

Audit and Governance Committee

Special Meeting

**Tuesday, 4th September 2018 at 6.30pm
in the Belle Vue Suite, Belle Vue Offices, Skipton**

The Chairman (Councillor Harbron) and Councillors Barrett, Brockbank, Brown, Hull, Lis, Mercer, Place and Whitaker

Independent Person: Mr G Robinson

AGENDA

- 1. Apologies for absence**
- 2. Confirmation of Minutes** of meeting held on 26 June 2018.
- 3. Public Participation** – In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.
- 4. Declarations of Interest** – All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests.

(Note: Declarations should be in the form of:

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

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

- 5. External Audit: Audit Completion Report** – Report of the External Auditor. To follow.

Purpose of Item – To present the Audit Completion Report for 2017/18.

- 6. Statement of Accounts 2017/18** – Report of the Chief Finance and Section 151 Officer. To follow.

Purpose of Item – To present the Council’s Statement of Accounts 2017/18.

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

Agenda Contact Officer:

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(i) the recording being conducted with the full knowledge of the Chairman of the meeting; and

(ii) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the agenda contact officer (details above) prior to the start of the meeting. Any recording must be conducted openly and not disrupt proceedings.

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Please do not leave a meeting without telling the Chairman or a representative of Legal and Democratic Services.

Terms of Reference – Audit and Governance Committee

(a) In relation to internal and external audit activities, to:

- draw together the key components of corporate governance in relation to audit; promoting internal control, focusing audit resources and monitoring the management and performance of the providers of Internal Audit Services;
- consider the Annual Report and Opinion from Internal Audit, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements;
- consider summaries of specific internal audit reports focusing on those areas that receive 'limited assurance';
- consider a report from Internal Audit on the implementation status of agreed recommendations;
- consider the External Auditor's Annual Letter, relevant reports, plans, and report to those charged with governance;
- consider specific reports as agreed with the External Auditor;
- comment on the scope and depth of External Audit work and to ensure it gives value for

money;

- liaise with the Audit Commission over the appointment of the Council's External Auditor; and
- approve the annual work programmes for Internal and External Audit and, in exceptional cases, to have the ability to commission work directly from audit providers.

(b) In relation to the Council's regulatory framework, to:

- ensure the effective development and operation of corporate governance within the Council and to maintain the Council's Constitution : the Standards Committee to be consulted on the review of any codes and protocols that relate to the ethical framework;
- review issues referred to it by the Chief Executive, Director, Corporate Head or any Council body;
- approve the corporate risk management framework in accordance with the Risk Management Strategy and Policy Statement; and monitor the effective development and operation of the risk management process: make any necessary changes to the process, including any recommendations for changes to the Strategy and Policy Statement;
- monitor Council policies on 'Whistle-blowing' and the Anti-fraud and Anti-corruption strategy;
- monitor progress on implementation of Internal Audit recommendations;
- oversee the production of the authority's Statement on Internal Control and to recommend its adoption to the Policy Committee / Council;
- consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice; and
- consider the Council's compliance with its own and other published standards and controls.
- Monitor the use of the Regulation of Investigatory Powers Act 2000.

(c) In relation to the Council's Financial Statements / Accounts, to:

- review and approve the annual Statement of Accounts, including whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy Committee / Council
- consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

(d) Under Part 4 (Parishes), Chapter 3 (Reorganisation) of the Local Government and Public Health Act 2007 (and any amending legislation):

- to be responsible for conducting community governance reviews within the District.

AUDIT AND GOVERNANCE COMMITTEE

26 June 2018

Present – The Chairman (Councillor Harbron) and Councillors Brockbank, Brown, Hull, Lis and Place.

Officers – Chief Finance Officer, Solicitor to the Council and Monitoring Officer, Value for Money and Improvement Manager, Information Governance Manager, Audit Services Manager, Internal Auditor and Democratic Services Manager.

Apologies for absence were received from Councillors Barrett, Mercer and Whitaker and Greg Robinson (Independent Person).

Start: 6.30pm

Finish: 8.15pm

The minutes of the meeting held on 13 March 2018 were approved as a correct record and signed by the Chairman.

EXCLUSION OF THE PUBLIC

Resolved – That, in accordance with the Council's Access to Information Procedure Rules, the public is excluded from the meeting during consideration of Minutes AC.321 c), AC.322 and AC.323 (marked \$) on the grounds that it is not in the public interest to disclose the Category 3 exempt information (financial or business affairs of any particular person including the Council).

Minutes for Report

AC.316

EXTERNAL AUDIT: AUDIT PROGRESS REPORT

A report was submitted by Mazars LLP, which presented an update on progress in delivering its responsibilities as external auditor for the Council. The report also highlighted key emerging national issues and developments.

The Chair welcomed to the meeting, Mark Kirkham, of Mazars LLP, the Council's external auditors, to present the report.

There was some concern regarding financial pressures, which it was noted had increased markedly since the last report. In addition, that the pattern of growing overspends on services for some local authorities was not sustainable.

Resolved – That the Committee notes the audit progress report together with the update on key national issues and developments.

AC.317

ANNUAL GOVERNANCE STATEMENT 2017/18

The Chief Finance Officer submitted a report which presented the Draft Annual Governance Statement for 2017/18 for consideration and approval by Committee, and sign off by the Chairman of Audit and Governance Committee and the Chief Executive.

The key areas of discussion were:

- It was noted that the Council was judged to have adequate arrangements in place in relation to risk management. Members emphasised the need for careful monitoring of this area.
- An update that Member and Officer training was being delivered in relation to the Council's Member and Officer Code of Conduct.
- Engagement with outside bodies and proposed improvements to reporting arrangements at full Council meetings.

Resolved – That the Committee approves the Annual Governance Statement, which will form part of the Statement of Accounts 2017/18.

AC.318 **UPDATE ON THE COUNTER FRAUD AND CORRUPTION
ARRANGEMENTS ACTION PLAN – OUTSTANDING ACTIONS**

The Chief Finance Officer submitted a report which presented an analysis of the Counter Fraud and Corruption Arrangements Action Plan elements that still required further work.

The Committee considered the procedures and practices in place for minimising risk in relation to fraud and corruption.

Resolved – That the Committee notes the elements of the Counter Fraud and Corruption Arrangements Action Plan that still requires further work.

AC.319 **UPDATE ON THE IMPLEMENTATION OF THE GENERAL DATA
PROTECTION REGULATION (GDPR)**

The Director of Services submitted a report which updated the Committee on the implementation of the reformed data protection arrangements across Council services since May 2018.

