

Audit & Governance Committee – 29th September 2014

Statement of Accounts 2013/14



Report of the Corporate Head of Financial Management

Ward(s) affected: All

1. Purpose of Report

- 1.1 To present the 2013/14 Statement of Accounts.

2. Recommendations

- 2.1 Members are recommended to receive and approve the Statement of Accounts for 2013/14 (attached at Appendix A).

3. Background Information

- 3.1 The Accounts and Audit Regulations 2011 require Members approve the Council's audited statutory accounts by 30 September following the financial year-end.
- 3.2 With effect from 1 April 2011 the draft Statement of Accounts submitted to the auditor only needs to be signed by the Council's Chief Financial Officer by 30 June. For 2013/14 they were signed by the Finance Manager & Deputy s151.
- 3.3 The 2013-14 accounts have been produced under the requirements of International Financial Reporting Standards (IFRS) basis.

4. The Report

- 4.1 In line with changes implemented in the 2011 Accounts and Audit Regulations, the 2013/14 Unaudited Statement of Accounts was approved on the 27th June 2014 by the Deputy Section 151 Officer. The Audit and Governance Committee are now recommended to approve the final version as the Auditors - Mazars have completed their audit work.
- 4.2 The Statement of Accounts represents the culmination of the formal financial reporting obligation placed upon the Council and the content of the Accounts as presented is largely prescribed by statutory and professional guidance.

- 4.3 The following points highlight the major movements in the Statement of Accounts for 2013/14, compared with 2012/13:
- Net Cost of Services has decreased by £0.813m to £5.759m (2012/13: £6.572m).
 - There is a Surplus on the Provision of Services of £0.671m (2012/13: showed a deficit of £1.115m)
 - Total Reserves have increased by £9.861m to £11.486m (2012/13: £1.625m)
 - The General Fund balance has been maintained at £1,030k
 - Earmarked reserves have increased by £2.33m to £4.056m (2012/13: £1.726m).
- 4.4 As part of the preparation of the 2013/14 accounts certain adjustments were required to the 2012/13 accounts. The impact of these changes are shown in the Statement of Accounts
- 4.5 It is important that the Council has sound financial, governance and resources management arrangements in place to ensure that resources are available and used to support the Council's priorities, improve services and secure value for money for our tax payers.
- 4.6 Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny".
- 4.7 To assist councillors in this regard, an explanatory paper is attached at Appendix B. The Statement of Accounts also contains an explanatory foreword, which highlights the key issues arising from the financial year 2013/14, and considers these in the context of the council's future financial prospects. Councillors are asked to consider the Statement of Accounts in detail along with the supporting notes, and either raise issues with the Finance Manager & Deputy s151 prior to the meeting so that a response can be prepared or discuss any such matters as necessary and appropriate at the meeting of the Committee.
- 4.8 The accounts were made available for public inspection from 15th July until 11th August and the auditor was available on 12th August to answer queries regarding the accounts. No queries were received by the Council.
- 4.9 The Audit and Governance Committee are now recommended to approve the final version as the Audit Commission have completed their audit work.
- 4.10 The Annual Governance Statement approved by this Committee at its meeting on 23rd June 2014 will be added to the published version of the audited statement of accounts.

5. Implications

- 5.1 Financial and Value for Money Implications
None

5.2 Legal implications

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

5.3 Contribution to Council Priorities

Financial resilience through appropriate procedures and practices

5.4 Risk Management

None

5.5 Equality Impact Assessment

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

6. Consultations with Others

None

7. Access to Information : Background Documents

Annual statement of accounts 2013/14

8. Author of the Report

Nicola Chick – Finance Manager & Deputy s151

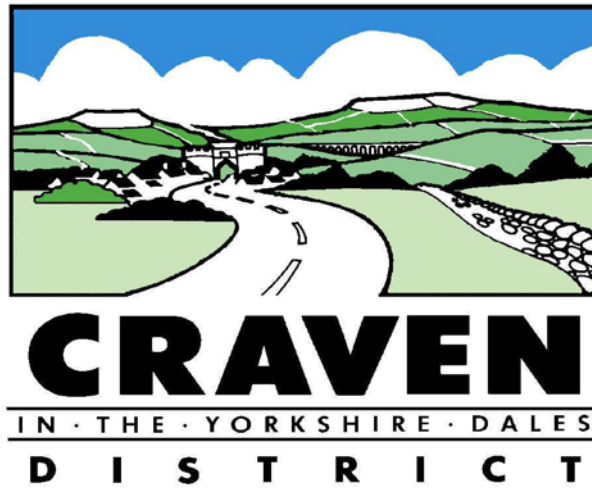
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9. Appendices

Appendix A – 2013/14 Statement of Accounts

Appendix B – Explanatory paper to support the accounts.



AUDITED
STATEMENT OF ACCOUNTS
2013/2014

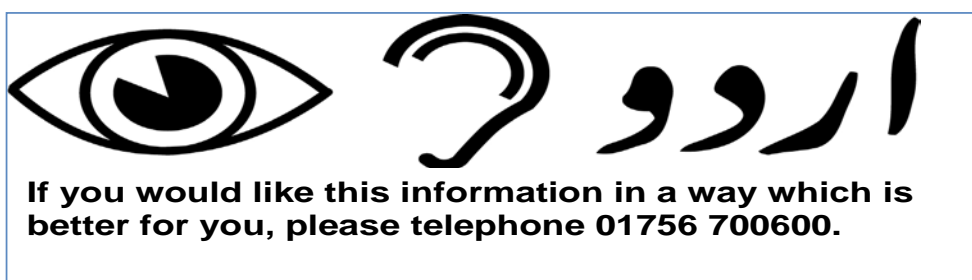
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These Accounts are subject to audit. The Auditor's Report will be attached when it is available

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

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



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 2013/14 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 2013/14: Based on International Financial Reporting Standards (The Code), and the Service Expenditure Reporting Code of Practice (SeRCOP).

The Council's accounts for the year 2013/14 are set out on pages 15 to 81 and comprise of:

- **The Statement of Responsibilities for the Statement of Accounts (page 14).** 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 16).** 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 17).** 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 18).** 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 19).** 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.

EXPLANATORY FOREWORD

- **The Notes to the Financial Statements (pages 21 to 75).** These provide additional information about the figures in the core financial statements.

Supplementary Statements Comprising:

- **The Collection Fund Account (page 77).** This reports the transactions of the Council as a billing authority. Amounts in respect of business rates and council tax due are shown, together with how these have been distributed to precepting authorities, the Council's General Fund and the Government.
- **Notes to the Collection Fund Account (pages 78 to 81).** 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 83 to 85).** This will be provided by the Council's external auditors upon completion of the audit.
- **Glossary of Terms and Index of Notes (pages 87 to 95).** 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 to 9 show, in broad terms, where the money comes from, how it is spent, and the difference between budget and actual income / expenditure.

Structure of the Council's Accounts

The Council has to manage spending on services within a statutory framework, making sure that spending keeps within cash-limited budgets. This requires keeping:

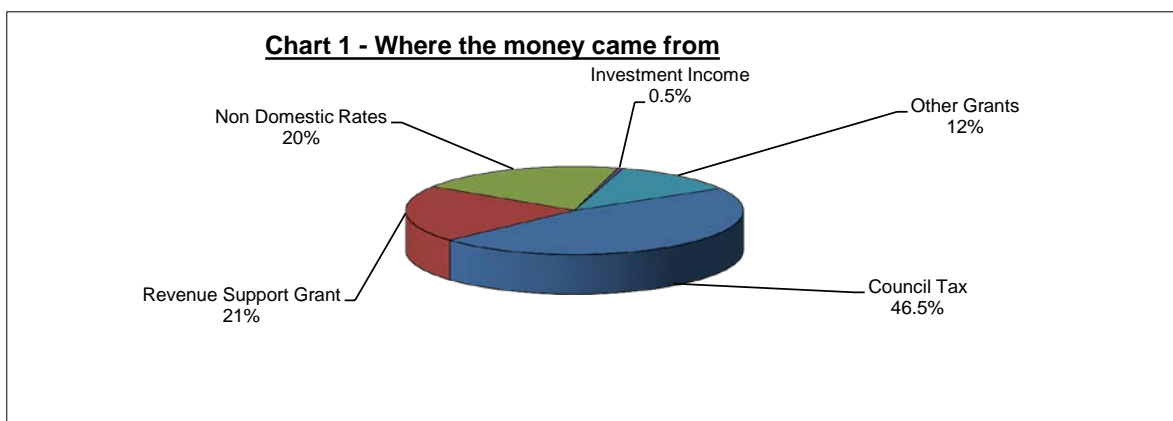
- A General Fund to account for day-to-day spending on most Council services.
- A separate Collection Fund Account.
- A capital programme to account for investment in assets needed for the delivery of Council services.

The way each of these is funded is also different:

- General Fund services are paid for from government grant, council tax and service charges.
- The Collection Fund is financed by income from taxpayers.
- The capital programme is funded in various ways - long-term borrowing, external finance, capital receipts from the sale of Council non-current assets and from revenue.

EXPLANATORY FOREWORD

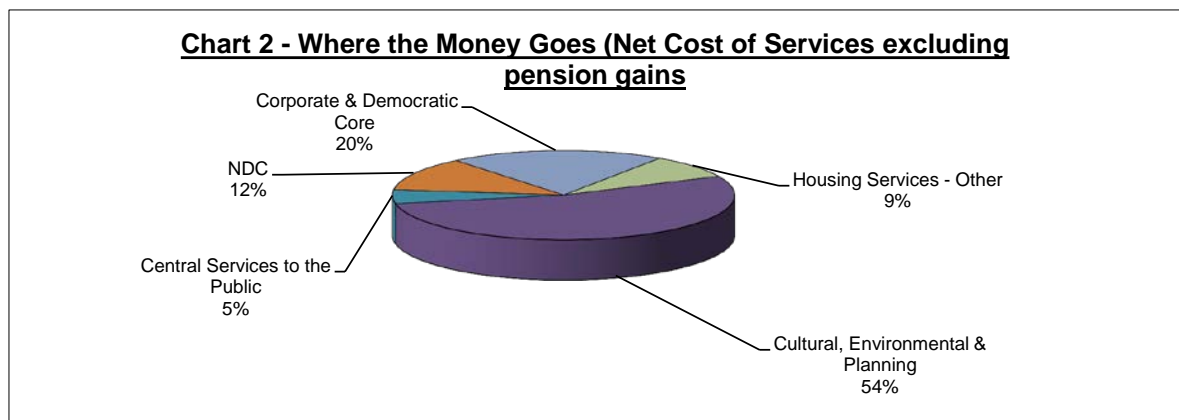
Review of Financial Performance 2013/14



In 2013/14 as can be seen from the chart and table above the Council received 33% (49.4% 2012/13) of its net funding from grant, 46.5% (49.6% 2012/13) from council tax (excluding parishes), 20% from Non Domestic Rates and 0.5% (1% 2012/13) from investment income.

Comparison against Original Estimate	Original Estimate £'000	Actual Income £'000	Variance £'000
Revenue Support Grant	1,952	1,951	(1)
National Non-Domestic Rates	1,298	1,863	565
Council Tax Precept on Collection Fund (including parishes precepts)	4,250	4,321	71
Investment Income	54	46	(8)
Non Specific Government Grants and Other Income (incl - CT Freeze Grant)	653	1,116	463
Total	8,207	9,297	1,090

The table and chart above and on the following page summarises the actual against budgeted 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 accounting transactions which form part of the transactions within the MiRS.



EXPLANATORY FOREWORD

Review of Financial Performance 2013/14 continued

Difference between Budget and Actual Income / Expenditure			
	Original Estimate £'000	Actual Expenditure £'000	Variance £'000
Central Services to the Public	375	290	(85)
Cultural, Environmental, and Planning Services, Highways and Transport	3,079	3,101	22
Housing Services - Other	709	493	(216)
Corporate and Democratic Core	1,634	1,172	(462)
Non Distributed Costs	983	703	(280)
	6,780	5,759	(1,021)
Precepts Paid	1,183	1,183	-
Interest Payable	284	274	(10)
Other Income & Expenditure	(127)	(169)	(42)
Non Cash Adjustments included in Surplus Deficit	-	894	894
RSG and other Grants and Contributions	(2,604)	(3,388)	(784)
Retained Non Domestic Rates Income	(1,298)	(903)	395
Council Tax	(4,281)	(4,321)	(40)
	(63)	(671)	(608)
Revenue Support to Capital Programme	255	120	(135)
Other non cash adjustments	(980)	(1,779)	(799)
Transfer to / (from) Earmarked Reserves	788	2,330	1,542
Transfer to from General Fund	-	-	-

The Council has continued to strengthen its financial position in 2013/14.

The Cost of Services is £758k 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 £973k.

The savings have arisen as a consequence of increased income from services such as Development Control, Garden Waste, Staffing Costs through vacant posts, and the Council's planned projects through its income and savings plan initiative. There was budget slippage of £148k for planned expenditure within revenue services. The funding has been carried forward to 2014/15 when this work will be completed.

	Revised Budget 2013/14 £000	Actual 2013/14 £000	Variance 2013/14 £000
Chief Executive / Director of Services	575	752	177
Resources Department	2,050	1,460	(590)
Community Department	3,234	2,674	(560)
Total Departmental Net Costs	5,859	4,886	(973)

EXPLANATORY FOREWORD

Review of Financial Performance 2013/14 continued

The Council planned to contribute to its Enabling Efficiencies Fund £30k and New Homes Bonus Reserve £553k. Through strong financial management, the Council has achieved this target and made additional contributions of £33k to the Enabling Efficiencies Fund, and in addition created two new reserves for Business Rates Equalisation £960k and Future Years Budget Support £173k. Additional Government funding from the New Homes Bonus Grant has been set aside in its reserve to fund specific, approved initiatives.

