability rests with the Council. The Council has no control over the success or otherwise of appeals and it is therefore difficult to accurately assess the likely cost to the Council. Based on costs in previous years a sum of £450k may be payable, of which the liability that will accrue to the Council is £180k.

54. Detailed Analysis of 2011/12 Prior Year Adjustment Restatements

The impact of the prior year adjustments to the notes to the accounting statements is detailed in the table below (see next page).

	2011/12 Statements £'000	Adjustment Made £'000	2011/12 Re- Statement £'000
Note 6 – Adjustments between Accounting Basis and Funding Basis under Regulations:			
Charges for depreciation and impairment of non-current assets:			
General Fund Balance	1,632	1	1,633
Movement in Unusable Reserves	(1,633)	(1)	(1,633)
Net gain or loss on sale of non-current assets:			
General Fund Balance	87	736	823
Movement in Unusable Reserves	(478)	(736)	(1,214)
Total Movement		-	
Note 7 – Analysis of Net Cost of Services (based on Service Reporting Code of Practice):			
Environmental Services – Waste Collection	836	1	837
Total Net Cost of Services	6,988	1	6,989
Total Movement		1	
Note 8 – Other Operating Expenditure:			
(Gains) / Losses on the disposal of non-current assets	87	736	823
Total Movement		736	
Note 18 – Non-current Tangible Assets			
Disposals:			
Land & Buildings	(444)	(827)	(1,271)
Vehicles Plant & Equipment	(152)	91	(61)
Revaluation increases / (decreases) to Revaluation Reserve – Land & Buildings	45	(818)	(773)
Reclassification:			
Land & Buildings	(898)	573	(325)
Surplus Assets	898	(573)	325
Reclassification as held for sale - current			
Land & Buildings	(941)	(295)	(1,236)
Depreciation and Impairments:			
Charge for Year 2011/12:			
Land & Buildings			
Vehicles Plant & Equipment		1	
Depreciation Written Out to the Revaluation Reserve – Land & Buildings	0	(994)	(994)
Reclassification:			
Land & Buildings	0	412	412
Surplus Assets	0	(87)	(87)
Total Movement		**(531)**	

	2011/12 Statements £'000	Adjustment Made £'000	2011/12 Re- Statement £'000
Note 28 Assets Held For Sale			
Reclassification Land & Buildings	0	(30)	(30)
Total Movement		**(30)**	
Note 38 Total Movement on Reserves			
Revaluation Reserve	11,140	(501)	10,639
Capital Adjustment Account	18,525	(60)	18,465
Total Movement		(561)	
Note 38 Revaluation Reserve			
Upward revaluation of assets	45	994	1,039
Downward revaluation of assets & impairment losses not charge to the CIES	(166)	(818)	(984)
Accumulated gains on assets sold	(150)	(677)	(827)
Total Movement		(501)	
Note 38 Capital Adjustment Account			
Charges for depreciation and impairment of non-current assets	(1,632)	(1)	(1,633)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(478)	(736)	(1,214)
Accumulated gains on assets sold or scrapped	150	677	827
Total Movement		(60)	
Note 42 Cash Flow Statement – Operating Activities			
Net Surplus/(deficit) on the provision of services	(1,181)	(737)	(1,918)
Adjustments to net surplus or deficit on the provision of services for non-cash movements:			
Depreciation, impairment & downward revaluations	1,747	1	1,748
Carrying value of property plant and equipment sold	478	736	1,214
Total Movement		-	

SECTION 5

SUPPLEMENTARY FINANCIAL STATEMENT

Collection Fund and Notes

Supplementary Statement

Collection Fund 2012/13

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.