The Committee was advised that parish councils were no longer considered public authorities for the purposes of the GDPR and were not obliged to appoint a Data Protection Officer. The Chairman particularly thanked the Information Governance Manager for his role in supporting parish councils throughout the process.

Resolved – That the Committee notes the progress of implementation of the reformed data protection arrangements across Council services since 25 May 2018.

AC.320 **EXEMPTIONS GRANTED UNDER CONTRACT PROCEDURE
RULES**

The Chief Finance Officer submitted a report in relation to exemptions granted from the Council's Contract Procedure Rules from December 2017 to June 2018.

The Committee was advised that three exemptions had been granted for the period December 2017 to June 2018. A summary of the exemptions were contained at Appendix A to the report.

Resolved – That the three exemptions granted from the Council's Contract Procedure Rules and detailed at Appendix A to the report, are noted.

AC.321 **INTERNAL AUDIT**

a) Implementation of Recommendations

The Chief Finance Officer submitted a report which updated the Committee on Priority 1 outstanding internal audit recommendations, all those completed in the period and provided a summary of the numbers of Priority 2 and Priority 3 recommendations that had not yet been cleared.

Resolved –

- (1) That the Committee notes the outstanding Priority 1 Internal Audit Recommendations and considers inviting responsible officers to the next meeting where appropriate.
- (2) That the Committee notes the audit recommendations completed in the period and approves the contents of Appendix B to the report.
- (3) That the Committee notes the summary of outstanding audit recommendations.

b) Internal Audit Annual Report

The Audit Services Manager submitted a report which highlighted key findings and conclusions from audit work undertaken by the Internal Audit Service in 2017/18.

In relation to assurance levels it was confirmed that 83% (10 out of 12) of the audit work undertaken had resulted in the auditor awarding either significant or good assurance score on the control environment in place. This represented continual improvement from the position reported in 2016/17 (82%); 2015/16 (67%) and 2014/15 (71%).

Resolved – That the Committee notes the Internal Audit Annual Report, including the auditor's opinion for 2017/18.

c) \$ Internal Audit Reports

The Audit Services Manager presented the following audit reports, which had been undertaken as part of the annual audit plan for 2017/18:

- \$ G4S: Level of Assurance – Significant
- \$ Risk Management Arrangements: Level of Assurance – Partial
- \$ Car Park Income: Level of Assurance – Significant
- \$ Asset Management: Level of Assurance – Partial

The Committee was advised that new systems and structures had been developed to address issues in relation to asset management. It was requested that an update on these developments be provided at the October meeting.

Resolved –

- (a) That the Committee notes the reports of the Audit Services Manager, which had been undertaken as part of the annual audit plan for 2017/18.
- (b) That an update be provided to the October meeting on development of new systems and structures to address issues in relation to asset management.

\$AC.322

INFORMATION MANAGEMENT AND GOVERNANCE
STRATEGY DELIVERY PLAN: UPDATE

The Director of Services submitted a report which provided a progress update against the Council's Information Management and Governance Strategy Delivery Plan.

Resolved – That the Committee notes the progress against the Information Management and Governance Strategy Delivery Plan.

\$AC.323 **RISK MANAGEMENT, STRATEGIC RISK REGISTER AND ACTION
PLANS UPDATE**

The Chief Finance Officer submitted a report which updated the Committee on corporate risk register action plan progress and changes.

Resolved – That the Committee notes the progress on the risk register actions to 31 March 2018.

Minutes for Decision

There were no items for decision.

Chairman.



Audit Completion Report

Craven District Council

Year ending 31 March 2018

CONTENTS

1. Executive summary
2. Opinion audit
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft audit report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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30 August 2018

Dear Members

Audit Completion Report – Year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to this committee on 13 March 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 387 8850.

Yours faithfully



Mark Kirkham
Mazars LLP

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VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Craven District Council 'the Council' for the year ended 31 March 2018, and forms the basis for discussion at the Audit and Governance Committee meeting on 4 September 2018.

The detailed scope of our work as your appointed auditor for 2017/18 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B. Our opinion is being issued after the statutory deadline of 31 July 2018, as a result of issues discussed later in this report.

Value for money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including our proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, although this will be later than the deadline of 31 August 2018. Our report on your WGA submission, in line with the group instructions issued by the NAO, will record that your activity was below the threshold set by the NAO meaning that we were not required to review the WGA return in detail this year.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We did not receive any questions or objections during the 2017/18 audit.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report.

1. EXECUTIVE SUMMARY

Failure to meet the statutory deadline

From 2017/18 there has been a change in the statutory timetable for accounts and audit and your officers were required to produce draft financial statements by 31 May (previously 30 June) and the audit deadline was brought forward to 31 July (previously 30 September). The 31 July deadline could not be met, due to issues with the valuation of Property, Plant and Equipment. As a result of deficiencies in the initial valuation process and a lack of supporting documentation in support of the valuations, the Council had to re-perform its valuations, resulting in a delay to the timetable. We are pleased to report that the re-valuation process was subsequently completed and our audit work undertaken in relation to it. The process did result in material adjustments to the financial statements, which are summarised later in this report.

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2018. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Final completion procedures	We have our final checks and formal review processes to complete.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2018. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £484,000 using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £418,500, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee) at £12,555 based on 3% of overall materiality.

2. OPINION AUDIT

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.
<hr/>	
How we addressed this risk	
We addressed the management override of controls risk by performing audit work on accounting estimates, journal entries and significant transactions outside the normal course of business.	
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Audit conclusion	
We did not identify any evidence of management override of controls.	