The Council did not budget to utilise all the on account receipts in respect of the localisation of business rates. In addition the Council received £411k grant to pay for Small Business Rate Relief grants paid out. These additional funds have been placed in the Business Rates Equalisation Reserve to mitigate against potential costs for business rates appeals outstanding at 31 March 2014.

The strong financial performance in 2013/14 has improved the Council's financial resilience. As a result, at 31 March 2014 the Council has maintained its General Fund Balance of £1,030k (£1,030k at 31 March 2013) and Earmarked Reserves of £3,908k (£1,726k at 31 March 2013).

Borrowing Facilities

The Council's borrowing facilities for 2013/14 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 2013/14.

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 2013/14 the Council spent a total of £355k on acquiring and improving assets. In addition it made £268k of grants under the mandatory disabled facilities grant improvements scheme and loans to households under the repairs assistance scheme. £11k of grants was provided to community projects for capital expenditure.

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

2012/13 £'000	Areas of Capital Expenditure	2013/14 £'000
25	Wheeled Bins	-
55	Refuse Vehicles and associated equipment	141
150	Disabled Facilities Capital Grants & Other Home Improvement Grants	268
70	IT Infrastructure	73
-	Waltonwrays Crematorium Improvements	93
-	Skipton Town Hall Project	13
-	Craven Swimming Pool	20
21	Community Schemes	11
-	PV Panels to Council Buildings	15
321	Total Capital Expenditure	634

This expenditure compares with an initial budget of £1,842k. The decrease of £1,208k is a result of projects completing within budget, slippage and reclassification of items as follows:

EXPLANATORY FOREWORD

Review of Financial Performance 2013/14 continued

Slippage and Reclassification	2013/14 £'000
Waste Management (Replacement Vehicles)	450
Building Works	277
Private Sector Renewal and Disabled Facilities Grants	125
Equipment Purchase & Replacement	160
IT Projects	56
Budget Savings	140
Reclassified	
Total Slippage and Reclassification	1,208

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

2012/13 £'000	Method of Financing	2013/14 £'000
-	Prudential Borrowing	-
150	Health Capital Grants	268
-	Revenue Contribution	120
171	Capital Receipts and Reserves	246
321	Total Financing	634

Non-Current Assets

In accordance with the Council's 5-year rolling programme, a number of properties (land and buildings) were revalued in 2013/14. This resulted in valuation increases and decreases. Valuations were carried out by an in-house surveyor – a member of the R.I.C.S. In addition an impairment review of properties was undertaken which found that no properties needed to be downwardly revalued.

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 36 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 36 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 decreased from £29.5m at 31 March 2013 to £20.657m at 31 March 2014. 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 2014/15, the actual level of Government funding after 2014/15 is uncertain. Assumptions in the current Medium Term Financial Strategy (MTFS) show that further savings of £316k will need to be made in 2015/16 with an additional £174k in 2016/17 and a further £152k 2017/18. 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.

EXPLANATORY FOREWORD

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 to be reviewed on an annual basis to take into account the inevitable further reductions in the level of Government funding, changes introduced under the Local Government Resource Review and the continuing turbulence of the economic climate; this will set the direction of travel for the 2015/16 budget and beyond. Whilst we have worked prudently to rebuild the Council's financial base, we realise that there will be many challenges ahead.

Significant Points to Note in Respect of the Balance Sheet

The Balance Sheet on page 16 shows that the net worth of the Council increased by £9.861m to £11.486m. Included in this increase is the effect of changes to non-current assets of £1.146m arising from expenditure on the capital programme offset by the net impact of disposals and revaluation. Long and short-term investments increased by £0.5m with a reduction in short-term borrowing of £1.269m. Long term borrowing increased by £948k as the Council had replaced a maturing loan with a longer term one. In addition cash and cash equivalents increased by £3.128m reflecting the Council's improved cash flows. Short-term debtors show an increase of £2.373m. In addition as explained above the liability related to the North Yorkshire Pension scheme decreased by £8.849m as the actuarial forecast for the deficit on the fund reduced.

This has enabled the Council to increase its usable reserves by £3.058m of which £478k is capital receipts and £960k relates to retained business rates set aside to cover potential liabilities in future years.

10. Review of the Council's Current Financial Position

At the 31 March 2014 the Council's usable reserves stood at £7.081m compared to £4.171m at the end of 2012/13. Included within these figures is £1.03m of unallocated revenue reserves. The Council has not approved any increase to or reduction from this balance as part of the budget package for 2014/15.

The remaining usable reserves include £4.056m earmarked reserves and £1.772m capital receipts reserve both of which were increased during 2013/14. The net increase in the capital receipts reserve of £0.478m reflects the receipts from the sale of Granville Street. Earmarked reserves increased by £2.330m during 2013/14 which reflects the decision to set aside funds to provide resources for project work to generate future savings and develop new working practices, as well as resources to provide for potential cost pressures, e.g. the funding of the capital programme and the potential refunds required through the localisation of Business Rates.

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. For 2013/14 the minimum level was calculated to be £1.0m for General Fund. The Medium Term Financial Plan assumes increases to earmarked reserves over the next few years to ensure that future demands can be met.

11. Changes In Accounting Policies, Accounting Treatment And Presentation

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 2012/13 financial statements and the equivalent amounts presented in the 2013/14 financial statements. None of these changes have affected the general fund balances held by the Council.

Prior Period Adjustments

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to the following:

EXPLANATORY FOREWORD

11. Changes In Accounting Policies, Accounting Treatment And Presentation continued

Disclosure of Information Relating to Retirement Benefits (IAS 19)

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the balance sheet however, the main changes are as follows:

- Expected Return on Assets

This is in relation to the Return on Pension Scheme Assets such as those held by the North Yorkshire Local Government Pension Fund. Advance credit for anticipated outperformance of Return seeking Assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using Expected Return on Assets assumptions)

- Asset Disclosures

IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Council's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further.

- Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see note 36).

The adoption of the 2011 amendments to IAS 19 (Employee Benefits) by The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) has resulted in a change in accounting policy.

Investment Properties

The Council had included net income of £41k from investment properties within the cost of services on the CIES this is now shown in note 10 as part of Financing and Investment Income and Expenditure.

The table below shows the effect that these changes have had on the 2012/13 comparative figures:

Comprehensive Income and Expenditure Account

Net Expenditure	Published Accounts £'000	Restatement £'000	Restated Accounts £'000
Central Services to The Public	890	-	890
Cultural and Related Services	1,192	-	1,192
Environmental and Regulatory Services	2,035	-	2,035
Planning Services	1,098	41	1,139
Highways and Transport Services	(1,012)	-	(1,012)
Other Housing Services	222	-	222
Corporate and Democratic Core	1,720	-	1,720
Non Distributed Costs	377	9	386
Cost of Services	6,522	50	6,572
Other Operating Expenditure	1,090	-	1,090
Financing and Investment Income & Expenditure	1,304	123	1,427
Taxation and Non-Specific Grant Income	(7,974)	-	(7,974)
(Surplus) or Deficit on the Provision of Services	942	173	1,115
Other Comprehensive Income & Expenditure			-
(Surplus) or Deficit on Revaluation of Property Plant & Equipment Assets	(1,960)	-	(1,960)
Impairment Losses on Non-Current assets charged to the Revaluation Reserve	2,454	-	2,454
Remeasurement of net defined benefit / liability	3,519	(173)	3,346
Total Comprehensive Income and Expenditure	4,955	-	4,955

EXPLANATORY FOREWORD

11. Changes In Accounting Policies, Accounting Treatment And Presentation continued

Movement in Reserves Statement

	Published Accounts £'000	Restatement £'000	Restated Accounts £'000
Surplus or (Deficit) on the Provision of Services	(942)	(173)	(1,115)
Other Comprehensive Income and Expenditure	(4,013)	173	(3,840)
Total Comprehensive Expenditure and Income	(4,955)	-	(4,955)

Cash Flow Statement

	Published Accounts £'000	Restatement £'000	Restated Accounts £'000
Net Surplus or (deficit) on the provision of services	(942)	(173)	(1,115)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(4,013)	173	(3,840)

Notes to the Accounts

	Published Accounts £'000	Restatement £'000	Restated Accounts £'000
Note 7: Adjustments between Accounting Basis and funding Basis under Regulations			
Adjustments primarily involving the Pensions Reserve:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,874	173	2,047
Note 10: Financing and Investment Income and Expenditure			-
Income and Expenditure in relation to investment properties and changes in their fair value	-	(41)	(41)
Note 35: Pension Reserve			-
Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,874)	(173)	(2,047)
Remeasurements of the net defined benefit liability / (asset)	(3,519)	173	(3,346)

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

SECTION 2

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which are up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I hereby certify that the Unaudited Statement of Accounts on pages 16 - 81 present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

Nicola Chick
CPFA
Chief Finance Officer

Date: 29 September 2014

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 September 2014

SECTION 3

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012	1,030	886	990	116	3,022	3,558	6,580
<u>Movement in reserves during 2012/13</u>							
Restated							
Surplus or (deficit) on provision of services	(1,115)	0	0	0	(1,115)	0	(1,115)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(3,840)	(3,840)
Total Comprehensive Expenditure and Income	(1,115)	0	0	0	(1,115)	(3,840)	(4,955)
Adjustments between accounting basis & funding basis under regulations (note 7)	1,955	0	304	5	2,264	(2,264)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	840	0	304	5	1,149	(6,104)	(4,955)
Transfers to/from Earmarked Reserves (note 8)	(840)	840	0	0	0	0	0
Increase/Decrease (movement) in Year	0	840	304	5	1,149	(6,104)	(4,955)
Balance at 31 March 2013 carried forward	1,030	1,726	1,294	121	4,171	(2,546)	1,625
<u>Movement in reserves during 2013/14</u>							
Surplus or (deficit) on provision of services	671	0	0	0	671	0	671
Other Comprehensive Expenditure and Income	0	0	0	0	0	9,190	9,190
Total Comprehensive Expenditure and Income	671	0	0	0	671	9,190	9,861
Adjustments between accounting basis & funding basis under regulations (note 7)	1,659	0	478	250	2,387	(2,387)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	2,330	0	478	250	3,058	6,803	9,861
Transfers to/from Earmarked Reserves (note 8)	(2,330)	2,330	0	0	0	0	0
Increase/Decrease (movement) in Year	0	2,330	478	250	3,058	6,803	9,861
Balance at 31 March 2014 carried forward	1,030	4,056	1,772	371	7,229	4,257	11,486

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2012/13				2013/14			Notes
Expenditure Restated £'000	Income Restated £'000	Net Exp. Restated £'000		Expenditure £'000	Income £'000	Net Exp. £'000	
4,441	(3,551)	890	Central Services to the Public	696	(406)	290	
2,471	(1,279)	1,192	Cultural and Related Services	2,380	(1,335)	1,045	
4,047	(2,012)	2,035	Environmental and Regulatory Services	3,992	(2,152)	1,840	
1,463	(324)	1,139	Planning Services	1,706	(603)	1,103	
361	(1,373)	(1,012)	Highways and Transport Services	469	(1,356)	(887)	
10,879	(10,657)	222	Other Housing Services	11,201	(10,708)	493	
1,906	(186)	1,720	Corporate and Democratic Core	1,280	(108)	1,172	
596	(210)	386	Non Distributed Costs	850	(147)	703	
26,164	(19,592)	6,572	Cost of Services	22,574	(16,815)	5,759	
		1,090	Other Operating Expenditure			832	9
		1,427	Financing and Investment Income & Expenditure			1,350	10
		(7,974)	Taxation and Non-Specific Grant Income			(8,612)	11
		1,115	(Surplus) or Deficit on Provision of Services			(671)	
			Other Comprehensive Income and Expenditure				
		(1,960)	Surplus or deficit on Revaluation of Property, Plant and Equipment Assets			(864)	23.1
		2,454	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			1,290	23.1
		3,346	Remeasurement of net defined benefit / liability			(9,616)	36
		3,840	Total Other Comprehensive Income and Expenditure			(9,190)	
		4,955	Total Comprehensive Income and Expenditure			(9,861)	

BALANCE SHEET

31-Mar-13 £'000		31-Mar-14		Notes
		£'000	£'000	
27,381	Property Plant & Equipment	26,117		12
1,450	Investment Properties	1,444		12
2,627	Heritage and Community Assets	2,758		12
191	Intangible Assets	184		15
3	Long Term Investments	3		16
661	Long Term Debtors	484		16
32,313	Total Long Term Assets		30,990	
1,004	Short Term Investments	1,504		16
828	Assets Held For Sale	-		20
53	Inventories and Work in Progress	55		17
2,164	Short Term Debtors	2,637		18
3,697	Cash and Cash Equivalents	6,070		19
7,746	Total Current Assets		10,266	
(755)	Cash and Cash Equivalents	-		19
(1,317)	Short Term Borrowing	(48)		16
(1,820)	Short Term Creditors	(2,566)		21
-	Provisions	(480)		40
(3,892)	Total Current Liabilities		(3,094)	
(5,028)	Long Term borrowing	(6,012)		16
(8)	Other Long Term Liabilities:	(7)		
(29,506)	Defined Benefit Pension Scheme	(20,657)		36
(34,542)	Total Long Term Liabilities		(26,676)	
1,625	Net Assets		11,486	
4,171	Usable Reserves		7,229	22
(2,546)	Unusable Reserves		4,257	23
1,625	Total Reserves		11,486	

Nicola Chick
CPFA
Chief Finance Officer

Dated: 29 September 2014

CASH FLOW STATEMENT

2012/13 Restated £'000		2013/14 £'000	Notes
(1,115)	Net surplus/(deficit) on the provision of services	671	
3,111	Adjustments to net surplus or deficit on the provision of services for non-cash movements	3,114	24
(1,125)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(724)	24
871		3,061	
975	Investing Activities	(132)	25
(1,474)	Financing Activities	199	26
372	Net Increase or (Decrease) in cash and cash equivalents	3,128	
2,570	Cash and cash equivalents at the beginning of the reporting period	2,942	
2,942	Cash and cash equivalents at the end of the reporting period	6,070	

SECTION 4

NOTES TO THE CORE FINANCIAL STATEMENTS

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2013. The Accounts have been prepared in accordance with the 2013/14 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 as Council Tax and Non Domestic Rates, is measured at the full amount receivable (net of any impairment losses) as they are non-contractual non-exchange transactions and there can be no difference between the delivery and payment dates.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as 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 & 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.3.1. Cash Flow

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

1.3.2. Capital Receipts

Amounts in excess of £10,000 received from disposals of assets are credited to the Usable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Councils borrowing requirement. A proportion of receipts relating to former Housing Revenue Account dwellings mortgages (75% net of deductions and allowances) is payable into a Government pool.