2011/12		2012/13		Notes
£'000		£'000	£'000	
	Income			
31,264	Council Tax		31,596	
3,071	Council Tax Benefits		2,998	
16,557	Non Domestic Ratepayers		16,689	**(3)**
50,892	**Total Income**		**51,283**	
	Expenditure			
34,063	Demands on Collection Fund		34,127	**(4)**
145	Payments of previous surpluses		190	
	Non Domestic Ratepayers			
16,316	- Payment to National Pool	16,434		**(3)**
121	- Cost of Collection Allowances (to CDC)	120		**(3)**
1	- Interest on overpayments	1	16,555	**(3)**
195	Bad and Doubtful Debts - Write Offs		203	**(5)**
1	Contribution to Provision for bad and Doubtful debts		59	**(5)**
50,842	**Total Expenditure**		**51,134**	
(50)	**(Surplus)/Deficit for Year**		**(149)**	
	Collection Fund Balances			
(293)	Surplus Balance b/fwd 1 April		(343)	**(6)**
(50)	(Surplus)/Deficit for Year		(149)	**(6)**
(343)	**Balance c/fwd 31 March**		**(492)**	**(6)**

Notes to the Collection Fund Account

1. Council Tax Base

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands at estimated 1April 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-	9	0	9	5/9	4.70
A	3,916	(597)	3,319	6/9	2,213.00
B	5,714	(660)	5,054	7/9	3,930.50
C	5,591	(549)	5,042	8/9	4,481.80
D	3,950	(337)	3,613	9/9	3,613.00
E	3,037	(209)	2,828	11/9	3,456.40
F	1,898	(110)	1,788	13/9	2,583.40
G	1,257	(69)	1,188	15/9	1,980.40
H	95	(10)	85	18/9	169.00
Total	25,467	(2,541)	22,926		22,432.20
Adjustment to reflect 2% non collection rate and decrease in 2nd homes discount					(68.54)
Council Tax Base (Band D equivalent)					**22,363.66**

2. Council Tax Income

The average Band D Council Tax for a property (£1,476.34 in 2012/13) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Taxbase shown above. The Council Tax for dwellings in other Valuation Bands is the appropriate Proportion of the Band D tax.

The basic amount for a band D property in 2012/13 of £1,476.34 is broken down as follows:

2011/12 £	Band D Council Tax	2012/13 £
152.21	Craven District Council	152.21
1,057.48	North Yorkshire County Council	1,057.48
204.55	Police and Crime Commissioner North Yorkshire	204.55
62.10	North Yorkshire Fire & Rescue Service	62.10
1,476.34	**Total**	**1,476.34**

3. National Non-Domestic Rates

NNDR is organised on a national basis. The Government specifies an amount, 45.8p in 2012/13, (43.3p in 2011/12) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into a NNDR pool administered by the Government. The total non-domestic rateable value at 31st March 2013 was £46.812m (31st March 2012 £47.154m).

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 2012/13 was £2.883m (£2.476m in 2011/12).

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

2011/12 £'000	National Non-Domestic Rate Income	2012/13 £'000
20,208	Gross Amount Due	21,193
(2,834)	Charitable Relief etc.	(3,756)
(817)	Transitional, Empty and Part Occupation Relief etc	(748)
16,557	**Net Amount Collectable**	**16,689**
	Less	
119	Provision for Bad debts	134
1	Interest on Overpayments	1
121	Cost of Collection Allowance payable to General Fund	120
16,316	**Amount Payable to NNDR Pool**	**16,434**

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:

2011/12 £'000		2012/13 £'000
3,401	Craven District Council	3,404
23,627	North Yorkshire County Council	23,649
4,570	Police and Crime Commissioner North Yorkshire	4,574
1,387	North Yorkshire Fire and Rescue Service	1,389
1,078	Parishes	1,111
34,063	Total Demands on Collection Fund	**34,127**

5. Provision for Bad and Doubtful Debts

	National Non Domestic Rates £'000	Council Tax £'000	Total £'000
Provision Brought Forward	(133)	(276)	(409)
Adjustment to Provision in Year	(134)	(128)	(262)
Write on/Write offs	123	80	203
Provision Carried Forward	(144)	(324)	(468)

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 2012/13 there was a distribution of £190k surplus based on this calculation.

There was an in-year surplus of £149k on the Collection Fund in 2012/13, the effect of which was to increase the balance on the Account at 31 March 2013 to £492k.