2. OPINION AUDIT (CONTINUED)

Significant risk	Description of the risk
Revenue recognition – fees and charges	<p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted and we have done this in relation to the Council's most significant sources of income - taxation and grant income.</p> <p>However, we do not feel that sufficient scope exists within the recognition of fees and charges to conclude that there are grounds for rebuttal in that particular income stream. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>
How we addressed this risk	
<p>We have evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we have undertaken a range of substantive procedures including testing receipts in March, April and May 2018 to ensure that income has been recognised in the right year, testing material year end receivables, testing adjustment journals and obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger. In respect of fees and charges, we have used higher sample sizes reflecting the significant risk in this area.</p>	
Audit conclusion	
<p>We did not identify any issues in relation to revenue recognition.</p>	

Significant risk	Description of the risk
Property, plant and equipment valuations	<p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE.</p> <p>Although the Council employs a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk. This is also the first full year of valuations to be provided by the in-house valuation service.</p>
How we addressed this risk	
<p>We have considered the Council's arrangements for ensuring that PPE values are reasonable and engaged our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's valuer. We have also assessed the competence, skills and experience of the valuer.</p> <p>We have performed procedures to evaluate the accuracy and reasonableness of transactions processed in the year in relation to property, plant and equipment.</p>	
Audit conclusion	
<p>Following the identification of issues around the process of establishing PPE valuations and a lack of supporting documentation, the Council engaged new experts to re-perform the valuations due to take place in 2017/18. This included £12m of operational land and buildings and all of the Council's Investment Properties.</p> <p>After completing our work on the updated valuation exercise, we have gained assurance that PPE Valuations are not materially misstated. The amendments resulting from this process are summarised in section 4.</p>	

2. OPINION AUDIT (CONTINUED)

Significant risk	Description of the risk
Defined benefit pension liability valuation	The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

In addition to our standard programme of work in this area, we have evaluated the management controls in place to assess the reasonableness of the figures provided by the Actuary and we have considered the reasonableness of the Actuary’s output, referring to an expert’s report on all actuaries nationally which is commissioned annually by National Audit Office.

Audit conclusion

We did not identify any issues with the figures provided by the actuary. We did identify the need for amendments to the financial statements to ensure that the actuarial figures were correctly reflected in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, particularly in relation to a prepayment relating to 2018/19 and 2019/20. Although this resulted in a number of technical amendments to the financial statements, this did not impact on the substance of the underlying transactions.

Management judgement	Description of the management judgement
Business Rates Appeals	The Council is dependent on the Valuation Office Agency (VOA) for information regarding appeals against Business Rates bills. Management applies judgement in order to create a reasonable basis for the provision, given the level of appeals and other relevant information.

How our audit addressed this area of management judgement

We reviewed the basis for the judgements used in creating the provision and assessed the reasonableness of any estimates.

Audit conclusion

There were no issues arising from our work.

2. OPINION AUDIT (CONTINUED)

Management judgement Depreciation	Description of the management judgement The annual depreciation charged against the Property, Plant and Equipment involves an estimation of both the valuation of the asset and the remaining useful economic life of the asset. The valuations risk was identified as a significant risk in the previous section. The residual risk around the remaining useful economic lives of assets is a key area of judgement, but does not amount to a significant risk to the audit. How our audit addressed this area of management judgement In conjunction with the procedures being performed to assess the reasonableness of the work performed by the valuation experts, we have reviewed the asset lives used and performed substantive procedures to establish if the estimates are reasonable. Audit conclusion Similarly to our report in 2016/17, we report that the Council has not simultaneously “re-lived” assets that have been revalued. This has been included in our internal control recommendations in section 3 of this report.
Management judgement Accruals	Description of the management judgement A key accounting concept determines that expenditure and income should be accounted for in the period to which they relate, therefore management needs to assess transactions and apply judgement to ensure that they are translated into the appropriate accounting period. How our audit addressed this area of management judgement We have reviewed a sample of balance sheet entries relating to income and expenditure and also reviewed the process used by management to create those entries. Audit conclusion There are no significant issues arising from our work.

2. OPINION AUDIT (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Significant difficulties during the audit

We received a full set of financial statements which were also published on the Council website on the statutory deadline of 31 May 2018. The Chief Finance Officer alerted us, ahead of this deadline, that the finance team had experienced difficulties, stemming from an unidentified error. The statements were submitted on time, with the error included. The error was subsequently identified by officers and rectified prior to our audit fieldwork commencing, which has limited, albeit, not completely eliminated, the impact this has had on the smoothness of our audit.

Due to staff absence and the departure of key personnel, the Council's work to produce adequate valuations was delayed until late on in the final accounts process. The finance team did not alert us to these issues until we were out on site. When we asked to see the information supporting the property valuations, nothing of substance was forthcoming and the Chief Finance Officer agreed to have the valuations re-performed.

This caused us some abortive work in relation to tracking down the initial information, significant delays to our fieldwork and slippage in the planned timetable, including the failure to hit the statutory audit deadline of 31 July 2018. We would encourage management to alert us and act on such issues more readily in future. However, once the need to carry out the valuations again was clarified, management has acted promptly to rectify the position.

Overall, we were provided with a good set of electronic working papers that have demonstrated a marked improvement on previous years and our queries have been responded to in a timely fashion.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2017/18 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections during the 2017/18 audit.



3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	2
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Significant deficiencies in internal control – Level 1

Description of deficiency

There have been significant delays to the progress of the audit due to evidence not being provided by the valuer to the finance team in a timely fashion. Some of the issues in this area relate to unavoidable staffing issues, but there were opportunities for finance to act quicker to respond to the issues and seek alternative arrangements or ensure the instructions issued to the valuer were adhered to.

Potential effects

It is a requirement of the CIPFA Code of Practice (The Code) in section 4.1.2.39 that The Council will need to obtain the valuations performed by an appropriately qualified individual and the valuations will need to be supported by appropriate evidence, sufficient for us to assess and review the underlying assumptions and valuation basis used.

The valuation of PPE has been highlighted as a significant risk for the reasons outlined on page 6 of this report, therefore it is imperative that calculations are well supported and produced by an appropriately qualified and experienced valuer.

Recommendation

The Council should ensure there are robust arrangements in place to ensure the valuations of fixed assets are performed by an appropriately qualified individual who provides the required information to the appropriate standard in a timely fashion.

Management response

The Council acknowledge and accept the recommendation. There have been exceptional and unforeseen circumstances that have arisen this year which all contributed to the problem, this included a number of staffing issues which, although unforeseen, should have been addressed more proactively. Procedures will be put into place to ensure that the work is carried out by an appropriately qualified individual and provided to Finance in a timely manner going forward.

Description of deficiency

We recommend that when assets are revalued, the council should also ensure that assets are ‘re-lived’ at the same time (also a recommendation in 2016/17).

Potential effects

The base for the value of a Council asset involves a number of assumptions and, if this does not incorporate assessing the remaining useful economic life of the asset, valuations can become less meaningful and result in an overstatement of both revaluation and subsequent depreciation.

Recommendation

The Council finance team should ensure the instructions to the valuer are clear and adhered to, acting in a timely fashion when it appears there may be issues in receiving the correct information.

Management response

The Council agree with the recommendation and will resolve to put into place the procedure to ensure that the remaining lives of Council assets are also assessed and reported on, as part of the revaluation works carried out. It will form part of the terms of engagement issued to the valuer.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2

Description of deficiency

In our work reviewing the bank reconciliation, we identified a cheque outstanding from 2016/17.