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.

The transactions of the Collection Fund are wholly prescribed by legislation. Billing Authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside.

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, Police and Crime Commissioner North Yorkshire 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.4. Collection Fund continued.....

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.

Non-Domestic Rates (NDR)

NDR collection is an agency arrangement. Business rate income within the CIES is the Council's share of the accrued business rate income for the year. The difference between this and the amount transferred to the General Fund under statute (representing the Council's share of the estimated business rate income for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. The central share (after allowable deductions) of business rate income is paid out of the Collection Fund to central government. Growth in business rate income in an enterprise zone area, business rate income from renewable energy schemes and from businesses in New deal areas is wholly attributable to the Council and transferred in full to the General Fund on an accruals basis. Debtors/creditors are shown exclusive of the proportions attributable to major preceptors.

1.5. Prior Period Adjustments

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

1.6. Charges to Revenue for Non-Current Assets

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

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

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

Benefits Payable During Employment

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.7. Employee Benefits

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.4% 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 the following components:

Service Cost Comprising:

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1.7. Employee Benefits continued.....

Remeasurements Comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses - changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

Discretionary Benefits

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

1.8. Events After the Reporting Period

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

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

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

1.9. Financial Instruments

Financial Liabilities

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.9. Financial Instruments continued.....

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

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

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

Available-for-Sale Assets

Available-for-sale assets are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment and Income and Expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the CIES when it becomes receivable by the Council.

Assets are maintained on the Balance Sheet at fair value. Values are based on the following principles:

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on the Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against acquisition cost of the instrument.

Any gains or loss that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.10. Government Grants and Contributions

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

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

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

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

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

1.11. Heritage Assets

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

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

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

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

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

1.12. Intangible Assets

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.12. Intangible Assets continued

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

1.13. Inventories and Long-term Contracts

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

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

1.14. 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.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount for which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

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

1.15 Accounting for Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.15 Accounting for Leases continued.....

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.

Operating Leases

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

The Council as a Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.16. 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.

1.17. Property, Plant and Equipment

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

Recognition:

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

Measurement:

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be

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

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

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

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

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

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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.17. Property, Plant and Equipment continued.....

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from a reversal of an impairment loss previously charged to a service revenue account.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance.
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the CIES.

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

Impairment:

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

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation:

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

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

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

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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.17. Property, Plant and Equipment continued.....

Remaining Useful Asset Life:

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

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

Disposals and Non-Current Assets Held For Sale:

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

Assets Held for Sale are included as current assets on the Balance Sheet at the lower of the carrying amount or the fair value of the asset less the costs to sell the asset. Impairment or revaluation losses on initial classification or subsequent write down to fair value are charged directly to the CIES even if the asset has been previously revalued. 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.

1.18. 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.18. Provisions, Contingent Liabilities and Contingent Assets continued.....

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.

1.19. 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.

1.20. 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.

1.21. 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

IFRS 10 - Consolidated Financial Statements - This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does not have subsidiaries or associates and therefore is not required to produce group accounts.

IFRS 11 - Joint Arrangements - This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council does not have any joint ventures.

IFRS 12 - Disclosures of Involvement with Other Entities - This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council does not have any arrangements with other entities under IFRS12.

IAS 27 Separate Financial Statements - This standard outlines when an entity must consolidate another entity, how to account for change in ownership, how to prepare separate financial statements and related disclosures. Consolidation is based on the concept of control and the changes to this statement is to conform with the changes to IFRS10,11 and 12. This standard does not apply to the Council as it does not have any such arrangements.

IAS 28 Investments in Associates and Joint Ventures - This standard prescribes the accounting treatment for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This Change is to conform with the changes to IFRS10,11 and 12.

IAS 32 Financial Instruments Presentation - The code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

IAS 1 Presentation of the Financial Statements - The changes clarify the disclosure requirements in respect of comparative information of the preceding period.

3. Critical Accounting Judgements In Applying Accounting Policies

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

3. Critical Accounting Judgements In Applying Accounting Policies continued

Classification of Leases

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

Local Government Funding

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

Investment Properties (Commercial Property)

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

Assets Held For Sale

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

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

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

Valuation and Revaluation of Property Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. 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 by North Yorkshire County Council (the Pension Fund Administrators) on behalf of the Council to provide the expert advice about the assumptions that are to be applied.

The effects on the net 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 £941k. However, the assumptions interact in complex ways. During 2013/14, the Authority's actuaries advised that the net pensions liability had reduced by £402k as a result of estimates being corrected as a result of experience.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

Arrears

At 31 March 2013, the Authority had a balance of sundry debtors for £339k and housing benefit overpayments of £367k. A review of all balances suggested that an impairment of doubtful debts of £473k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, a doubling of the amount of impairment for doubtful debts (for non-public body sundry debtors) would require an additional £27k to be set aside as an allowance.

Employee Benefits Accrual

The employee benefits accrual cost was calculated for years from 2008/09 to 2013/14. There is little or no variation year on year. The amount involved is deemed not to be material and therefore no adjustment has been made to the accrual included within the accounts. The calculation will be performed and reviewed each year and should it be deemed material an adjustment to the accrual will be made in the accounts.

5. Material Items of Income & Expenditure

The Comprehensive Income and Expenditure Statement includes the following items that are material in the context of the overall income and expenditure of the Council, or are otherwise variable in nature:

2012/13		2013/14
£'000		£'000
9,956	Housing benefits	9,902
3,032	Council tax benefit	-

The Council paid out a total of £9.902m in housing benefits in 2013/14 (£9.956m in 2012/13), this was funded by government subsidy. Council tax benefit was replaced in 2013/14 with Council Tax Support which is a discount on the council tax charge.

6. Events After The Reporting Period

The unaudited Statement of Accounts was authorised for issue on 27 June 2014 by the Chief Finance Officer. Events taking place after this date are not reflected in the financial statements or notes. Where events take place before this date, provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2013/14	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	1,078	-	-	(1,078)
Revaluation losses on Property, Plant and Equipment	(59)	-	-	59
Movements in the fair value of Investment Properties	31	-	-	(31)
Amortisation of intangible assets	59	-	-	(59)
Capital grants and contributions applied	-	-	-	-
Revenue expenditure funded from capital under statute	11	-	-	(11)
Soft Loans	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	(324)	-	-	324
Other Adjustments	(6)	-	-	6
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(362)	-	-	362
Capital expenditure charged against the General Fund	(120)	-	-	120
Acquisition of Donated Assets	(38)	-	-	38
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(253)	-	253	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(3)	3
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(42)	724	-	(682)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(246)	-	246
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2013/14	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		-	-	-
Adjustments primarily involving the Available For Sale Financial Instruments Reserve:				
Movement in fair value of available for sale financial instruments	(3)			3
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 36)	2,164	-	-	(2,164)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,397)	-	-	1,397
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(40)			40
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	960	-	-	(960)
Cost of Services	1,659	478	250	(2,387)

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2012/13 Restated	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	1,499	-	-	(1,499)
Revaluation losses on Property, Plant and Equipment	-	-	-	-
Movements in the fair value of Investment Properties	58	-	-	(58)
Amortisation of intangible assets	96	-	-	(96)
Capital grants and contributions applied		-	-	
Revenue expenditure funded from capital under statute	21	-	-	(21)
Soft Loans	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	630	475	5	(1,110)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(322)	-	-	322
Capital expenditure charged against the General Fund	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(171)	-	171
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2012/13 Restated	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve: Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(650)	-	-	650
Adjustments primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(5)	-	-	5
Adjustments primarily involving the Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 36)	2,047	-	-	(2,047)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,404)	-	-	1,404
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(15)	-	-	15
Cost of Services	1,955	304	5	(2,264)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

8. Earmarked Reserves

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

	Balance at 31-Mar-12 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-13 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-14 £'000	See Notes Below
Bishopdale Court	5	-	-	5	-	-	5	
Building Control Reserve	25	-	-	25	-	-	25	
Buildings Reserve	-	-	50	50	(20)	145	175	8.1
Business Rates Equalisation	-	-	-	-	-	960	960	8.2
Contingency	-	-	33	33	(33)	25	25	
Edith Stead Bequest Reserve	2	-	-	2	-	-	2	
Enabling Efficiencies Fund	217	-	207	424	(99)	136	461	8.3
ERDF Funds	48	-	-	48	-	-	48	8.4
Future Year Budget Support	-	-	-	-	-	173	173	8.5
Insurance	-	-	-	-	-	10	10	
IT Reserve	-	-	83	83	(21)	250	312	8.6
Local Authority Business Growth Incentive	9	-	-	9	-	-	9	
Local Plan Reserve	310	-	50	360	-	40	400	8.7
New Homes Bonus	253	-	367	620	(172)	588	1,036	8.8
Partial Exemption Reserve	17	-	-	17	-	-	17	
Revenue Expenditure Reserve	-	-	-	-	-	148	148	8.9
Vehicle Replacement Reserve	-	-	50	50	-	200	250	8.10
Total	886	-	840	1,726	(345)	2,675	4,056	

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

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

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

8.4. ERDF Funds Grant from the Government for Economic Development Initiatives.

8.5. The Future Year Budget Support reserve has been created from planned income and savings generated from the Council's income and savings plan in 2013/14 and will be used to support future years budgets to mitigate the impact reductions in government grant funding.

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

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

8.8. 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 to the benefit of local residents.

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

9. Other Operating Expenditure

2012/13 £'000		2013/14 £'000
1,111	Parish Precepts	1,183
-	Contribution of Housing Capital Receipts to Government Pool	-
-	Receipts from covenants	(42)
(21)	(Gains) / Losses on Disposal of non-Current assets	(309)
1,090	Total	832

10. Financing and Investment Income and Expenditure

2012/13 Restated £'000		2013/14 £'000
295	Interest Payable and similar charges	274
(70)	Interest Receivable and similar income	(46)
1,243	Net interest on the net defined benefit liability (asset)	1,227
(41)	Income and expenditure in relation to investment properties and changes in their fair value	(97)
	Other investment income	(8)
1,427	Total	1,350

11. Taxation and Non-Specific Grant Income

2012/13 £'000		2013/14 £'000
(4,549)	Council Tax	(4,321)
(2,883)	Non-domestic Rates Income and Expenditure	-
(542)	Non Ring-fenced Government Grants	(3,097)
-	Capital Grants and other contributions	(291)
-	Retained Business Rates	(6,529)
-	Business Rates Tariff/(Top Up)	5,626
(7,974)	Total	(8,612)

12. Property, Plant and Equipment

12.1. Depreciation

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

	Estimated Useful Life (years)
Buildings	
Operational Buildings, up to	100
Non-Operational Buildings, up to	50
Garages	10
Other Assets	
Vehicles and smaller items of Plant & Equipment	7
Major items of plant and equipment, up to	20

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12.2. Property, Plant and Equipment

Movement on Fixed Assets

The table below and on the following page show the movement in value of the Council's non-current assets. The value of the Council's housing stock, and other properties owned by the Council are valued on a rolling programme basis except for investment properties which are valued annually at the balance sheet date. Valuations for 2013/14 have been undertaken in-house by Andrew Whelan MRICS, Estates Surveyor.