The surplus on the Fund at 31 March 2013 is available for use in a subsequent year by the District Council, North Yorkshire County Council, the Police and Crime Commissioner North Yorkshire 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 2013 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

2011/12 £'000	Authority	2012/13 £'000
34	Craven District Council	49
247	North Yorkshire County Council	354
48	Police and Crime Commissioner North Yorkshire	69
14	North Yorkshire Fire & Rescue Service	20
343	**Total**	**492**

The overall position between Craven District Council as the Billing Authority and the major preceptors is reflected in the Council's balance Sheet at 31st March 2013 as required by the 2012/13 Code of Practice on Local Authority Accounting.

SECTION 6

INDEPENDENT AUDITOR'S REPORT

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

Opinion on the Council's financial statements

We have audited the financial statements of Craven District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Respective responsibilities of the section 151 Officer and auditor

As explained more fully in the Statement of Responsibilities, the section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the section 151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 1 November 2012, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 1 November 2012, we are satisfied that, in all significant respects, Craven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

Mr Cameron Waddell, For and on behalf of Mazars LLP
The Rivergreen Centre,
Aykley Heads,
Durham, DH1 5TS
October 2013

SECTION 7

GLOSSARY OF TERMS

Glossary of Terms

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

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

Accounting policies do not include estimation techniques.

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

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

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

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

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

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

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

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

BUDGETS
A Statement of the Council's forecast spend.

BUSINESS RATES
See "National Non-Domestic Rates"

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

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

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

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

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

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

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
The professional accountancy body concerned with local authorities and the public sector.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INVESTMENTS
Deposits for less than one year with approved institutions.

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

MINIMUM REVENUE PROVISION (MRP)
The minimum annual provision from revenue towards a reduction in an authority's overall borrowing requirement.

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

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

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

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

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

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

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

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

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

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

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

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

PUBLIC WORK LOANS BOARD (PWLB)
A Government body that meets part of the Council's loan finance for capital purposes.

RELATED PARTIES

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

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

Examples of related parties of an authority include:

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

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

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

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

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

REVENUE CONTRIBUTIONS
A method of financing capital expenditure from revenue.

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or renovation grants to private persons. Up to 1st April 2008 this type of expenditure was known as deferred charges.

REVALUATION RESERVE
This reserve replaced the former Fixed Asset restatement Account on 1st April 2007 and records unrealised revaluation gains arising since that date from holding assets. It should be noted that this

reserve and the Capital Adjustment Account are matched by non-current assets within the balance sheet; they are not resources available to the authority.

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

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

SOLACE
The Society of Local Authority Chief Executives.

CODE (CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UK)
This statement is the main accounting guidance that local authorities are required to follow in the preparation of the Statement of Accounts. It is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

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

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

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

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

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

Index of Notes

APPENDIX 1

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT 2012/13

Annual Governance Statement (AGS)

1. Scope of Responsibility

1.1 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 safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

1.3 The Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Local Code can be obtained from the Council's website **www.cravendc.gov.uk** or by writing to: - Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ**.**

1.4 This Statement explains how Craven District Council has complied with the Code and meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control. The Statement also sets out significant governance issues that will be addressed during 2013/14.

2. The Purpose of the Governance Framework

2.1 The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and, where appropriate, leads the community. 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.

2.2 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 can therefore only provide reasonable and not absolute assurance of effectiveness.

2.3 The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.4 The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies six underlying principles of good governance. These principles have been taken from the Good Governance framework and adapted for local authorities. They are defined as follows:

- Focusing on the purpose of the authority and on outcomes for the

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

2.5 The Governance Framework has been in place at the Council for the year ended 31st March 2013, and up to the date of the approval of the Statement of Accounts for 2012/13.

3. The Council's Governance Framework

Set out below are the key elements of the Council's systems and processes that comprise our governance arrangements in accordance with the six principles:

3.1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

3.1.1 The Council produces and publishes a Council Plan which sets out the Council's Vision, and states clear key priorities for improved outcomes for citizens. The Council Plan is published as a four year rolling document. A review of the Plan, including the Council's vision, mission and priorities is carried out on an annual basis through the strategic planning process. This process is informed by community and member consultation, reflecting political and community objectives, and acts as the basis for setting the Council's priorities. Service Plans are also produced on an annual basis setting out the key goals, actions and targets for the year, for each service area. The Plans incorporate improvement actions and performance indicators, including those relating to the delivery of the Council Plan.