Potential effects

In our previous Audit Completion report in 2016/17 we reported that the Council should remove old cheques from the bank reconciliation. This is included again this year and as has been ranked as a higher priority.

Recommendation

In the short term, cheques over 6 months old should be written off from the unpresented cheques listing. Over a longer term, the Council should ensure review processes to ensure that, with sufficient regularity, old cheques are removed from the bank reconciliation, unless there is a legitimate reasons for their continued inclusion.

Management response

It is acknowledged that this recommendation has been brought forward from the 2016/17. The Council will ensure that robust procedures are put into action to avoid this from occurring again and all cheques older than 6 months be dealt with as part of the reconciliation process each month. As a result of changes in personnel this particular recommendation has been missed. It is resolved that the current Finance team will ensure that previous recommendations form part of the planning stage of the Closedown process.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the trivial threshold of £12,555.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Short-term Debtors			92	
	Cr: Long-term Debtors				92

In the year, the Council provided a £400,000 loan to Craven College, repayable over the next 4 years. The outstanding balance has been disclosed exclusively in Long-term Debtors, whereas the portion payable in the next 12 months should have been shown in Short-term Debtors.

2	Dr: PPE – Accumulated Depreciation			30	
	Cr: CIES Depreciation		30		
Correction of depreciation charge necessary due to useful economic lives not being updated on revaluation					
3	Dr: PPE – Accumulated Depreciation			22	
	Cr: CIES Depreciation		22		
Correction of depreciation overcharged due to the wrong useful economic life being input					

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Property, Plant and Equipment (PPE)			2,175	
	Dr: Investment Property			450	
	Cr: Heritage Assets				73
	Dr: Capital Adjustment Account			419	
	Cr: Revaluation Reserve				2,971
Balance Sheet adjustments following updated PPE Valuations					
	Dr. Depreciation	319			
	Dr. Revaluation Gains to CIES	557			
	Cr. Gains on disposals		17		
	Cr. Investment Property adjustments		542		
	Cr. Other adjustments		317		
CIES adjustments arising from PPE revaluations					
2	Dr: Long-term Investments			6	
	Cr: CIES Expenditure		6		
In the year the Council purchased share capital in their Joint Venture – Craven Barnfield Regeneration Limited, totalling £6k for 3,000 shares. This transaction was mistakenly charged to the Provision of Services when it should have been capitalised.					
3	Dr: Bank			420	
	Cr: Creditors				373
	Dr. Debtors			71	
	Cr. Accrued income adjustment in debtors				118
After the completion of the bank reconciliation at the year end, a batch of payments was subsequently manually deducted again in duplication.					
4	Dr: Creditors			354	
	Cr: Taxation and Non-Specific Grant Income (Business Rates)				354
Increase in business rates income attributable to the Council as a result of an error in the statements relating to the Collection Fund that was identified by the Council between submission of the statements and the beginning of our fieldwork.					

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements (continued)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	Dr: Other Operating Expenditure	534			
	Cr. Cost of Services		534		
	Correction to pension costs initially charged in error to Other Operating Expenditure				
	Dr. Cost of Services	1,154			
	Cr. Pensions Adjustment (through the MIRS)		1,154 (in the MIRS)		

Adjustment to Cost of Services to tie-in with actuarial figures, and pre-payment of pension costs relating to 2018/19 and 2019/20 shown in the MIRS rather than in the CIES.

		Collection Fund		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
6	Dr: NDR Income	597			
	Cr. Distribution of NDR Surplus		597		

Change to the business rates gross debit as a result of an error in the statements relating to the Collection Fund that was identified by the Council between submission of the statements and the beginning of our fieldwork.

Disclosure amendments

During the course of our work we identified a number of other adjustments that we have requested management to amend. This impacted a number of notes including:

- Note 12.3 Commitments under Capital Contracts;
- Note 30. External Audit Costs in relation to disclosure of non-audit fees;
- Note 31. Grant Income in relation to the valuation of significant grant income streams; and
- Note 32. Related Party Transactions in relation to the disclosure of the in-year loan to Craven College.

5. VALUE FOR MONEY CONCLUSION

Our approach

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria and commentary on arrangements in place at Craven District Council	Arrangements in place?
Informed decision making	Yes
The Council has a Constitution which is subject to regular review. This clearly details the governance structure of the Council. The Council has an active Audit and Governance Committee. The Constitution includes Members and Officer’s Codes of Conduct.	
A clear plan that sets out the Council’s vision and priorities for the financial years 2017/2020. The priorities include Enterprising Craven, Resilient Communities and Financial Sustainability. Delivery of priorities is monitored in quarterly performance reports and in the Council’s Annual Report.	
New decisions are supported by reports that outline appropriate options and relevant considerations, including references to financial, legal and performance issues where appropriate.	
There is evidence of financial reporting being used to deliver strategic objectives, for example, through the Medium Term Financial Strategy. In addition, regular financial reporting takes place, with formal reporting quarterly to the Policy Committee.	
Performance issues are included in reports where appropriate, and overall performance outcomes are monitored quarterly and also included in the Council’s Annual Report.	
The Council has a risk management strategy and framework in place.	
The Council’s system of internal control is subject to Internal Audit and for 2017/18, the Council’s internal auditors have given an opinion that fundamentally sound systems of internal control are in place.	
An Audit and Governance Committee is in place to oversee the governance framework including the work of internal audit and approval of the Council’s financial statements.	
The Annual Governance Statement includes a balanced assessment of the effectiveness of the Council’s governance arrangements and identifies appropriate areas for further improvement.	