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

2013/14	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Surplus Assets £'000	PPE TOTAL £'000	Investment Property £'000	Community & Heritage Assets £'000	TOTAL £'000
Tangible Assets							
Cost or Valuation at 31 March 2013	27,962	4,896	-	32,858	1,450	2,627	36,935
Movement in 2013/2014							
Additions	77	214	-	291	-	13	304
Donations	-	-	-	-	-	38	38
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(772)	-	-	(772)	-	23	(749)
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(390)	-	-	(390)	(31)	-	(421)
Derecognition - disposals	-	(147)	-	(147)	-	-	(147)
Reclassification	(82)	-	-	(82)	25	57	-
Value as at 31 March 2014	26,795	4,963	-	31,758	1,444	2,758	35,960
Accumulated Depreciation and Impairment							
at 31 March 2013	2,396	3,081	-	5,477	-	-	5,477
Movement in 2013/2014							
Depreciation for the Year	628	450	-	1,078	-	-	1,078
Depreciation written out to the Revaluation Reserve	(323)	-	-	(323)	-	-	(323)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	(449)	-	-	(449)	-	-	(449)
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	(142)	-	(142)	-	-	(142)
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-
Value as at 31 March 2014	2,252	3,389	-	5,641	-	-	5,641
Net Book Value							
at 31 March 2014	24,543	1,574	-	26,117	1,444	2,758	30,319
at 31 March 2013	25,566	1,815	-	27,381	1,450	2,627	31,458

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12.2. Property, Plant and Equipment continued

Movement on Fixed Assets continued

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Surplus Assets £'000	PPE TOTAL £'000	Investment Property £'000	Community & Heritage Assets £'000	TOTAL £'000
2012/13							
Tangible Assets							
Cost or Valuation at 31 March 2012	31,302	4,850	325	36,477	1,578	1,455	39,510
Movement in 2012/13							
Additions	-	121	-	121	-	-	121
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,181)	-	-	(1,181)	-	-	(1,181)
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(987)	-	-	(987)	(58)	-	(1,045)
Derecognition - disposals	-	(75)	(325)	(400)	(70)	-	(470)
Reclassifications	(1,172)	-	-	(1,172)	-	1,172	-
Value as at 31 March 2013	27,962	4,896	-	32,858	1,450	2,627	36,935
Accumulated Depreciation and Impairment							
at 31 March 2012	2,224	2,629	160	5,013	-	-	5,013
Movement in 2012/13							
Depreciation for the Year	366	522	-	888	-	-	888
Depreciation written out to the Revaluation Reserve	(368)	-	-	(368)	-	-	(368)
Impairment losses/(reversals) recognised in the Revaluation Reserve	276	-	-	276	-	-	276
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	(151)	-	-	(151)	-	-	(151)
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	49	(70)	(160)	(230)	-	-	49
Derecognition - disposals	-	-	-	-	-	-	(230)
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-
Value as at 31 March 2013	2,396	3,081	-	5,477	-	-	5,477
Net Book Value							
at 31 March 2013	25,566	1,815	-	27,381	1,450	2,627	31,458
at 31 March 2012	29,078	2,221	165	31,464	1,578	1,455	34,497

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12.3. Commitments Under Capital Contracts

The Council is required to disclose any significant commitments under capital contracts. These commitments relate to contractual obligations entered into but not discharged by 31 March 2014, and commitments to meet items in the proposed capital programme where contracts have not been entered into, which are not already reflected within the accounts.

The Council has authorised expenditure in future years of £3,357k the table analyses these schemes which are approved and contracted or approved to proceed but are not yet contracted:

	Expenditure approved and contracted at 31-Mar-14 £'000	Expenditure approved to proceed but not contracted at 31-Mar-14 £'000	Period of Investment
IT Software	-	143	1-3 years
Vehicles & Equipment	-	1,340	1-3 years
Home Improvement & Repair Grants	125	312	1-3 years
Improvements to Property	92	1,345	1-3 years
Total	217	3,140	

12.4. Revaluations

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 1.17 of these Explanatory Notes (See pages 30 to 32). The Council carries out a rolling programme that ensures that all Property, Plant and Equipment is revalued at least every five years. For 2013/14 the valuation date for all assets is 1st April 2013 except for investment properties which were valued at 31st March 2014. 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 2013/14 have been undertaken in-house by Andrew Whelan MRICS, Estates Surveyor.

	Other Land and Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historical cost:	30,607	4,963	-	35,570
Valued at Fair Value as at:				
31-Mar-14	(3,436)	-	-	(3,436)
31-Mar-13	(1,046)	-	-	(1,046)
31-Mar-12	(7,268)	-	-	(7,268)
31-Mar-11	8,764	-	-	8,764
31-Mar-10	(801)	-	-	(801)
Total Cost or Valuation	26,820	4,963	-	31,783

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

13. 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, unless an event dictates otherwise. In July 2013 Shakespeare's First Folio was revalued upwards. There have been no disposals of capitalised heritage assets in the year. There has been a donation of art work in 2013/14 with a value of £38k being a collection of paintings by Arthur Reginald Smith identified in the asset register as the Geoffrey Lawrence Gift. Of the Heritage Assets capitalised, the most significant are the Shakespeare First Folio and individual paintings within the Roebuck collection.

Heritage Assets

Five-Year Summary of Transactions:

	2009/10	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000
Cost of Acquisitions of Heritage Assets:					
Art Works	0	0	0	0	0
Literary Works	0	0	0	0	0
Artefacts	0	0	0	0	0
Total Value	0	0	0	0	0
Value of Heritage Assets Acquired by Donation:					
Art Works	0	0	1,162	0	38
Literary Works	0	0	200	0	0
Artefacts	0	0	93	0	0
Total Value	0	0	1,455	0	38
Disposals in the Period	0	0	0	0	0
Impairments Recognised in the Period	0	0	0	0	0

14. Investment Properties

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

	2012/13	2013/14
	£'000	£'000
Rental Income From Investment Property	151	141
Direct Operating expenses arising from investment property	(51)	(13)
Net Gain / (Loss)	100	128

There are no restrictions on the Council's ability to realise the value inherent in its investment property or in the Council's right to the remittance income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

14. Investment Properties continued.....

The following table summarises the movement in the fair value of investment properties over the year.

	2012/13 £'000	2013/14 £'000
Balance at start of the year	1,578	1,450
Additions:		
Purchases	-	-
Construction	-	-
Subsequent Expenditure	-	-
Disposals	(70)	-
Net gains/losses from fair value adjustments	(58)	(31)
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	-	25
Other Changes	-	-
Balance at end of Year	1,450	1,444

15. Intangible Assets

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

2012/13 Software Licenses £'000		2013/14 Software Licenses £'000
1,095	Cost	
29	Historic Cost brought forward 1 April	1,124
-	Additions	52
	Disposals	-
1,124	Historic Cost carried forward 31 March	1,176
	Depreciation and Impairments	
837	Accumulated depreciation and impairment brought forward	933
96	Charge for year	59
-	Disposals	-
933	Accumulated depreciation and impairment carried forward	992
191	Balance Sheet at 31 March	184

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

16. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. Notes 18 and 21 provide further information.

	Long-Term		Current	
	31-Mar-13 £'000	31-Mar-14 £'000	31-Mar-13 £'000	31-Mar-14 £'000
Investments				
Loans and receivables (excl cash equivalents)	-	-	1,004	1,504
Available-for-sale financial assets	3	3	-	-
Total investments	3	3	1,004	1,504
Debtors				
Loans and receivables	661	484	436	1,070
Total included in Debtors	661	484	436	1,070
Borrowings				
Financial Liabilities at amortised cost	5,028	6,012	1,317	48
Total included in Borrowings	5,028	6,012	1,317	48
Creditors				
Financial liabilities carried at amortised cost	-	-	1,820	2,566
Total Creditors	-	-	1,820	2,566

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
The fair values calculated using Capita's method are as follows				
Financial Liabilities	6,238	6,850	5,988	6,233

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
The fair values calculated using PWLB's method are as follows				
Financial Liabilities	6,238	8,327	5,988	7,319

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

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Fixed term Loans and Receivables	1,004	1,005	1,500	1,504

The fair value is almost the same as the carrying amount because the authority's portfolio of investments consists of fixed rate loans where the interest rate receivable is the same as the rates available for similar loans at the balance sheet date. This guarantee to receive interest at around current market rates reduces the amount that the authority would receive if it agreed to early repayment of the loans.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

17. Inventories

The stock held by the Council is classified into 6 categories: other, which includes stock of stationery and other small value items, supplies for vehicle maintenance, waste collection sacks, craven pool catering stocks, craven pool other goods for resale and TIC & museum stock for resale.

2012/13	Opening Balance £'000	Purchases In Year £'000	Usage In Year £'000	Closing Balance £'000
Vehicle Maintenance	24	238	(238)	24
Waste Collection Sacks	13	15	(15)	13
Craven Pool Catering & Vending	1	80	(80)	1
Craven Pool Other Goods	5	18	(18)	5
TIC & Museum	6	22	(22)	6
Other	4	8	(8)	4
Total	53	381	(381)	53

2013/14	Opening Balance £'000	Purchases In Year £'000	Usage In Year £'000	Closing Balance £'000
Vehicle Maintenance	24	238	(239)	23
Waste Collection Sacks	13	10	(9)	14
Craven Pool Catering & Vending	1	79	(78)	2
Craven Pool Other Goods	5	17	(16)	6
TIC & Museum	6	28	(29)	5
Other	4	8	(7)	5
Total	53	380	(378)	55

18. Short-Term Debtors

The following table shows the amounts owed to the Council for which payments have not been received by 31 March 2014. 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.

31-Mar-13 £'000		31-Mar-14 £'000
1,589	Central Government Bodies	977
91	Other Local Authorities	415
946	Other Entities and Individuals	1,718
2,626		3,110
(462)	Less Provision for Bad Debts	(473)
2,164	Total	2,637

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

19. Cash and Cash Equivalents

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

Balance at 31-Mar-13 £'000		Balance at 31-Mar-14 £'000
30	Cash held by the Authority	30
(755)	Bank Current Accounts	191
3,667	Short-term Deposits	5,849
2,942		6,070

20. Assets Held For Sale

	2012/13 £'000	2013/14 £'000
Balance at Start of Year	828	828
Assets newly classified as held for sale		-
Property, Plant & Equipment Disposals	-	(828)
Balance at End of Year	828	-

21. Creditors

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

31-Mar-13 £'000		31-Mar-14 £'000
103	Central Government Bodies	202
744	Other Local Authorities	893
973	Other Entities and Individuals	1,471
1,820	Total	2,566

22. Usable Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. These Reserves can be analysed between Usable (i.e. the balances are available to support the delivery of Council Services) and Unusable (i.e. they are kept to manage accounting processes for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Authority). Unusable Reserves are detailed in note 23.

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

2012/13 £'000		2013/14 £'000	Note
	Usable Reserves		
1,030	General Fund	1,030	22.1
1,726	Earmarked Reserves	4,056	22.2
1,294	Capital Receipts Reserve	1,772	22.3
121	Capital Grants Unapplied	371	22.4
4,171	Total	7,229	

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

22. Usable Reserves continued.....

22.1. General Fund

This is a non-earmarked balance which is set aside to cover unforeseen events and the risk of inflation increases. The Council has a minimum level for this balance set at £1.0m. Any amounts above this may be used to support the budget and future council tax levels within the context of the Council's financial strategy.

22.2. Earmarked Reserves

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

22.3. Capital Receipts Reserve

Usable capital receipts are created from the income arising from the sale of non-current assets and other capital income including the sale of intangible assets which are assets that have no physical substance, receipts from loans, right to buy discounts and covenants which are used to finance capital expenditure. They are held in this reserve until such time as they are required.

22.4. Capital Grants Unapplied Reserve

This reserve holds grants and contributions that the Council has received from central government and other organisations towards the costs of capital expenditure that have not been used at the balance sheet date, but which will be used in the future. The contributions held in this reserve do not have conditions attached to either the timing of their use or the purpose for which they may be utilised or both.

23. Unusable Reserves

Unusable reserves are those that are kept to manage accounting processes for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Authority.

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

2012/13 £'000		2013/14 £'000	Note
	Unusable Reserves		
	Revaluation Balances		
8,857	Revaluation Reserve	7,941	23.1
-	Available-for-Sale Financial Instruments Reserve	3	23.2
17,462	Capital Adjustment Account	16,774	23.3
-	Financial Instruments Adjustment Account	-	23.4
(29,506)	Pensions Reserve	(20,657)	23.5
650	Deferred Capital Receipts Reserve	1,125	23.6
49	Collection Fund Adjustment Account	(871)	23.7
(58)	Accumulated Absences Account	(58)	23.8
(2,546)	Total	4,257	

23.1. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable Reserves continued.....

23.1. Revaluation Reserve continued.....

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £'000		2013/14 £'000
10,639	Balance brought forward at 1 April	8,857
1,960	Upwards revaluation of assets	864
(2,454)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(1,290)
(494)	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	(426)
(677)	Difference between fair value depreciation and historical cost depreciation	(207)
(611)	Accumulated gains on assets sold or scrapped	(283)
(1,288)	Amount written off to the Capital Adjustment Account	(490)
8,857	Balance carried forward at 31 March	7,941

23.2. Available-for-Sale Financial Instruments Reserve

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

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

2012/13 £'000		2013/14 £'000
	Balance brought forward at 1 April	-
	Transfer from GF of value of investment	3
-	Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	-
-	Total movement on the reserve in Year	3
-	Balance carried forward at 31 March	3

23.3. Capital Adjustment Account

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable Reserves continued.....

23.3. Capital Adjustment Account continued.....

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

2012/13 £'000		2013/14 £'000
18,465	Balance brought forward at 1 April	17,462
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(937)	Charges for depreciation and impairment of non-current assets	(1,078)
(96)	Amortisation of intangible assets	(59)
(972)	Revaluation losses on Property, Plant and Equipment	59
-	Adjustment to prior year revaluation	6
(21)	Revenue Expenditure Funded From Capital Under Statute	(11)
(700)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(833)
(2,726)		(1,916)
1,288	Adjusting amounts written out of the Revaluation Reserve	490
(1,438)	Net written out amount of the cost of non-current assets consumed in the year	(1,426)
	Capital financing applied in the year:	
171	Use of the Capital Receipts Reserve to finance new capital expenditure	246
-	Application of grants to capital financing from the Capital Grants Unapplied Account	3
322	Minimum Revenue Provision - Borrowing	362
-	Capital expenditure charged against the General Fund	120
493	Total capital financing applied in the year	731
(58)	Movements in the market value of Investment Properties debited or credited to the CIES	(31)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	38
17,462	Balance carried forward at 31 March	16,774

23.4. Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council has used the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

The Council is holding this balance of £24k as part of the outstanding borrowing balance.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable Reserves continued.....