3.1.2 The Council has a Medium Term Financial Strategy and budgets that are soundly based and are designed to deliver the Council's priorities. The financial management system includes:

- A Medium Term Financial Strategy highlighting key financial risks and pressures on a four year rolling basis
- An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies
- Annual Accounts supporting stewardship responsibilities, which are subject to external audit and which follow Statements of Recommended Practice, Accounting Codes of Practice, and International Financial Reporting Standards
- Budget Monitoring Reports and Quarterly Value for Money (VFM) Clinics which combine budget and performance monitoring.

3.1.3 A Performance Management Framework sets out the formal arrangements for effective performance management, and is used to monitor and report progress against the Council Plan, Annual Service Plans, Budgets and Performance Indicators.

3.1.4 The Council has a Value for Money Framework detailing the Council's principles and actions for securing Value for Money in the services it delivers. This includes a programme of Service Reviews to secure efficiencies and improve effectiveness.

3.2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles

The Council has the following arrangements in place:

3.2.1 A Constitution, updated on a rolling basis, setting out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are lawful, efficient, open, transparent and accountable to local people. This includes Standing Orders; Financial Regulations, Committee Membership and Terms of Reference, Scheme of Delegation to Officers, and Members and Employee Codes of Conduct / Protocol.

3.2.2 Regular meetings between the Leader of the Council, the Chief Executive and Group Leaders.

3.2.3 Lead Members and Champions for specific Council Priorities. In 2012/13 a member champion for procurement was also introduced.

3.2.4 A designated Head of Paid Services (the Chief Executive), responsible and accountable to the Authority for all aspects of operational management, in accordance with Section 4 of the Local Government and Housing Act 1989.

3.2.5 A designated Section 151 Officer (the Corporate Head of Financial Management), responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control, in accordance with Section 112 of the Local Government Finance Act 1988.

3.2.6 A designated Monitoring Officer (the Strategic Manager Legal and Democratic Services), responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with, in accordance with Section 5 of the Local Government and Housing Act 1989.

3.2.7 An Independent Remuneration Panel that reviews Members' remuneration.

3.2.8 Recruitment and Selection and Job Evaluation Policies and Procedures, providing a framework for the recruitment and selection of employees which reflects fairness, equity and best practice.

3.2.9 A strategic planning process, communication strategy and performance framework to ensure the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.

3.2.10 Effective mechanisms to monitor service delivery, e.g. the Performance Management Framework, the complaints, comments and compliments procedure, and customer satisfaction surveys.

3.2.11 An Asset Management & Capital Working Group, including a Lead Member, to oversee effective asset management, as well as an Officer with specific responsibility for asset management.

3.2.12 Constitutions, Terms of Reference or Service Level Agreements are in place for each partnership, as appropriate. These measures ensure that there is clarity over the legal status of powers, and roles and responsibilities in respect of each partnership in which the Council is involved. The Council has a comprehensive database of partnerships which is maintained on an on-going basis.

3.3 Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

3.3.1 The set of shared core Values launched in January 2011 are now embedded in the culture of the organisation, guiding and influencing the way the Council and its staff work, and helping to continually improve performance.

3.3.2 The Council has developed and adopted formal Codes and Protocols aimed at ensuring high standards of conduct and personal behaviour, which make up the Council's ethical framework for both Members and employees.

3.3.4 The Localism Act 2011 introduced changes to the standards regime. The Council has a duty under the act to promote and maintain standards. The Council's Standards Committee acts as the main means to raise awareness and takes the lead in promoting and maintaining high standards of conduct and the effectiveness of the ethical framework.

3.3.5 Arrangements are in place to ensure that members and staff are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and appropriate processes exist to ensure they continue to operate in practice. These include a complaints procedure, standards hearings, codes of conduct, equality impact assessments of services, and policies and equalities training.