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Sub-criteria and commentary on arrangements in place at Craven District Council	Arrangements in place?
<p>Sustainable resource deployment</p> <p>The Council has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.</p> <p>We considered the Medium-Term Financial Strategy (MTFS) as a whole, critically challenging the assumptions it has been based on. The success of the MTFS depends on the delivery of the planned savings and additional income sources, which the Council itself acknowledges is a key financial risk to monitor. This is in addition to other risks which require careful monitoring and further work in the coming years, for example, the fair funding review and changes in business rates.</p> <p>The regular updates of the MTFS are good practice, as well as the period covered of three years, with the Long Term Financial Strategy covering up to 2023/24. The Council is aware it needs to keep its MTFS under review, in light of current key financial risks as well as any emerging ones and that each year should not be taken in isolation, but future years' needs and pressures kept under review. Strong underlying budget monitoring remains crucial to the overall resilience of the Council.</p> <p>The Council recognises the importance of a robust workforce strategy and having a sustainable workforce to support its strategic priorities, which may be increasingly made up of a mix of public, private and voluntary support.</p> <p>The Council has utilised earmarked reserves in the year of £254k. The Medium Term Financial Plan includes further use of £421k for 2018/19 but for the use of reserves to balance the budget to significantly reduce after this. The Council has relatively limited reserves at its disposal, meaning that strong budget management and the careful management of costs and identification of new income sources are even more important.</p>	Yes
<p>Working with partners and other third parties</p> <p>The Council has delivered on a plan to create a Joint Venture in the year which has a pipeline of projects to deliver further improvements in the district across each of the three priorities. This venture utilises a third party and also promises to utilise further third parties in the delivery of each project.</p> <p>The Council has a track record of working with partners. Reporting on significant partnerships is incorporated into the Performance Monitoring Reports.</p> <p>The Council's Constitution details the arrangements for contracting with third parties.</p> <p>The Council has a Procurement Strategy and Contract Procedure Rules together with supporting policies that are designed to ensure supplies and services are procured effectively.</p>	Yes

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant audit risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant value for money audit risk.

Pressure on financial resources

Description

Our audit work in previous years has concluded that the Council has arrangements in place for medium term financial planning. The Council, however, continues to face financial pressure in the coming years and the Council has recently updated its Medium Term Financial Strategy (MTFS).

We need to ensure our knowledge of the Council’s MTFS arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.

Work undertaken

Building on our work in previous years, we have reviewed the Council’s updated MTFS to ensure it reflects the latest funding position and reviewed and updated our knowledge of the arrangements the Council has in place to monitor progress against its savings plans and income projections that underpin the MTFS.

Conclusion

In the 2018/19 budget, the Council identified that over the medium-term by 2021/22 it faced a budget gap to be funded by savings of £655k.

The budget for 2018/19 has been balanced utilising £431k of earmarked General Fund Reserves; the current year budget required £254k of Reserves. The Council has limited reserves and drawing on the reserves it does have is not sustainable.

The medium term projections describe less future dependency on reserves, albeit with savings still to be identified. The Council is well aware of the need to produce the required savings and has taken steps in the year to increase income via a joint venture which should start to yield some benefit over a longer term horizon.

The Council has a pipeline of projects which is expected to deliver saving required to bridge the budget gap in 2019/20 and meets regularly to track and update these savings plans.

Monitoring the identification and delivery of future savings and the maintenance of an adequate level of reserves is an important area of focus for the Council.

Our overall Value for Money conclusion

Our draft auditor’s report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2017/18 financial year.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

To be on Craven District Council letter headed paper and addressed to the external auditor:
To date as 4 September 2018

Craven District Council - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for Craven District Council ('the Council') for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code). I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.
- I confirm as the Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date. There are no contingent gains which should be disclosed.

All material matters, including un-asserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.
The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as the Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.
Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Nicola Chick
Chief Finance Officer - S151 Officer
Date: 4 September 2018

APPENDIX B

DRAFT AUDITOR'S REPORT

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

Opinion on the financial statements

We have audited the financial statements of Craven District Council ('the Council') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

APPENDIX B

DRAFT AUDITOR'S REPORT

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Craven District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Responsibilities of the Council

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

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



APPENDIX B

DRAFT AUDITOR’S REPORT

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Craven District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Craven District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham
For and on behalf of Mazars LLP

Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

4 September 2018



APPENDIX C

INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

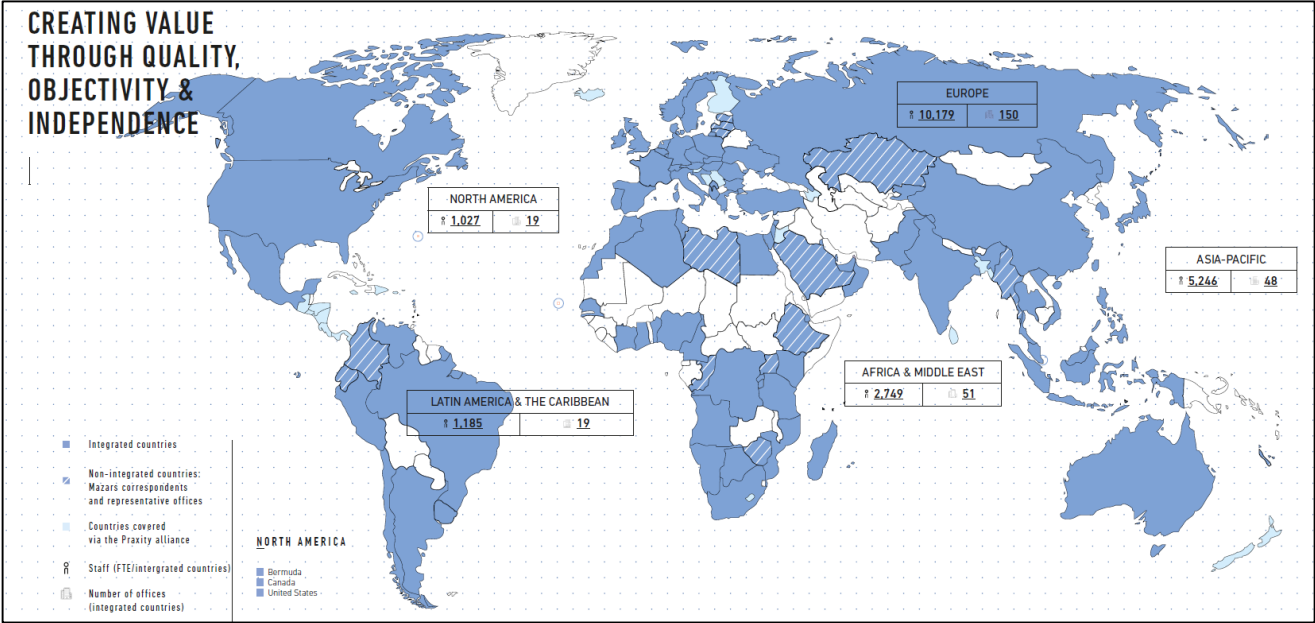
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

MAZARS AT A GLANCE

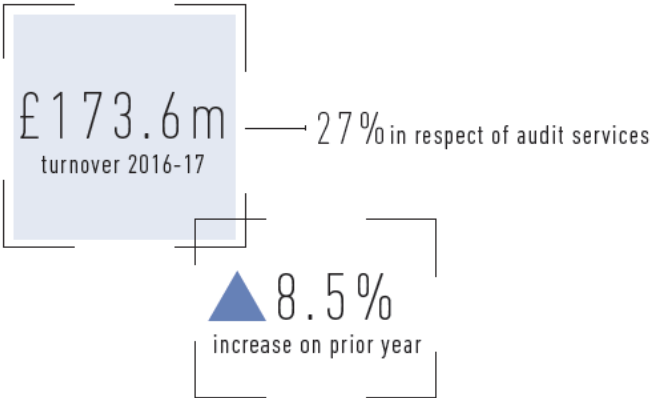
Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally



Mazars in the UK



As at 31 August 2017

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Audit & Governance Committee – 4th September 2018

Statement of Accounts 2017/18



Report of the Chief Finance Officer (s151 Officer)

Ward(s) affected: All

1. Purpose of Report

- 1.1 To present the 2017/18 Statement of Accounts.