23.4. Financial Instruments Adjustment Account

The Available-for-Sale Financial Instruments Reserve and the Financial Instruments Adjustment Account are two reserves that help to manage the accounting requirements for financial instruments. Financial instruments are required to be carried at fair value and the outcome of proper accounting practices for the Comprehensive Income and Expenditure Statement is different from that required for assessing the impact on local taxes. These reserves are matched by borrowings and investments within the Balance Sheet and are not resources available to the Council.

23.5. Pensions Reserve

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

2012/13 Restated £'000		2013/14 £'000
(25,517)	Balance brought forward at 1 April	(29,506)
(3,346)	Remeasurements of the net defined benefit liability / (asset)	9,616
(2,047)	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,164)
1,404	Employer's pensions contributions and direct payments to pensioners payable in the year	1,397
(29,506)	Balance carried forward at 31 March	(20,657)

23.6. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal on non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2012/13 £'000		2013/14 £'000
-	Balance brought forward at 1 April	650
650	Deferred Payments re assets sold in year transferred to the Capital Receipts Reserve	475
650	Balance carried forward at 31 March	1,125

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable Reserves continued.....

23.7. Collection Fund Adjustment Account

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

2012/13 £'000		2013/14 £'000
34	Balance brought forward at 1 April	49
15	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(920)
49	Balance carried forward at 31 March	(871)

23.8. Accumulated Absences Account

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

2012/13 £'000		2013/14 £'000
58	Balance brought forward at 1 April	58
58	Balance carried forward at 31 March	58

24. Cash Flow Statement - Operating Activities

2012/13 £'000		2013/14 £'000
	The cash flows for operating activities include the following items:	
78	Interest Received	(46)
(300)	Interest Paid	274
(222)		228

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

24. Cash Flow Statement - Operating Activities continued.....

2012/13 Restated £'000		2013/14 £'000
(1,115)	Net Surplus / (deficit) on the provision of services The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	671
1,653	Depreciation, impairment and downward valuations	1,079
-	(Increase) / decrease in long term debtors	177
225	Increase / (decrease) in creditors	384
(520)	(Increase) / decrease in debtors	(560)
-	Increase / (decrease) in provisions	480
-	(Increase) / decrease in inventories	(2)
643	Movement in pension liability	767
1,110	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	833
	Other non-cash items charged to the net surplus or deficit on the provision of services	(44)
3,111	The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:	3,114
(1,125)	Proceeds from the sale of property, plant and equipment, investment property and intangibles	(724)
871	Net Cash Flows From Operating Activities	3,061

25. Cash Flow Statement - Investing Activities

2012/13 £'000		2013/14 £'000
(150)	Purchase of property, plant and equipment, investment property and intangible assets	(356)
1,125	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	724
-	Proceeds from short-term and long-term investments	(500)
975	Net Cash Flows From Investing Activities	(132)

26. Cash Flow Statement - Financing Activities

2012/13 £'000		2013/14 £'000
-	Cash receipts of short-term and long-term borrowing	1,000
-	Repayments of short-term and long-term borrowing	(1,250)
1,474	Other payments for financing activities	449
1,474	Net Cash Flows From Financing Activities	199

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Policy Committee and Council on a portfolio basis. 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 CIES).

The cost of retirement benefits is based on cash flows (payment of employer pension contributions) rather than the current service cost of benefits accrued in the year.

The income and expenditure of the Council's Portfolios recorded in the budget reports for the year is set out below:

Service Information for the Year Ended 31 March 2013 - reported by Portfolio	Chief Executive & Director of Services	Resources	Community	Totals
Restated	£'000	£'000	£'000	£'000
Income				
Fees, charges and other service income	440	1,755	3,742	5,937
Government grants and contributions	13,407	-	41	13,448
Total Income	13,847	1,755	3,783	19,385
Expenditure				
Employee Expenses	1,712	2,114	3,581	7,407
Other Service Expenditure	850	1,363	2,297	4,510
Transfer Payments*	13,125	-	-	13,125
Capital Financing	-	5	-	5
Gross Expenditure	15,687	3,482	5,878	25,047
Net Services Expenditure	1,840	1,727	2,095	5,662
Amounts not included in CIES but reported to management				99
Amounts included in CIES but not reported to management				811
Net Cost of Service per CIES				6,572

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the CIES

	2013/14
	£'000
Net Cost of Service (above)	6,572
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)
Income & Expenditure in relation to Investment Properties	(41)
Pension Interest Cost and expected return on pension assets	1,243
Council Tax Income	(4,549)
Non-Domestic Rates Income	(2,883)
Non-ringfenced Government Grants	(542)
(Surplus) or Deficit on the Provision of Service	1,115

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Amounts Reported for Resource Allocation Decisions continued.....

Service Information for the Year Ended 31 March 2014 - reported by Portfolio	Chief Executive & Director of Services £'000	Resources £'000	Community £'000	Totals £'000
Income				
Fees, charges and other service income	900	1,707	3,805	6,412
Government grants and contributions	10,366	29	633	11,028
Total Income	11,266	1,736	4,438	17,440
Expenditure				
Employee Expenses	1,723	1,390	3,583	6,696
Other Service Expenditure	245	1,806	3,529	5,580
Transfer Payments*	9,902	-	-	9,902
Capital Financing	-			-
Gross Expenditure	11,870	3,196	7,112	22,178
Net Services Expenditure	604	1,460	2,674	4,738
Amounts not included in CIES but reported to management				(588)
Amounts included in CIES but not reported to management				1,609
Net Cost of Service per CIES				5,759

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the CIES

	2013/14 £'000
Net Cost of Service (above)	5,759
Parish Precepts	1,183
(Gains) / Losses on the disposal of non-current assets	(351)
Interest Payable and similar charges	274
Interest and Investment Income	(54)
Income & Expenditure in relation to Investment Properties	(97)
Pension Net interest on the net defined benefit liability	1,227
Council Tax Income	(4,321)
Non-Domestic Rates Income	(903)
Non-ringfenced Government Grants	(3,388)
(Surplus) or Deficit on the Provision of Service	(671)

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Amounts Reported for Resource Allocation Decisions continued

Reconciliation to Subjective Analysis

These tables reconcile the data in the analysis of income and expenditure and relate to a subjective analysis of the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement

2013/14	Portfolios £'000	Amounts Not Reported to Management £'000	Amounts Not Included in CIES £'000	Net Cost of Service £'000	Corporate Amounts £'000	Net Position £'000
Income						
Fees, charges and other service income	6,412	-		6,412	-	6,412
Government grants and contributions	11,028	-		11,028	4,291	15,319
Interest and Investment Income	-	-		-	46	46
Income from Council Tax	-	-		-	4,321	4,321
Total Income	17,440	-	-	17,440	8,658	26,098
Expenditure						
Employee Expenses	6,696	-		6,696	-	6,696
Other Service Costs	5,580	29	(460)	5,149	(15)	5,134
Transfer Payments	9,902	-		9,902	-	9,902
Depreciation, amortisation and Impairment	-	1,110		1,110	-	1,110
Interest Payments	-	(8)		(8)	274	266
Precepts & Levies	-	-		-	1,183	1,183
Pension Defined Benefit Liability (IAS19)	-	(7,703)	-	(7,703)	-	(7,703)
Gain or Loss on Disposal of Non-current Assets	-	(309)		(309)	(42)	(351)
Gross Expenditure	22,178	(6,881)	(460)	14,837	1,400	16,237
(Surplus)/Deficit on the Provision of Services	4,738	(6,881)	(460)	(2,603)	(7,258)	(9,861)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Amounts Reported for Resource Allocation Decisions continued

Reconciliation to Subjective Analysis

2012/13	Portfolios	Amounts Not Reported to Management	Amounts Not Included in CIES	Net Cost of Service	Corporate Amounts	Net Position
Restated	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Fees, charges and other service income	5,937	-		5,937	-	5,937
Government grants and contributions	13,448	-		13,448	3,425	16,873
Interest and Investment Income	-	-		-	70	70
Income from Council Tax	-	-		-	4,549	4,549
Total Income	19,385	-	-	19,385	8,044	27,429
Expenditure						
Employee Expenses	7,407	-		7,407	-	7,407
Other Service Costs	4,510	(290)		4,220	-	4,220
Transfer Payments	13,125	-		13,125	-	13,125
Depreciation, amortisation and Impairment	-	1,653		1,653	-	1,653
Interest Payments	5			5	295	300
Precepts & Levies	-			-	1,111	1,111
Pension Defined Benefit Liability (IAS19)	-	4,589	-	4,589		4,589
Gain or Loss on Disposal of Non-current Assets	-	(21)		(21)		(21)
Gross Expenditure	25,047	5,931	-	30,978	1,406	32,384
(Surplus)/Deficit on the Provision of Services	5,662	5,931	-	11,593	(6,638)	4,955

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

28. Members Allowances

The Accounting Code of Practice requires disclosure of the total sum paid in the year under the Members Allowances Scheme. The total amount paid to Members (Basic Allowance, Special Responsibility Allowance and travel/subsistence payments) in 2013/14 is £159,700 (compared to £156,784 in 2012/13). The table analyses these payments.

2012/13 £'000		2013/14 £'000
148	Allowances	149
9	Expenses	11
157	Total	160

29. Officers' Remuneration

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

Post Title	Salary (including fees & allowances) £	Bonuses £	Benefits in Kind (car allowance) £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total Remuneration including pension contributions £
2013/14						
Chief Executive	95,000	2,500	141	97,641	11,798	109,439
Director of Services	75,000	-	46	75,046	9,075	84,121
Corporate Head Financial Management Section 151	63,680	-	-	63,680	7,695	71,375
Corporate Head Business Support	61,785	600	71	62,456	7,549	70,005
Strategic Manager Legal and Democratic (Monitoring Officer)	44,421	-	8	44,429	5,375	49,804
2012/13						
Chief Executive	95,000	5,000	139	100,139	12,100	112,239
Deputy Chief Executive	73,500	-	35	73,535	8,894	82,429
Corporate Head Financial Management Section 151	62,875	-	-	62,875	7,608	70,483
Corporate Head Business Support	60,375	-	13	60,388	7,305	67,693
Strategic Manager Legal and Democratic (Monitoring Officer)	52,929	-	26	52,955	6,404	59,359

Note: The role of Deputy Chief Executive was re-designated as Director of Services within 2013-14.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

29. continued

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:

2012/13 Total	Remuneration Band		2013/14 Total
	£	£	
1	50,000	to 54,999	1
0	55,000	59,999	0
2	60,000	64,999	2
0	65,000	69,999	0
1	70,000	74,999	0
0	75,000	79,999	1
0	80,000	84,999	0
0	85,000	89,999	0
0	90,000	94,999	0
0	95,000	99,999	1
1	100,000	104,999	0

Termination Benefits

The Council terminated the contract of 2 employees in 2013/14 (2 in 2012/13), incurring liabilities of £22k. The number of exit packages and total cost per band are shown in the following table. These costs have arisen due to the Council's rationalisation of services. The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£	£						£	£
0 - 20,000	2	1	-	1	2	2	5,659	22,111
20,001 - 40,000	-	-	-	-	-	-	-	-
40,001 - 60,000	-	-	-	-	-	-	-	-
60,001 - 80,000	-	-	-	-	-	-	-	-
80,001 - 100,000	-	-	-	-	-	-	-	-
Total	2	1	-	1	2	2	5,659	22,111

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

30. External Audit Costs

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

2012/13 Restated £'000		2013/14 £'000
55	Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year.	61
6	Additional Fee payable to Mazars in respect of the 2012/13 audit.	-
18	Fees payable to Mazars for the certification of grant claims and returns for the year	11
-	PSIAS review fee	2
-	Fees payable in respect of other services provided by Mazars during the year	-
79	Total	74

The 2012/13 audit fee has been restated to take into account an additional charge of £6k by our auditors to pay for additional audit work on the 2012/13 financial statements. In March 2014, the Audit Commission decided to issue rebates to all principal local authorities in relation to 2012/13 audit fees. The Council received a rebate of £7k against the audit fee in the table above.