3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

3.4.1 The Council's Select (Scrutiny) Committee provides constructive challenge in relation to the Council's services and those of other agencies. The Scrutiny Officer provides support to the Committee and the development of the scrutiny function. A work programme is formulated on an annual basis which complements the aims and objectives of the Council's Priorities in the Council Plan. Issues that arise during the year can also be referred to the Committee. Different methods are used to involve the public and stakeholders in Select (Scrutiny) Reviews, including surveys, press releases and invitations to meetings. An annual report is produced recording recommendations and actions.

3.4.2 The Audit and Governance Committee acts as the Council's responsible body charged with governance. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, approves the Final Statement of Accounts, and receives reports from External and Internal Audit.

3.4.3 The Council has a Standards Committee that is responsible for promoting and maintaining good ethical governance within the organisation and operates in accordance with legislative requirements.

3.4.4 The Call-In Procedure provides a mechanism for Members to directly challenge decisions made by the Policy Committee.

3.4.5 The Council has a Whistleblowing Policy and an Anti-Fraud and Corruption Policy.

3.4.6 Arrangements and processes are in place to ensure conflicts of interest on behalf of members and employees are avoided.

3.4.7 The Council has an established Complaints, Comments and Compliments procedure which was last reviewed in March 2012. There are also procedures in place to deal with complaints about Members.

3.4.8 In order to ensure those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical issues and their implications, the Council uses a standards report format. The reports include financial, legal and risk management implications, as well as relevance to Council Priorities. Wherever possible, reports are circulated in good time before meetings in order to meet the Access to Information requirements.

3.4.9 The Council has a formal system of Risk Management. Whilst responsibility for the identification and management of risks rests with service managers, corporate arrangements are coordinated by the Risk Management function to ensure that:

- the council's assets are adequately protected;
- losses resulting from hazards and claims against the council are mitigated through the effective use of risk control measures.

3.4.10 The system of risk management includes the maintenance of an overall and corporate risk register. The Risk Management Group and Corporate Leadership Team (CLT) are responsible for keeping arrangements for both risk registers under review. The Register is used to monitor risks and identify appropriate action plans to mitigate risks. These risk management arrangements and the Corporate Risk Register containing the Council's key strategic risks are monitored by CLT and the Audit & Governance Committee.

3.4.11 The Council has policies in place to ensure compliance with established policies, procedures, laws and regulations.

3.5 <u>Developing the capacity and capability of Members to be effective and ensuring that officers, including statutory officers, also have the capability and capacity to deliver effectively</u>

3.5.1 The People Strategy 2012 – 2016 approved by Policy Committee in November 2011.

3.5.2 Recruitment and selection procedures are based on recognised good practice that aims to secure applicants for employment from all sections of the Community.

3.5.3 Induction training is given to new Members and staff.

3.5.4 Protocols are in place which set out the roles and responsibilities of the three statutory officers.

3.5.6 Performance of officers is managed under the Council's Performance Development Review (PDR) system. This links individuals' performance to that of their Service and the Council. The PDR provides the opportunity to identify staff training and development needs.

3.5.7 An annual programme of Member Training is provided to meet Members' needs. The programme is considered by the Council's Audit and Governance Committee annually.

3.5.8 The Council revised its Training and Development Plan during 2011/12. The first phase of Leadership and Management Development Programme launched in October 2011 has been completed. This is a modular programme which focusses on developing managers' skills and effectiveness and ensuring the delivery of the Councils Core Competencies. In addition during 2012/13, supervisory development opportunities were made available to all staff via a variety of workshops to develop staff across the Council. Supervisory Development opportunities continue to be made available to all staff. Discussions with potential providers are on-going to continue Leadership and Management Development Programme for a further 12 month period.

3.5.9 The Council continues to build on its Modern Apprenticeship Scheme with three new apprentices to be recruited in July 2013. Opportunities will be available throughout 2013/14 for Apprentices to work towards securing permanent employment.

3.5.10 In March 2012 it was confirmed that the Council had retained its Investors in People (IiP) accreditation. The IiP award is a very challenging standard to meet and is increasingly seen as a measure of a quality employer. The award represents a significant achievement for the Council and it serves as a testament to the work of all staff and Members in establishing excellent management practices. Most importantly, it acknowledges the efforts of all the staff who have embraced the considerable changes that have been necessary to move the Council forward. The next review is due to take place in 2015.