2. Recommendations

- 2.1 Members are recommended to receive and approve the Statement of Accounts for 2017/18 (attached at Appendix A).

3. Background Information

- 3.1 The Accounts and Audit Regulations 2015 require Members approve the Council's audited statutory accounts by 31 July following the financial year-end.
- 3.2 The draft Statement of Accounts submitted to the auditor must be signed by the Council's Chief Financial Officer by 31 May. For 2017/18 they were signed by the Chief Finance Officer (s151 Officer).
- 3.3 The 2017-18 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 2015 Accounts and Audit Regulations, the 2017/18 Unaudited Statement of Accounts was approved on the 31 May 2018 by the Chief Finance Officer (s151 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 Unfortunately there have been issues with the provision of evidence for the valuation methodology used by the Council's internal valuer (who left the authority). This work provides the annual valuation of the Council's

Investment Properties and rolling valuation programme of other assets. As a consequence Mazars could not get the assurance that they needed to complete their work in time for the Accounts to be approved by 31 July. The Chief Finance Officer with advice decided to delay the meeting of Audit & Governance for approval of the 2017/18 Accounts to enable the valuations to be redone. An independent firm of valuers were appointed and together with a newly employed internal valuer have redone the valuations. This work was completed by 17 August. Mazars have subsequently had the assurances required and been able to complete their work to enable the 2017/18 Statement of Accounts to be approved.

- 4.3 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.
- 4.4 The following points highlight the major movements in the Statement of Accounts for 2017/18, compared with 2016/17:
- Net Cost of Services has increased by £0.389m to £5.668m (2016/17: £5.279m restated).
 - There is a Surplus on the Provision of Services of £0.553m (2016/17: £0.859m).
 - Total Reserves have increased by £7.416m to £22.456m (2016/17: £15.040m).
 - The General Fund balance has remained at £995k.
 - Earmarked reserves have decreased by £0.254m to £6.342m (2015/16: £6.596m).
- 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 2017/18, 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 Chief Finance Officer (s151 Officer) 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 and questions to the auditor from 1st June until 12th July. No queries were received by the Council.
- 4.9 The Audit and Governance Committee are now recommended to approve the final version as Mazars the Councils appointed auditor have completed

their audit work.

- 4.10 The Annual Governance Statement (the draft copy of which was approved by this Committee at its meeting on 26th June 2018) must 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

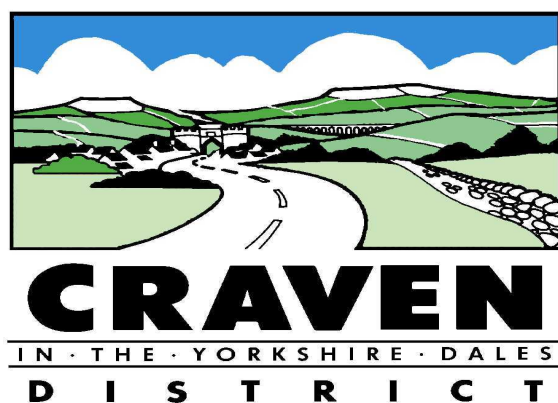
Annual statement of accounts 2017/18

8. Author of the Report

Nicola Chick, Chief Finance Officer (s151 officer)
Telephone: 01756 706418
E-mail: NChick@cravendc.gov.uk

9. Appendices

Appendix A – 2017/18 Statement of Accounts
Appendix B – Explanatory paper to support the accounts.

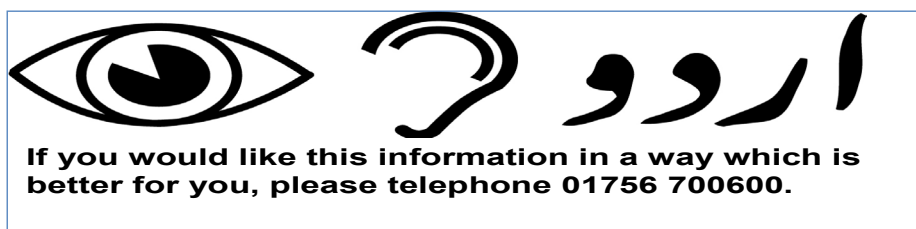


AUDITED
STATEMENT OF ACCOUNTS
2017/2018

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

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



SECTION 1

NARRATIVE REPORT & EXPLANATION TO THE FINANCIAL STATEMENTS

About the District and the Council

The Craven District

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

Craven is a rural district with a sparse population, 2016 mid-year population estimates of the district were 56,343. The District has 27,372 households (31 March 18). Craven's largest town is Skipton with and the majority of Craven's population is concentrated in the Skipton and West Craven and South Craven areas. Craven's other towns include Settle in Mid Craven, Ingleton and Bentham in North Craven and Grassington in Wharfedale. The district also has a number of smaller scattered villages and hamlets.

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

About the Council

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

Political Structure of the Council

Craven District Council has 30 District Councillors elected in 19 Wards. The Conservative Group has overall control of the Council. The Leader of the Council is Councillor Richard Foster and Deputy Leader of the Council is Councillor John Dawson.