31. Grant Income

An analysis of Government Grants Included in the CIES for 2013/14 is shown below:

2012/13 £'000		2013/14 £'000
	<u>Credited to Taxation and Non-specific Grant Income</u>	
56	Revenue Support Grant	1,951
2,883	NNDR Rates Pool	-
85	Local Services Support Grant	-
	Non-Service Related Government Grants	
369	New Homes Bonus	599
-	NNDR - Small Business Rate Relief	411
85	Council Tax Freeze Grant	34
84	Council Tax New Burdens and Transitional Grants	42
-	SPARSE	30
-	Miscellaneous Grants & Donations	46
3,562	Total	3,113
	<u>Credited to Services</u>	
	Other Government Grants:-	
9,956	DWP Grant for HB	9,802
3,032	Council Tax Benefits	-
9	Community Right To Challenge	9
5	Community Right to Bid	-
150	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	192
320	Housing Benefits Admin & Other Benefit Reforms Grants	289
120	NNDR Collection	119
-	DANP (Neighbourhood Plans)	5
3	DEL Contingency	-
10	Mary Portas Pilots	-
17,167	Total	13,529

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

31. Grant Income continued....

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them at the balance sheet date that will require the monies or property to be returned to the giver if they are not utilised for the intended purpose. Capital grant receipts in advance are sums of money that have been received from the Government such as Disabled Facilities Grants, and other organisations to contribute towards the costs of non-current assets and other capital expenditure such as grants to other organisations. When the conditions for the grant are met it is transferred to the Comprehensive Income and Expenditure Statement. Should the conditions not be met then the grant is repaid. The balances at the year-end which are included as part of creditors are as follows:

	Long-Term		Current	
	31-Mar-13 £'000	31-Mar-14 £'000	31-Mar-13 £'000	31-Mar-14 £'000
Grants Receipts in Advance (Capital Grants)				
Disabled Facilities Grant	-	-	83	20
	-	-		-
Total	-	-	83	20

	Long-Term		Current	
	31-Mar-13 £'000	31-Mar-14 £'000	31-Mar-13 £'000	31-Mar-14 £'000
Grants Receipts in Advance (Revenue Grants)				
Local Services Grant	-	-	44	44
	-	-		
Total	-	-	44	44

32. Related Party Transactions

The Council is required to disclose all material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. In this context related parties include:

- Central Government
- Members
- Officers
- Other Public Bodies
- Entities controlled or significantly influenced by the Council

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in Note 31.

Members

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

During 2013/14, 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

32. Related Party Transactions continued.....

Officers

During the year 2013/14 current Council Officers declared no transactions with any organisation of which they have an interest.

Other Public Bodies

The Council collects Council Tax to fund its own revenue requirements and to distribute to other precepting authorities. These being North Yorkshire County Council, 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 5.

North Yorkshire County Council: Craven District Council Councillors who were also North Yorkshire County Councillors are as follows; Cllr Ireton, Cllr Heseltine, Cllr Barrett and Cllr Welch. In the year Craven District Council had £316k in receivables, they also had £344k 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 had receipts from the North Yorkshire Fire and Rescue Service of £1k.

Cllr Myers is a member of the North Yorkshire Police & Crime Panel. Craven District Council had receipts from the North Yorkshire Police Authority of £23k and payments to of £3k.

Cllr Kerwin-Davey, Cllr Harbron and Cllr Heseltine are members of the Skipton Town Council. Transactions relating to the Skipton Town Council were £5k in receipts and NIL in regard to payments other than that of the

Cllr Lis and Cllr Heseltine are members of the Yorkshire Dales National Park Authority (YDNPA). Transactions relating to the YDNPA were £12k in payments and £6k in regard to receipts.

Four Members of the Council declared an interest in the following grants paid to community or charitable organisations in 2013/14:

2012/13 £'000	Organisation	2013/14 £'000
18	Citizens Advice Bureau	18
10	Settle Victoria Hall	10
1	Settle-Carlisle Railway Development Company	-
6	Craven Recycled Furniture Centre	8
35	Total	36

Cllr Paul English, Cllr Roberts and Cllr Heseltine had an interest in Craven Citizens Advice Bureau. Cllr Whaites had an interest in Settle Victoria Hall. 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

32. Related Party Transactions continued.....

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

2012/13 Transactions £'000		2013/14 Transactions £'000	2013/14 Balance Owed £'000
1,111	Parish Precepts	1,183	-
	North Yorkshire Pension Fund (Employer Contributions)	1,397	65
252	North Yorkshire waste disposal services	225	225
1,363	Total Payments	2,805	290

33. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table following, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2012/13 £'000		2013/14 £'000	2013/14 £'000
6,232	Opening Capital Financing Requirement		5,910
	Capital investment		
121	Property Plant & Equipment	282	
29	Intangible assets	73	
	Revenue Expenditure Funded from Capital Under Statute (REFCUS)		
172	- Grants	279	
	Revenue Expenditure Funded from Capital Under Statute (REFCUS)		
	- Loans		
322	Total Capital Investment		634
	Sources of finance		
(171)	Capital receipts		(246)
(151)	Government grants and other contributions		(268)
-	Sums Set Aside from Revenue		(120)
(322)	MRP / Loans Fund Principal		(362)
5,910	Closing Capital Financing Requirement		5,548
	Explanation of movements in year		
-	Increase in underlying need to borrow (unsupported by government financial assistance)	-	
	MRP / Loans Fund Principal		
(322)	Increase / (decrease) in Capital Financing Requirement		(362)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

34. Leases

Authority as a Lessee

Finance Leases

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

Operating Leases

Craven District Council had a two year operating lease at Airedale Business Park for a unit which was used as a museum store. This agreement ended in January 2014. The amount paid under these arrangements in 2013/14 was £6k (2012/13 £6k). There are no further lease payments due.

31-Mar-13 £'000		31-Mar-14 £'000
6	Not later than one year	-
-	Later than one year and not later than five years	-
-	Later than five years	-
6		-

The expenditure charged to the Comprehensive Income & Expenditure Statement during the year in relation to this lease was:

31-Mar-13 £'000		31-Mar-14 £'000
6	Minimum lease payments	6
6		6

The expenditure was charged to the following lines on the Comprehensive Income & Expenditure Statement:

31-Mar-13 £'000		31-Mar-14 £'000
6	Cultural and Related Services	6
6		6

Authority as a Lessor

Finance Leases

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

Operating Leases

The Council acts as a lessor for a number of properties including industrial units, shops and offices. The income received from these tenants during the year was £71k (£69k in 2012/13).

The future minimum lease payments receivable under non-cancellable leases in future years are:

31-Mar-13 £'000		31-Mar-14 £'000
67	Not later than one year	74
144	Later than one year and not later than five years	162
193	Later than five years	206
404		442

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

34. Leases continued.....

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

35. Impairment Losses

During 2013/14 the Council has recognised no impairment losses compared to £0.49m in 2012/13.

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered by North Yorkshire County Council and called the North Yorkshire Pension Fund - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities, are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The North Yorkshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and governance of the scheme is the responsibility of the pensions committee of North Yorkshire County Council. Policy is determined in accordance with Pension Fund Regulations.

Discretionary Post-retirement Benefits

Discretionary Post-retirement Benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

Transactions Relating to Retirement Benefits continued

2012/13 Restated £'000	North Yorkshire Pension Fund	2013/14 £'000
	Comprehensive Income and Expenditure Statement	
	<i>Net Cost of Services:</i>	
804	current service cost	937
-	past service costs	
-	past service costs (gains)	-
-	past service costs	-
-	administration expenses	-
-	settlement and curtailments	-
	<i>Financing and Investment Income and Expenditure:</i>	
1,243	net interest on the net defined benefit liability (asset)	1,227
2,047	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,164
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
-	Remeasurements (experience (gain)/loss on liabilities)	(402)
5,524	Remeasurements (experience (gain)/loss on financial assumptions)	(3,590)
544	Remeasurements (experience (gain)/loss on demographic assumptions)	(131)
(2,722)	Remeasurements (experience gain on assets)	(5,493)
5,393	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(7,452)
	Movement in Reserves Statement	
2,047	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	2,164
	Actual Amount charged against the General Fund Balance for pensions in the year:	
(1,404)	employers' contributions payable to the scheme	(1,397)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

Assets and Liabilities in Relation to Post-employment Benefits

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

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

	Funded		Unfunded	
	2012/13 Restated £'000	2013/14 £'000	2012/13 Restated £'000	2013/14 £'000
1 April b/fwd	48,954	56,560	433	473
Current Service Cost	804	937	-	-
Interest on Pension Liabilities	2,359	2,340	21	19
Member contributions	274	279	-	-
Past Service Cost/(gain)	-	-	-	-
Remeasurements (experience (gain)/loss on liabilities)	-	(202)		(200)
Remeasurements (experience (gain)/loss on financial assumptions)	5,490	(3,579)	34	(11)
Remeasurements (experience (gain)/loss on demographic assumptions)	544	(129)		(2)
Curtailments	10		-	-
Benefits Paid	(1,875)	(1,985)	(15)	(16)
31 March c/fwd	56,560	54,221	473	263

Reconciliation of fair value of the scheme assets:

	Funded		Unfunded	
	2012/13 Restated £'000	2013/14 £'000	2012/13 Restated £'000	2013/14 £'000
1 April b/fwd	23,870	27,527	-	-
Interest on plan assets	1,164	1,149	-	-
Remeasurements (assets)	2,722	5,493	-	-
Administration expenses	(17)	(17)	-	-
Employer Contributions	1,389	1,381	15	16
Member Contributions	274	279		
Benefits/transfers paid	(1,875)	(1,985)	(15)	(16)
31 March c/fwd	27,527	33,827	-	-

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experience in the respective markets. The actual return on scheme assets in the year was £3,194k (2012/13 £3,869k).

Scheme History

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Present Value of Liabilities	46,524	46,031	49,387	57,033	54,484
Fair Value of Assets	19,688	23,717	23,870	27,527	33,827
Surplus / (Deficit) in the Scheme	(26,836)	(22,314)	(25,517)	(29,506)	(20,657)

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment (retirement) benefits. The total liability of £21m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a positive overall balance of £11.338m.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

36. Retirement Benefits continued

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2014/15 is £1.283m (2013/14 1.247m).

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The assessment of the North Yorkshire Pension Fund liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2013.

The main assumptions used in their calculations have been:

	2012/13	2013/14
Rate of CPI inflation	2.4%	2.4%
Rate of increase in salaries	4.15%	3.90%
Rate of increase in pensions	2.4%	2.4%
Discount Rate	4.2%	4.4%
Longevity at 65 for current pensioners (in years):		
Men	22.6	23
Women	25.3	25.5
Longevity at 65 for future pensioners (in years):		
Men	24.4	25.3
Women	27.2	27.8

	31-Mar-13		31-Mar-14	
	£'000	%	£'000	%
Split of Assets between Investment Categories:				
Equities:				
UK quoted	4,763	17.3%	6,901	20.4%
UK quoted (unitised)	7,267	26.4%	9,302	27.5%
Global quoted	4,762	17.3%	5,581	16.5%
Emerging markets	826	3.0%	880	2.6%
Bonds:				
UK Government fixed	1,899	6.9%	1,725	5.1%
UK Government indexed	1,266	4.6%	2,233	6.6%
Overseas Government fixed	495	1.8%	169	0.5%
Overseas Government indexed	138	0.5%	68	0.2%
UK Corporate (Unitised)	1,982	7.2%	2,233	6.6%
Euro Corporate (Unitised)	385	1.4%	169	0.5%
International Corporate (Unitised)	193	0.7%	135	0.4%
Property:				
UK (Unitised)	1,018	3.7%	1,590	4.7%
Alternatives:				
DGF (UK Unitised)	2,395	8.7%	2,672	7.9%
Cash:				
Cash instruments (FX)	-		51	0.2%
Cash accounts	110	0.4%	118	0.3%
Net current assets	28	0.1%	-	0.0%
Total	27,527	100.00%	33,827	100.00%

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

36. Retirement Benefits continued

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

37. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2014.

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 £4,140 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 £37,726 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. Non Domestic Rates

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

4. Local Government Yorkshire & Humber

The Council is a member of (LGYH). Fourteen Council's have indicated that they may not be renewing their membership after March 2015. Under the terms of membership, any member leaving a continuing LGYH is required to provide their proportion of any past service pension deficit as calculated at the point of departure. The Pension fund for LGYH is currently in deficit and the Council has been advised that should LGYH be wound up its estimated share of the deficit is £10,787.

38. Contingent Assets

The Council has the following contingent assets at the balance sheet date.

1. Compensation Claim

Negotiations are taking place with Yorkshire Water following environmental works at the Council's Coach Street Car Park Skipton, for loss of income and loss of development value as a consequence of the work.

2. VAT Appeal

The Council has an appeal lodged with HMRC for a refund of VAT on overpaid car park fees.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

39. Nature and Extent of Risks Arising From Financial Instruments

The Council's activities expose it to a variety of financial risks:

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

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

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

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

Credit Risk

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 Mar 2014 £'000 (A)	Historical experience of default %	Historical experience adjusted for market at 31 Mar 2014 %	Estimated maximum exposure to default and uncollect- ability 31 Mar 2014 £'000 (A x C)	Estimated maximum exposure default and uncollect- ability 31 Mar 2013 £'000 (A x C)
		(B)	(C)		
Deposits with banks and financial institutions	1,500	0	0	0	0
Customers:					
Government & Local Authorities	1,293	0	0	0	0
Other	164	0.6	0.6	1	1
				1	1

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

39. Nature and Extent of Risks Arising From Financial Instruments continued

No credit limits were exceeded during the reporting period by banks and financial institutions and the 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:

At 31-Mar-13 £'000		At 31-Mar-14 £'000
120	Up to 1 month	17
57	1-2 months	124
33	2-3 months	11
6	3-6 months	8
-	over 6 months	4
216		164

Liquidity Risk

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

The maturity analysis of financial liabilities is as follows:

At 31-Mar-13 £'000		At 31-Mar-14 £'000
1,250	Less than one year	-
-	Between one and two years	-
-	Between two and five years	-
4,988	More than five years	5,988
6,238		5,988

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

Market Risk

Interest Rate Risk

The authority is exposed to risk in terms of exposure to interest rate movements on its investments and borrowings. The Council's long term borrowing is at fixed rates which as interest rates have dropped has increased the fair value or increased the penalty which would need to be paid to repay the debt early. However, as borrowings are carried at amortised cost any changes in fair value have no impact on the Comprehensive Income and Expenditure Statement.