3.5.11 Various partnerships are in place with local schools, colleges and voluntary organisations to provide opportunities for work experience to individuals from all sections of the community.

3.6 Engaging with local people and other stakeholders to ensure robust local public accountability

3.6.1 The Council ensures its staff and the community are clear to whom and for what the Council is accountable through publication of its Constitution.

3.6.2 The Council's Community Engagement Strategy and Toolkit sets out how the Council will consult, engage and involve the public in service improvement and delivery. The Select (Scrutiny) function is one of the Council's primary means of engaging with local communities and stakeholders. An annual report on the activity of the scrutiny function is produced.

3.6.3 The Council also operates an Employers Consultative Working Group consisting of Members, the Chief Executive, Corporate Head of Business Support and Trades Union representatives.

3.6.4 Clear channels of communication are in place with the Parishes, for example the Parish Liaison Group and the Parish Clerks Forum.

3.6.5 All meetings of the Council, its Committees and Sub-Committees are open to the public, except when we have to discuss information in closed session to avoid the disclosure of exempt information.

3.6.7 The following includes some of the arrangements the Council has in place to enable us to engage with all sections of the community effectively:

- The annual consultation programme - Have Your Say
- A Residents Panel
- Active involvement with the Craven Youth Council
- Budget Consultation
- Publishing an Annual Statement of Accounts
- Crime and Disorder Committee
- Craven Community Safety Partnership

3.6.8 The Council requested a peer review which was completed in June 2012. One of the guiding questions for this type of challenge is 'Are effective governance and decision-making arrangements in place to respond to key challenges and manage change and transformation'. The review found that the council embraced the challenge positively, transparently and openly.

3.6.9 The Council nominates Members on to outside bodies.

3.6.10 The Council is continuing to develop its approach to Community Led Planning, establishing Local Action Teams. A 'Localism Reserve' was established in 2011 to enable organisations and individuals including third sector, parish and town councils and community and business groups access funding to deliver community projects that fitted with Council aims, activities or services that benefitted the economic and social community of the district.

4. Review of Effectiveness

4.1 Craven District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Council's Leadership Team, who have responsibility for developing and maintaining the governance environment, the Audit Manager's annual report, and also by the comments made by external auditors and other review agencies and inspectorates.

4.2 The purpose of a review is to identify and evaluate the key controls in place to manage 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.

4.3 This document is produced as a result of that review in respect of the 2012/13 financial year.

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

4.4.1 **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.

4.4.2 **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.

4.4.3 **Select (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.

4.4.4 **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.

4.4.5 **Standards Committee**

The Standards Committee 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.

4.4.6 **Statutory Officers (i.e. Head of Paid Service, Chief Financial Officer, and Monitoring Officer)**

The Chief Executive is the Council's head of paid service, the Corporate Head (Financial Management) is the Council's chief financial officer (s151 officer). The Council's Monitoring Officer is also a strategic manager and member of the corporate leadership management team. This officer has a statutory responsibility to ensure the legality of transactions, activities and arrangements that the Council enters into.

All reports presented to Committee for decision making require the legal, financial, and staffing implications to be explicitly detailed. The council's Head of Paid Service, Chief Financial Officer, and Monitoring Officer consider these reports, along with their implications.

Each officer also provided on-going advice in connection with both the financial and legal standing of council business, including monthly reviews of the council's expenditure against budget.

The Council's Monitoring Officer, the Strategic Manager Legal and Democratic Services, 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.

At the end of the year a statement assuring that there were no significant governance issues that were not covered in the Annual Governance Statement which was signed on behalf of management by the Chief Executive.

4.4.7 **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. With effect from April 2013 this has been replaced by the Public Sector Internal Audit Standards (PSIAS).

The 2012/13 financial year was the first year of a three year shared service arrangement between Craven District Council and Harrogate Borough Council. This arrangement will end on 31 March 2015. The overall opinion of the Council's Internal Audit is that**:**

". . . for the systems and areas reviewed, significant progress is being made. In most of the areas reviewed, fundamentally sound systems of internal control are in place. In others, the Authority is moving in a positive direction. In determining its opinions, Internal Audit takes into account that in some areas, ideal internal controls cannot be put in place (e.g. on the segregation of duties) due to management decisions made on resource and capacity issues."