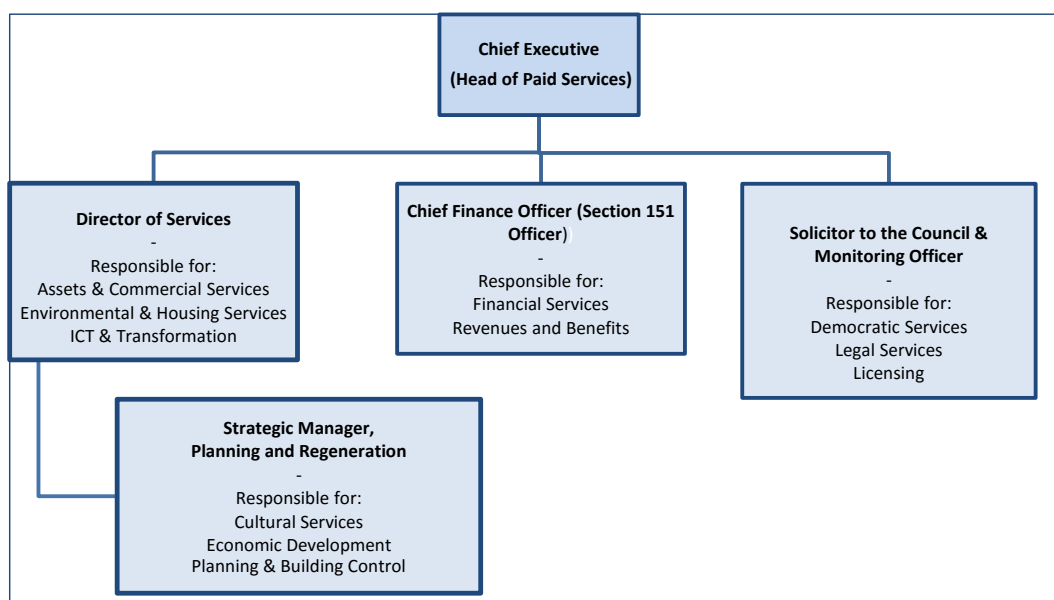
The Council operates an "alternative" arrangement, and makes decisions through a modernised committee system. Decisions on major policy issues are made at the Council Meeting, but most of its day to day responsibilities are delegated to committees, sub-committees and officers. The Councillors' main decision-making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

The following Committees are in place:

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

Management Structure

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



At 31 March 2018 the Council employed 244 people in 206.9 full time equivalent roles (FTE), increasing slightly from 203.5 FTE (245 employees) at 31st March 2017. The Council recognises the value and importance of its staff in the delivery of services to the public. We have developed and are implementing our People Strategy to ensure we continue to have an effective, efficient and highly skilled workforce committed to delivering excellent services to our residents.

Vision, Budgets and Performance

The Council's Vision

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

The Council Plan sets out how the Council will achieve its vision through its three priorities of:

- Enterprising Craven
- Resilient Communities
- Financial Sustainability

The Plan is a three year rolling plan which is reviewed annually in conjunction with the annual budget setting process. This ensures that the Council aligns its budgets to the delivery of our priorities.

Budgets and Funding

The Council funds the services it provides through its revenue budget and capital expenditure through its Capital Programme.

The Council has in place a rolling 7 year Long Term Financial Strategy (LTFS) which is supported by a Medium Term Financial Plan and detailed budgets covering a three year period. These are reviewed and refreshed annually to ensure we remain on track to deliver the services we provide.

The Council's annual net revenue expenditure budget of £7,731k for 2017/2018 was agreed by the Council in February 2018. Following additional virements and supplementary estimates during the year, the revised budget for 2017/2018 stood at £7,731k. This included expenditure on services of £5,534k. Capital expenditure totalling £2,460k was also agreed. Following additional supplementary estimates which included £3,428k on the scheme to redevelop Craven Museum and Exhibition Gallery, partly funded by a Heritage Lottery Funding grant, the final programme stood at £8,251k.

The Council funds its revenue expenditure from a number of sources including Council Tax. A £5 increase in Council Tax for the 2017/18 financial year was approved (based on average band D).

The Council borrows money from a range of sources to fund the services it provides.

The Council's borrowing facilities for 2017/18 were as follows;

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

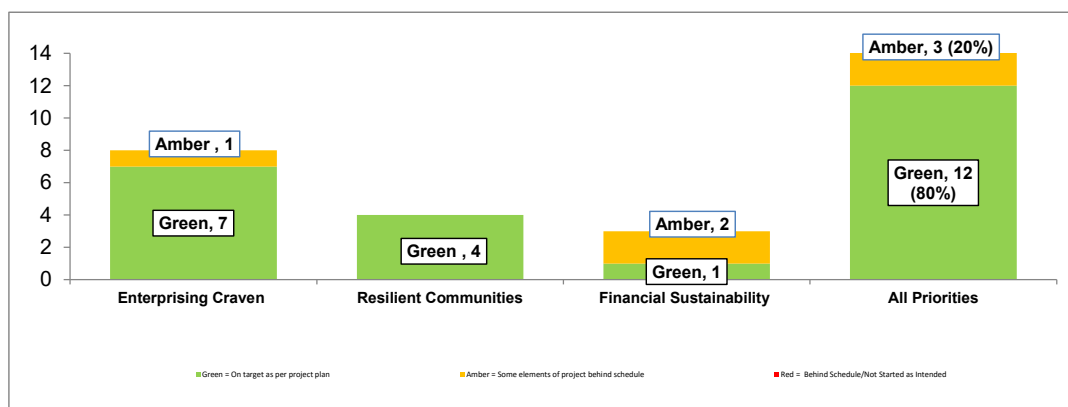
The maximum amount of external borrowing the Council can have at any one time is governed by the Prudential Code. The Prudential Code controls borrowing by reference to an Authorised Limit and Operational Boundary. The Council agreed the Prudential Indicator limits for 2017/18. There was no new borrowing, long-term or short-term, during the year.

(Financial performance against our budgets is explained further under Financial Performance 2017/2018)

Performance During 2017/2018

We have made good progress against our intended actions set out in the Council Plan with 80% judged as 'Green' and on track against intended outcomes and timescales at 31st March 2018.

We have judged ourselves as 'Amber', behind schedule on 3 of our actions. 1 of these actions relates to our Enterprising Craven Priority and our intentions for the development of 8 hectares of employment land. 2 actions relate to our Financial Sustainability priority. We have judged ourselves at 'Amber' against the implementation of our income and savings plan, as we have only achieved £112k of additional savings and income for initiatives set out in our Income and Savings Plan for 2017/18 compared with our intended target of £332k. However, we are continuing to progress a number of these initiatives in the 2018/2019 financial year. We are also behind our intended schedule in relation to initiatives related to our Acquisition and Regeneration Strategy and Asset Management Plan.



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

Enterprising Craven

Enable the provision of 214 homes per year across Craven to meet the needs our current and future communities.