The Council has generally been a net investor/borrower and as such its earnings from its deposits form a critical element of income for delivery of services. With interest rates continuing at to be low, generating investment income has been particularly challenging and a mix of short term and longer term deposits have been made, to enable any increases in interest rates to be maximised.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

39. Nature and Extent of Risks Arising From Financial Instruments continued

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

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

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

At 31-Mar-13 £'000		At 31-Mar-14 £'000
-	Increase in interest payable on variable rate borrowings	-
154	Increase in interest receivable on variable rate investments	57
-	Increase in government grant receivable for financing costs	-
154	Impact on Surplus of Deficit on the Provision of Services	57
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on Other Comprehensive Income & Expenditure	-
275	Increase/(Decrease) in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Statement)	(899)

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

Price risk

This is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The most common financial instruments where capital is at risk are equities and gilts.

The Council does not invest in the equity share market.

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

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

40. Provisions

2012/13 £'000	Business Rates	2013/14 £'000
-	Balance brought forward at 1 April	-
-	Additional Provisions made in 2013/14	480
-	Balance carried forward at 31 March	480

Business Rates

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

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

The Council retains a 40% share of net business rates income under the new localised scheme. The amount shown in the Council's Balance Sheet reflects the Council's proportion of the appeals provision as at 31 March 2014.

SECTION 5

SUPPLEMENTARY FINANCIAL STATEMENT

Collection Fund and Notes

THE COLLECTION FUND

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

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

2012/13		2013/14			
£'000		NNDR £'000	Council Tax £'000	Total £'000	Notes
	Income				
31,596	Council Tax	-	32,542	32,542	
2,998	Council Tax Benefits	-	-	-	
16,689	Non Domestic Ratepayers	17,806		17,806	4
-	Transitional Protection Payments	17			
51,283	Total Income	17,823	32,542	50,348	
	Expenditure				
34,127	Demands on Collection Fund	-	31,750	31,750	5
190	Payments of previous surplus	-	300	300	
	Business Rates:				
16,434	- Payment to National Pool	-	-	-	
	- Payment to Government	9,379	-	9,379	4
	- Payment to NYCC	1,685	-	1,685	4
	- Payment to NYFRS	187	-	187	4
	- Payment to Craven DC	7,489	-	7,489	4
	- Costs of Collection Allowance (to CDC)	119	-	119	
120	- Interest on Overpayments	-	-	-	
1					
203	Bad and Doubtful Debts - Write Offs	101	31	132	6
	Contribution to Provision for bad and Doubtful Debts	64	68	132	6
59	Provision for Appeals	1,199	-	1,199	6
51,134	Total Expenditure	20,223	32,149	52,372	
(149)	(Surplus) / Deficit for the year	2,400	(393)	2,024	
	COLLECTION FUND BALANCE				
(343)	Balance Brought Forward	-	(492)	(492)	6
(149)	(Surplus) / Deficit for the year	2,400	(393)	2,007	6
(492)	Balance Carried Forward	2,400	(885)	1,515	6

NOTES TO THE COLLECTION FUND

1. General

This account represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

The year-end surplus or deficit on the Collection Fund is to be distributed between billing and precepting authorities on the basis of estimates made by 15 January each year of the year-end balance.

2. Council Tax

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

Band	Council Tax Setting				
	Total No Of Dwellings	Discounts Exemptions Allowances	Revised No. of Dwellings	Ratio	Band D equivalent dwellings
-A	10	(1)	9	5/9	5.00
A	4,014	(610)	3,404	6/9	2,269.50
B	5,765	(670)	5,095	7/9	3,962.40
C	5,600	(551)	5,049	8/9	4,488.00
D	3,956	(329)	3,627	9/9	3,627.00
E	3,035	(215)	2,820	11/9	3,447.00
F	1,912	(109)	1,803	13/9	2,604.00
G	1,250	(62)	1,188	15/9	1,980.00
H	94	(7)	87	18/9	173.50
Total	25,636	(2,554)	23,082		22,556.40
Net effect of premiums and discounts					(1,788.61)
COUNCIL TAX BASE (Band D Equivalent)					20,767.79

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

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

3. Council Tax Income

The average Band D Council Tax for a property (£1,476.34 in 2013/14) 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.

NOTES TO THE COLLECTION FUND

3. Council Tax Income continued.....

The basic amount for a band D property in 2013/14 of £1,476.34 is broken down as follows:

2012/13 £'000		2013/14 £'000
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 Authority	62.10
1,476.34		1,476.34

4. Income from Business Ratepayers

NNDR is organised on a national basis. The Government specifies an amount, 47.1p in 2013/14, (45.8p in 2012/13) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The total non-domestic rateable value at 31st March 2014 was £47.081m (31st March 2013 £46.812m).

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

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

The business rates shares payable for 2013/14 were estimated before the start of the financial year as £9.362m to Central Government, £1.685m to NYCC, £187k to NYFRS and £7.489m to Craven Council. These sums have been paid in 2013/14 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Craven made an estimated tariff payment from the General Fund in 2013/14 to the value of £5.608m (see note 11).

The total income from business rate payers collected in 2013/14 was £17.823m (£16.689m in 2012/13). This sum includes £66k of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme.

In addition to the top up, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. For Craven the value of safety net figure is £1.201m. The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2013/14.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2014. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £1.199m.

NOTES TO THE COLLECTION FUND

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

The amounts collected are analysed below:

2012/13 £'000		2013/14 £'000
21,193	Gross Amount Due	21,817
(3,756)	Charitable Relief etc.	(3,373)
-	Transitional Protection Payments	17
(748)	Other Reliefs: Empty and Part Occupation Relief etc.	(638)
16,689		17,823

5. Demands on the Collection Fund

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

2012/13 £'000		2013/14 £'000
3,404	Craven District Council	3,161
23,649	North Yorkshire County Council	21,962
4,574	Police and Crime Commissioner North Yorkshire	4,248
1,389	North Yorkshire Fire & Rescue Authority	1,290
1,111	Parishes	1,089
34,127	Total	31,750

The Council acts as an agent on behalf of the Precepting Bodies for Council Tax and Central Government for Non-Domestic Rates. Provision is made for bad debts based on prior years' experience and current collection rates. The following table shows the movement in the year. The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2014. This is the first year of this provision.

2012/13 £'000		2013/14 £'000
	<u>Council Tax Bad & Doubtful Debts</u>	
80	Write-offs during the year	31
(128)	Contributions to provisions during the year	(99)
(48)	Net (increase)/decrease in provision in year	(68)
(276)	Balance at 1 April	(324)
(324)	Balance at 31 March	(392)
	<u>NNDR Bad & Doubtful Debts</u>	
123	Write-offs during the year	101
(134)	Contributions to provisions during the year	(165)
(11)	Net (increase)/decrease in provision in year	(64)
(133)	Balance at 1 April	(144)
(144)	Balance at 31 March	(208)
	<u>NNDR Appeals</u>	
-	Contributions to provisions during the year	(1,199)
-	Net (increase)/decrease in provision in year	(1,199)
-	Balance at 1 April	-
-	Balance at 31 March	(1,199)

NOTES TO THE COLLECTION FUND

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

The year-end surplus or deficit on the Collection Fund is to be shared between billing and precepting authorities on the basis of estimates made on 15 January of the year-end balance. For 2013/14 there was a distribution of £300k surplus on Council Tax based on this calculation.

Council Tax:

There was an in-year surplus of £492k on the Collection Fund in 2013/14, the effect of which was to increase the balance on the Account at 31 March 2013 to £885k.

NNDR:

There was an in-year deficit of £2,400k on the Collection Fund in 2013/14 (this was the first year of its operation).

The surplus on the Fund at 31 March 2014 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 2014 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

2012/13 Council Tax £'000	2012/13 NNDR £'000		2013/14 Council Tax £'000	2013/14 NNDR £'000
49	-	Craven District Council (including parishes)	89	(960)
354	-	North Yorkshire County Council	637	(216)
69	-	Police and Crime Commissioner North Yorkshire	124	-
20	-	North Yorkshire Fire & Rescue Authority	35	(24)
-	-	Central Government		(1,200)
492	-	Total	885	(2,400)

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 2014 as required by the 2013/14 Code of Practice on Local Authority Accounting.

SECTION 6

INDEPENDENT AUDITOR'S REPORT

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SECTION 7

GLOSSARY OF TERMS AND INDEX OF NOTES

GLOSSARY OF TERMS

Accounting Concepts

The fundamental accounting principles that are applied to ensure that the Statement of Accounts 'present fairly' the financial performance and position of the Council.

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1st April. The end of the accounting period is the balance sheet date, 31 March.

Accounting Policies

Accounting policies are the principles, bases conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy will, for example, specify the estimation basis for the allocation of support service costs, or specify the estimation basis for accruals where there is uncertainty over the amount.

Accounts

A generic term for statements setting out details of income and expenditure or assets and liabilities, in a structured manner. Accounts may be categorised by the type of transactions they record, e.g. revenue account, capital accounts or by the purpose they serve, e.g. management accounts, final accounts, balance sheet.

Accruals

Sums included in the final accounts to cover income and expenditure, whether revenue or capital in nature, attributable to the accounting period but for which payment has not been received or made at the balance sheet date.

Actuarial Gains and Losses:

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses which arise because either events have not coincided with the assumptions made by the actuary for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Actuary

A person or firm who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions to keep it solvent.

Administrative Buildings

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

Agency Services

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

Amortisation

The gradual elimination of the value of an asset through depreciation as a result of usage and age usually applied to intangible assets such as software. Or the payment of a debt over a specified number of years.

Asset

Something of worth which is measurable in monetary terms. These are normally divided into non-current assets and current assets.

Assets Under Construction

This is the value of work on uncompleted non-current assets at the balance sheet date.

Audit

An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.

Balances

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

Balance Sheet

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

Business Improvement District Schemes(BIDS)

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

GLOSSARY OF TERMS

Billing Authorities

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

Capital Adjustment Account

The balance on this account principally represents amounts set aside from revenue accounts, capital receipts used to finance capital expenditure and the excess of depreciation over the Minimum Revenue Provision.

Capital Charge

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

Capital Expenditure

Expenditure on the acquisition of non-current assets that will be of use or benefit to the Council in providing its services beyond the year of account or expenditure that adds to, and does not merely maintain, an existing non-current asset.

Capital Expenditure charged to Revenue Account (CERA)

A method of financing capital expenditure in the accounting period rather than over a number of years.

Capital Financing

The method by which money is raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing (CERA), usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Capital Financing Requirement

A prudential indicator in the CIPFA prudential code. It is derived from information in the balance sheet. The indicator generally represents the underlying need to borrow for capital purposes.

Capital Grant

Grant provided for the purpose of capital expenditure on projects.

Capital Programme

The capital schemes the Council intends to carry out over a specified time period.

Capital Receipts

Money received from the sale of non-current assets, or other money received towards capital expenditure. A specified proportion of this may be used to finance new capital expenditure.

Cash Equivalents

Current investments that are readily disposable by the Council without disrupting its business and are readily convertible to cash.

Cash Flow Statement

A statement summarising the inflows and outflows of cash, arising from transactions between the council and third parties, for revenue and capital purposes.

Central Services to the Public

This brings together those costs relating to services provided to the public by the Council.

Charging Authority

The Council responsible for administering the Collection Fund, including raising bills for and collecting appropriate council tax and national non-domestic rates (NNDR) and paying precepting bodies.

CIPFA

Chartered institute of Public Finance and Accountancy. CIPFA is the main professional body for accountants working in public service. It produces guidance in relation to various matters concerning the public sector including financial and governance issues.

Code of Practice on Local Authority Accounting

The Code has been written by CIPFA to assist local government in ensuring that its Statements of Account comply with IFRS and local government accounting regulations.

Collection Fund

A fund administered by Charging Authorities into which is paid council tax and NNDR income. Precepts are paid from the fund to Precepting Authorities, including the Charging Authority, and the NNDR collected is paid to the Government.

Community Assets

Assets that the Council intends to hold in perpetuity that have no determinable useful life and or value, or may have restrictions on their disposal. Examples of such items are cemeteries, crematoria and allotments.

GLOSSARY OF TERMS

Comprehensive Income and Expenditure Account

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

Consistency

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

Contingent Asset

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A possible liability that can be the result of a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises of all activities that the Council engages in specifically because it is an elected, multi-purpose authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. The accounting code of practice does not require these costs to be apportioned to services.

It comprises of two divisions of service Democratic Representation and Management (DRM) and Corporate Management (CM). DRM includes all Members allowances and expenses and the costs associated with all member activities such as advice and servicing meetings of the Council, Executive and Committee Meetings. CM is the statutory management of the Council and includes the costs and activities of the infrastructure that allows services to be provided by the Council or another organisation, and the information that is required for public accountability. Bringing these costs together here excludes them from the total cost of any particular service, which accords with relevant accounting regulations.

Council Tax

A charge on residential property within the Council's area to contribute to financing a proportion of the Council's expenditure.

Creditors

Amounts owed to the Council for work done, goods received or services provided within the accounting period but for which payment was not made at the balance sheet date.

Cultural and Related Services

This service line contains the costs associated with Recreation and Sport, and Open Spaces expenditure

Current Assets

Assets that can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts that will become due during the next accounting period.

Current Service Cost

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments can include termination of employees' services earlier than expected and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors

Amounts due to the Council for goods and services provided within the accounting period but not received at the balance sheet date.

Deferred Credits

Amounts due to the Council from the sale of non-current assets that are not receivable immediately on sale but will be received in instalments over time. An example is mortgages granted under the council house right to buy scheme.