4.4.8 **External Audit**

The external audit of the Council is now provided by Mazars (previously 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 Mazars strengthens its governance arrangements. Regular meetings have taken place to cover corporate matters and accounting and internal audit matters.

Conclusions and significant issues arising in 2012/13 have been included in their report to those charged with governance. The 2011/12 Audit highlighted a number of governance issues, which were incorporated into the Annual Governance Report Action Plan. Outstanding actions have been included in Appendix A.

5. Significant Governance Issues

5.1 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.

5.2 Issues that have been identified as Significant Governance Issues are included in Appendix A. Appendix B sets out the major issues arising from the work of Internal Audit ('Priority 1' issues). Under the Council's 2012/13 governance arrangements, all internal audit recommendations are reported through the Audit and Governance Committee. Outstanding Priority 1 issues arising during 2012/13, and brought forward from the previous year, have been set out in Appendix B.

5.3 The governance issues set out in Appendices A and B will be addressed during 2013/14. 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.

APPENDIX A: SIGNIFICANT GOVERNANCE ISSUES 2012/13					
Ref	**Gaps in 2012/2013**	**Improvement Action**	**Responsible Officer**	**Timescales**	**Position at 31 March 2013 & Commentary**
Audit Commission Annual Governance Report 2010/11					
1	The Council should consider its arrangements for preparing the financial statements and make sure that robust processes are in place for providing financial statements that meet the requirements of the Code.	Outstanding action: Ensuring that weaknesses in the preparation of the financial statements are addressed as part of the Financial Management Review. The Review consultation period has concluded and the revised structure will be implemented by December 2012.	Corporate Head of Financial Management	31 December 2012	On-going: The Financial Management Structure has been implemented and staff appointed to all posts. However due to recruitment issues the position of Finance Manager & Deputy s151 is currently being filled on a temporary basis by an appropriately qualified & experienced accountant. This will be addressed by 31 March 2014.
Audit Commission Annual Governance Report 2011/12					
2.	Implement the fixed asset register module in Agresso, as planned, to improve future asset management and the preparation of the financial statements.	As a result of unexpected difficulties, implementation of the Agresso fixed asset register module was not achieved, as planned, by the 2011/12 year end. Spreadsheets have been used to maintain a basic record as an interim measure. A revised project plan for implementation of the Agresso fixed asset register has been agreed. Internal Audit has been asked to provide assurance on implementation.	Corporate Head of Financial Management	31 December 2012	On-going: The fixed asset register module has been implemented and utilised for the 2012/13 statement of accounts preparation. The accounts and audit process has however shown some inconsistencies in the expected accounting treatment of certain asset types and this requires further development during 2013/14. This will be addressed by 31 March 2014.
Asset Management Plan (AMP) 2011-2015 & Corporate Peer Challenge June 2012					
3	The AMP recommends reviewing the disposals policy during the plan period (2011/15), taking any adopted and approved changes through the	As part of the review of the Disposals Policy, to formally adopt and implement a protocol for the disposal of land and property at an undervalue. .	Director of Services	31 March 2013	On-going: The Council has approved an Asset Management Plan setting out a structured process to ensure the Council's assets are fit for purpose and increase its capital reserves

APPENDIX A: SIGNIFICANT GOVERNANCE ISSUES 2012/13					
Ref	**Gaps in 2012/2013**	**Improvement Action**	**Responsible Officer**	**Timescales**	**Position at 31 March 2013 & Commentary**
	appropriate channels. The Corporate Peer Challenge recommends that growth of the capital reserve would be partly met through more co-ordinated management of assets.				through managed disposals, this includes disposals at undervalue which are treated on individual merits pending the development of a protocol which will be implemented by 31 March 2014. Monthly meetings are held with lead member for Assets to report on progress against the plan.