GLOSSARY OF TERMS

Deferred Discounts & Premiums on Early Repayment of Debt

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

Deferred Liabilities

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

Defined Benefit Pension Scheme

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

Depreciation

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

Emoluments

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

Environmental and Regulatory Services

Includes the expenditure and income to the Council of its refuse collection and recycling service, its commercial waste function and the cleaning of the districts streets. It also includes the work of the Environmental Health team in inspecting food premises, monitoring pollution and water sampling and health and safety. The costs of pest control, the Council's statutory responsibility for closed burial grounds and public conveniences are also included within this heading.

Exceptional Items

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

Exchange Transactions

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

Expected Return in Pension Assets

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

Fees and Charges

Income arising from the provision of services.

Finance Leases

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

Financial Instruments and the Financial Instruments Adjustment Account (FIAA)

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. They refer to both financial assets and financial liabilities and includes both the straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones, such as derivatives and embedded derivatives. The FIAA is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

Financial Reporting Standards (FRSs)

Statements prepared by the Accounting Standards Board on how certain information should be disclosed in the accounts. Many of the Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

Financial Year

The period of time to which a statement of accounts relates. The financial year of the Council runs from 1 April to 31 March.

GLOSSARY OF TERMS

General Fund

The main account of the Council that records the costs of service provision except those shown in the Collection Fund.

Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants

Payments by central government towards the cost of council services either specifically (e.g. disabled facilities improvement grants) or generally (e.g. revenue support grant).

Highways and Transport Services

The expenditure and income included within this heading relates to the Council's provision of off street car parking.

Housing Capital Receipts Pool

Prescribed contributions are made to Housing Capital Receipts Pool in respect of the sale of former Housing Revenue Account assets which includes surplus land and houses under the 'right to buy scheme' by all councils.

Housing - Other Services

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

Impairment

A reduction in the value of a fixed asset below its current value on the Council's balance sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Asset

These are non-current assets that cannot be sold, but where there is economic benefit to the council of more than one year. An example is footpaths within some of the council housing developments.

Intangible Non-Current Asset

These are assets which do not have a physical substance, such as computer software, but which yield benefits to the Council and the services it provides, for a period of more than one year.

Interest Cost

This relates to a defined benefit pension scheme. The expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS)

IFRS is the prescribed format for all local authority Statement of Accounts. The Code of Practice gives detailed guidance on how the Council will account for its transactions in the statements and notes explaining the transactions.

Investment

An investment is considered to be long term if it is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified as such only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet this criteria should be classified as current assets and are short-term for periods of up to one year.

Leasing

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time. Leases can be either finance leases or operating leases.

Liability

An account due to an individual or organisation that will be paid at some future date.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the Council's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities or debt.

GLOSSARY OF TERMS

Monitoring Officer

Under the provisions of the Local Government and Housing Act 1989 councils have a duty to appoint a Monitoring Officer to ensure the lawfulness and fairness of council decision making. Councils may choose who to designate as Monitoring Officer except that it may not be the Head of Paid Service (Chief Executive).

Movement in Reserves

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

Amount at which fixed assets are included in the balance sheet i.e. their historical cost or current value less the cumulative depreciation.

Non-Current Assets

Tangible and intangible assets that can be expected to be of use or benefit to the Council in providing its services for more than one accounting period.

Non Distributed Costs

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

Non-Exchange Transactions

These are transactions that are not exchange transactions e.g. council tax. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Non-Operational Assets

These are non-current assets owned by the Council, but not directly occupied, used or consumed in the delivery of council services. Examples of these types of asset are the bus station, and land awaiting disposal.

Operational Assets

These are non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Planning Services

Planning services includes the expenditure and income of the Council in the delivery of the Development Control and Planning Policy functions together with Building Control. In addition the Council has a number of industrial units through which it strives to encourage businesses to the district to promote economic growth.

Post Balance Sheet Events

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible finance officer.

Precept

The amount that a precepting authority requires from a charging authority to meet its expenditure requirements.

Precepting Authority

Local authorities, including county councils, parish councils, police and fire authorities which cannot levy a council tax directly on the public but have the power to precept charging authorities (district councils).

Prior Year Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

GLOSSARY OF TERMS

Provisions

Amounts set aside in the accounts for future liabilities that are likely to be incurred, but which cannot accurately be quantified.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form of either cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Indicators

The Local Government Act 2003 specifies a number of prudential indicators covering both capital and treasury management activities which Councils must set as part of their budget process. They are designed to show the affordability of the capital programme and that the Council's borrowing is prudent and sustainable.

Public Works Loans Board (PWLB)

A government agency that lends money to public bodies for capital purposes. Monies are drawn down from the national loans fund and rates of interest are determined by the Treasury. Councils are free to borrow as much as they like from the PWLB provided that it is prudent, affordable, sustainable and within the prudential indicators set at full council.

Realisable Value

The value of an asset at existing use, if sold between a willing buyer and a willing seller.

Related Party

Two or more parties are related where one party has control or is able to influence the financial operational policies of another.

Reserves

Amounts set aside in the accounts for the purpose of defraying particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on current prices at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revaluation Reserve

This account contains surpluses and losses arising from the periodic valuation of fixed assets.

Revenue Account

An account which records the Council's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

Revenue Expenditure Funded from Capital Under Statute

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in an asset being carried on the Balance Sheet. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and impact on that year's Council Tax.

Revenue Support Grant

A general government grant paid to the General fund in support of the Council's revenue expenditure.

Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

S106 Agreements

Where a developer undertakes to provide community benefits e.g. open recreation spaces, a percentage of affordable housing.

Section 151 Officer (S151)

The section S151 officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management and accounting practices meet relevant and professional requirements. Furthermore, Section 25 of the Local Government Act 2003 requires the Section 151 Officer to comment on the robustness of the budget estimates and the adequacy of reserves. In Craven the Section 151 Officer is the Chief Financial Officer.

GLOSSARY OF TERMS

Settlement

An irrevocable action that relieves the employer (or defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements can include: a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Service Reporting Code of Practice (SeRCOP)

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

Soft Loans

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

Statement of Recommended Practice (SORP)

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

Statement of Standard Accounting Practice (SSAP's)

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

Inventories

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

Support Services

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

Tangible Non-Current Assets

These are assets with a physical substance that yield benefits to the Council and the services it provides for a period of more than one year.

Temporary Borrowing/Investment

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

Unapportionable Central Overheads

These are overheads from which no user benefits, and therefore they cannot be allocated to a service area.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Useful Life

The period over which the Council will derive benefits from the use of an asset.

Vested Rights

In relation to a defined benefit pension scheme these are for active members, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners, their preserved rights and for pensioners, pensions to which they are entitled.

Work in Progress

The value of work done on an uncompleted project that has not been recharged to the appropriate account at the balance sheet date.

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Statement of Accounts 2013/14 – Explanatory Notes

1. Introduction

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit and Governance Committee for approval. It provides explanations and commentary on the main issues within the accounts to facilitate robust scrutiny and challenge of the accounts prior to approval.
- 1.2 The purpose of the Statement of Accounts is to give the public, councillors, employees, other stakeholders and interested parties clear information about the Council's finances. In summary the accounts should show:
- The cost of the services provided by the Council over the year
 - Where the money came from to pay for these services
 - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2013/14: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4 There are no changes to the accounts as a result of changes in accounting standards introduced in the year.

2. Explanatory Foreword

- 2.1 The purpose of the Explanatory Foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
- The statements included in the accounts.
 - A summary of the Councils revenue income and expenditure for the year and variances against the previous year's figures.
 - A summary of capital expenditure and how this was financed.
 - Changes to accounting policies and practice.
 - Any other significant matters.

3. Statement of Responsibilities for the Statement of Accounts

- 3.1 This statement sets out the various responsibilities for the accounts:
- The Council's responsibilities under local government legislation.
 - The Chief Finance Officer legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Chief Finance Officer (s151).

4. Movement In Reserves Statement

- 4.1 This statement shows the movement in the year on the different reserves held by the Council analysed into “usable reserves” (those that can be applied to fund expenditure or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance for council tax setting purposes.

Description	2012/13 £000's	2013/14 £000's	Variance £000's	Comment
(Surplus) / Deficit on Provision of Services	1,115	(671)	1,786	Net Cost of Service reduced by £810k. £640k increase in Taxation and Non-Specific Grant Income. £290k increase in Gains on Disposal of non-Current Assets.
Other Comprehensive (Income) & Expenditure	3,840	(9,190)	13,030	£13m gain on Remeasurement of Net Defined Benefit/ Liability (Pension liability).
Balance on Reserves at 31 March	1,625	11,486	9,861	Earmarked reserves increased by £2.3m, Capital Receipts Reserve increased by £480k. Unusable Reserves increased by £6.8m due to decreases in the pension fund liabilities of £9.0m as a consequence of changes in actuarial assumptions, offset by asset revaluation losses £0.9m and a £0.9m reduction in Collection Fund Adjustment Account.

5. Comprehensive Income and Expenditure Statement

- 5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded

from taxation (council tax).

- Expenditure and income directly related to the services provided by the Council (Net total £5,759k).
- Expenditure and income not directly attributable to services but to the Council as a whole (When added to the Net Cost of Services above this totals £7,941k).
- Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to £(671)k).
- Surplus or deficit on revaluation of Non-Current Assets £864k. (Bringing the overall total of Comprehensive Income and Expenditure to £(9,861)k).

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year.

5.2 When considering this statement Councillors should note the following major variances between 2012/13 and 2013/14:

Description	2012/13 £000's	2013/14 £000's	Variance £000's	Comment
Central Services to the Public	890	290	(600)	£650k reduction in Local Tax Collection costs.
Corporate and Democratic Core	1,720	1,172	(548)	Reduction due to reclassification of costs in 2013/14 to other BVACOP headings.
Other Housing Services	222	493	271	Increase of £350k in Housing benefit net payments.
Environmental and Regulatory Services	2,035	1,840	195	£110k increase in Waste Collection income mainly as a result of Garden Waste charges.
Non distributed costs	377	703	326	Pension costs increased by £270k.
Other Operating Expenditure	1,090	832	(258)	£290k increase in Gains on Disposal of non-Current Assets.
(Surplus) or Deficit on revaluation of non-current assets	494	426	(68)	Downward revaluation of non-current assets in 2013/14
Remeasurement of net defined benefit/ liability.	3,519	(9,616)	13,135	Movement in the pension benefit/ liability.

5.3 Councillors will note that the Comprehensive Income and Expenditure of the Council has moved from a deficit of £4.955m at the end of 2012/13 to a surplus of £9.861m at the end of 2013/14 – the variances identified above make up the majority of this movement.

6. Balance Sheet

6.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.

6.2 Councillors may wish to note the following explanations for key variances when compared with 2012/13.

Description	2012/12 £000's	2013/14 £000's	Variance £000's	Comment
Property Plant & Equipment.	27,381	26,117	(1,264)	£1.1m depreciation, £0.4m downward revaluations and £0.3m expenditure on additions.
Short Term Debtors	2,164	2,637	473	£290k decrease in Public Sector debtors. £770k increase in Other Entity and Individuals debtors.
Cash and Cash Equivalents	3,697	6,070	2,373	£2.2m increase in short-term deposits. £0.9m increase in Bank Current a/c position- £755k bank overdraft in 2012/13 shown separately.
Bank Overdraft	755	-	755	See above, no overdraft in 2013/14.
Short Term Borrowing	1,317	48	1,269	£1.25m Eurohypo loan shown in 2012/13 as due within 1 year replaced by new long term loan (see Long Term Borrowing comment)
Short Term Creditors	1,820	2,566	(746)	£500k increase in Other Entity and Individuals creditors. £250k increase in Public Sector creditors.
Provisions	0	480	(480)	NNDR Appeals Provision, new in 2013/14.
Long Term Borrowing	5,028	6,012	(984)	£1.25m Eurohypo loan, shown in 2012/13 as due within 1 year replaced by new long term loan.

Description	2012/12 £000's	2013/14 £000's	Variance £000's	Comment
Other Long Term Liabilities	29,514	20,664	(8,850)	£9m decrease in pensions liability
Usable Reserves	4,171	7,229	3,058	£2.3m increase in Earmarked reserves, £500k increase in Capital Receipts Reserve.
Unusable Reserves	(2,546)	4,257	6,803	£9m decrease in Pensions Reserve liability, £0.9m reduction in Revaluation Reserve, £0.9m reduction in Collection Fund Adjustment Account.

7. Cash Flow Statement

- 7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.
- 7.2 Councillors may wish to note the following explanations for key variances when compared with 2012/13.

Description	2012/13 £000's	2013/14 £000's	Variance £000's	Comment
Net surplus or (deficit) on the provision of services	(1,115)	671	1,786	See MIRS comment (above)
Investing Activities	975	(132)	(1,107)	£400k decrease in proceeds from sale of PPE. £200k increase in PPE expenditure. £500k increase in short term Investments.
Cash & cash equivalents	2,942	6,070	3,128	See Balance Sheet comments for Cash and Bank Overdraft

8. Statement of Accounting Policies

- 8.1 The purpose of the Statement of Accounting Policies is to explain the concepts or rules that have been used in preparing the accounts. The various policies have been chosen by the S151 Officer and Councillors need to satisfy themselves that these policies are reasonable – for example the frequency of asset re-valuations.

9. Explanatory Notes to the Statement of Accounts

- 9.1 The purpose of these notes, are to provide the reader of the accounts with more information on certain aspects. Accounting guidance determines what the notes are to contain although the Council is free to add additional information if it is felt that this will help interpretation.