APPENDIX B: SIGNIFICANT GOVERNANCE ISSUES					
2012/13 (Outstanding Priority 1 issues arising from 2011/12 Internal Audit Work)					**Position at 31 March 2013 & Commentary**
Report C2/7 – Data Handling (PARTIAL ASSURANCE)					
1	In order that users have confidence that information held is actually up to date, IS documentation on the intranet needs to be fully reviewed, irrelevant and out of date documentation removed, content updated and held where users can easily find it. The IS Policy acceptance form should be reissued to users, for signature and appropriately stored by IS, advertising the fact that this exercise has been carried out and providing users with details of where documentation can be located. Going forward, IS policies and procedures held on the intranet should be regularly reviewed to ensure they reflect current practice.	All ICT policies and procedures have been reviewed and will be available on the new intranet once it is in place.	ICT Manager	31 December 2012	On-going: IS policy acceptance form has been reissued. The upgrade / replacement intranet is to form part of the Council's website development project which is scheduled for 2013/14. This action will be completed once that project is complete
2	The ICT Manager should continue to investigate the suitability of available technical products providing control over shared information and consider the feasibility of use at Craven	Potential data leakage has been limited to a certain extent through the creation of logins as part of the secure VPN. Data management training has been approved and undertaken by relevant staff. No progress has been made with regard to data once it has left Craven's	ICT Manager	31 December 2012	On-going: Issue with regard to data once it has left Craven's boundaries still requires resolution.

APPENDIX B: SIGNIFICANT GOVERNANCE ISSUES					
2012/13 (Outstanding Priority 1 issues arising from 2011/12 Internal Audit Work)					**Position at 31 March 2013 & Commentary**
		boundaries. This work is now been considered to be an on-going process.			
3	A strategy should be compiled as to the most appropriate way in which to carry out a Council wide review of all data sharing, and arrangements put in place to promptly address this to ensure compliance with the guidelines	An information sharing protocol has been formulated and will be placed on the new intranet.	ICT Manager	31 December 2012	On-going: The upgrade / replacement intranet is to form part of the Council's website development project which is scheduled for 2013/14. This action will be completed once that project is complete
2012/13 (Outstanding Priority 1 issues arising from 2012/13 Internal Audit Work)					
Report C3/3 – Sundry Debtors 2012/13 (GOOD LEVEL OF ASSURANCE)					
4	There should be formal arrangements in place to manage the debt recovery for outstanding Market Trader debts once the service has been transferred to Skipton Town Council.		Director of Services / Corporate Head of Financial Management	30 June 2013	Action agreed May 2013
Report C3/4 – Creditors (PARTIAL LEVEL OF ASSURANCE)					
5	A review of authorisation limits in the creditors module found that they have not been strictly applied. One officer has been given an approval limit of £2k, which is not one of the approved parameter limits.	The Agresso approver limits will be reviewed and aligned.	VFM and Improvement Manager	31 March 2013	Action implemented Q1 2013/14. A decision has been made to leave this exception in place due to business needs.
C3/11a – Payroll – Finance (GOOD LEVEL OF ASSURANCE)					
6	Honoraria payments are not shown as a separate element on the iTrent payroll system	Honoraria payments to be shown as a separate element on the iTrent payroll system	VFM and Improvement Manager	31 August 2013	Action agreed June 2013

APPENDIX B: SIGNIFICANT GOVERNANCE ISSUES					
2012/13 (Outstanding Priority 1 issues arising from 2012/13 Internal Audit Work)					**Position at 31 March 2013 & Commentary**
C3/11b – Payroll – Human Resources (PARTIAL LEVEL OF ASSURANCE)					
7	Disclosure and Baring Service (DBS) checks must be undertaken for all posts that fall within the DBS eligibility requirements.	All posts will be reviewed to determine if a DBS check is required, as part of the PCIDSS requirements.	Corporate Head (Business Support)	31 August 2013	Action agreed June 2013
8	An honoraria policy should be introduced and communicated to Management.	A policy/guidance note will be produced to ensure that honoraria payments are clearly and fairly applied.	Corporate Head (Business Support)	31 August 2013	Action agreed June 2013

Through the actions 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**

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Councillor S Place
Chairman of the Audit & Governance Committee

Paul Shevlin
Chief Executive