The draft Local Plan which sets out future land allocations for housing and employment across the District (outside the National Park) and help secure the development of more homes including affordable homes was agreed by Full Council in December 2017. Following a period of consultation Local Plan was published in March 2018 and it will be subject to examination in public by the Planning Inspector in October 2018.

The housing target for new homes across Craven including the Yorkshire Dales National Park was revised downwards to 214 from the original 290 during 2017/18 due to a reassessment of housing need. Within the Craven District planning authority we delivered 230 net additional homes (including affordable homes) during 2017/18, compared to 219 homes in 2016/17. Whilst our target was to deliver 60 affordable homes, we have only delivered 23 affordable new homes, a decrease from 70 in 2016/17. The timing of new developments completing causes fluctuations in our performance.

We are continuing to implement Shared Ownership Schemes and have a target for 45 shared ownership homes by April 2019. During Summer 2017 our pilot development at Burnroyd Avenue, Skipton was completed delivering 3 new additional shared ownership homes. We have currently committed to developing a further 11 units on former garage sites and works are currently on site working with appointed developers building 7 homes across 2 sites at Harper Grove in Sutton-in Craven and Colne Road, Glusburn which will be completed later in the year. To date we have also purchased 3 additional shared ownership properties and are in the process of acquiring an additional 3 homes, which we expect to complete purchase on over the Summer.

Stimulate Business Growth

Work has continued with a range of partners to deliver projects aimed at stimulating and supporting business growth. One of our intentions is to enable the development of 8 hectares of new employment land by 2020, and we are currently focussing our efforts on a number of specific sites across the District including within Skipton, Bentham, Ingleton, Settle and Threshfield.

Creating the supporting infrastructure is important to bring success to development, and as part of the Local Growth Deal Project to deliver employment and housing growth in Skipton, we have bid for and been allocated funding for the creation of a new link road between Engine Shed Lane and the A629 Skipton by-pass, and are now working to prepare designs in conjunction with North Yorkshire County Council Highways. This investment will accelerate the development of land for employment in Skipton, including South Skipton Employment Zone which is expected to provide 24,155 square metres of employment space, accommodate 1,040 jobs and 200 dwellings. It is expected that the development will generate £30 million gross value added annually for the Craven economy. Following approval in March 2018 of revised planning application to vary conditions on the original planning consent granted in March 2016, it is expected that work on Phase 1 of Wyvern Park which forms part of the employment zone and includes development of the new link road will commence on site by developers later in 2018.

Construction work on the Skipton Flood Alleviation Scheme continued into 2017 and was completed in the Summer. The Council worked with the Environment Agency and other partners to secure an additional £1.7 million grant from the Leeds City Region Local Enterprise Partnership (LEP) to help fund the increased costs of the scheme.

Improving the quality and capacity of the transport infrastructure serving the District is important in stimulating the growth of business across Craven. The Council is actively working with partners to progress schemes for the development of Skipton Railway Station. A business case has been submitted to the York and North Yorkshire and East Riding Local Enterprise Partnership (YNYER LEP) to secure the funding. A scheme to improve a stretch of the A59 from Broughton to Skipton is also being progressed and submitted to the YNYER LEP for inclusion in the pipeline of projects for Growth Deal 4 Funding. Following a feasibility study early in 2017 by stakeholders involved in the potential creation of a railway station at Crosshills it has been concluded that whilst the scheme is not currently financially viable, improvements to the signalling at Kildwick level crossing have been recommended to reduce delays. The Council has also been working with partners to lobby for improvements to the main roads within the District including the A56, A59, A65, A6068 and A629, the "Central Pennine Corridor". Transport for the North have consulted on options and will be reporting on their preferred schemes in Autumn 2018.

We continue to provide a range of support to new and existing businesses through various programmes. These include delivery of the Digital Enterprise Business Support Programme in collaboration with partners, which enables businesses to apply for funding from a £800k pot to invest in a range of digital technologies, which is supported by funding from the Leeds City Region Enterprise Partnership, European Regional Development Fund, and Local Authorities across the region. We have also continued to fund support to the regional SME Growth Manager to provide one-to-one advice to businesses across Craven, and 8 have been supported during 2017/18 on various projects.

We have also continued to support delivery of the Superfast North Yorkshire broadband project, and a further project, a further 123 premises have been enabled to benefit from broadband across Long Preston, Tosside and Wigglesworth. A £20.5m contract for a third phase of Superfast North Yorkshire broadband has recently been awarded to BT. Delivery is due to start in late 2018 and continue until 2021 with a number of areas of Craven set to benefit.

Improving the economic vitality of Craven's market towns and villages

Work has continued with partners to deliver a number of other key schemes aimed at improving the economic vitality of Craven's market towns and villages. Funding from the New Homes Bonus Infrastructure Reserve has been allocated to refurbishment schemes within Cross Hills, Ingletton, and Settle aimed at encouraging more visitors and shoppers, and boosting the local economies. Action Plans have been developed with local communities to deliver a range of improvements within the localities which include improvements to East Keltus Square in Crosshills, with work due to commence in July 2018, improvements to village signage within Ingletton, development of Riverside Park including the Outdoor Swimming Pool in Ingletton, and improvement projects in Settle which include improving access to and enjoyment of Castlebeg Crag.

We are continuing to work to improve access to and enjoyment of Craven's heritage and culture through our continued implementation of our business plan to restore Skipton Town Hall as a sustainable and vibrant community venue, investing further capital expenditure of £520k for refurbishment and alteration works during 2017/18. We have also been successful in a Heritage Lottery Funding grant of £1,500,700 for a major redevelopment of Craven Museum and Exhibition Gallery within Skipton Town Hall which along with additional funding from the Council will see additional investment totalling £3,800k between 2018/19 and 2021/21.

Following the success of a joint funding bid in 2017 with partners at South Lakeland District Council, and the Yorkshire Dales and Lake District National Parks, to the Great Places scheme for £1.35 million, we have commenced delivery of a range of cultural projects to attract and retain younger people to live and work in the area. The Council is a lead partner in the initiative and has agreed match funding totalling £75,000 for three years.

We are also continuing to collaborate with tourism partners to grow the value of visitor spend across the District through support to the Destination Dales Partnership and are working with Welcome to Yorkshire on relevant opportunities.

Resilient Communities

Enable active communities and improve quality of life

A key area of focus for the Council is reducing health and well-being inequalities. The Council has been working with partners to re-settle and support Syrian refugees under the resettlement programmes and has now fully met its obligations on the number of refugees settled within Craven. We have also continued working with partners across the region through the Accountable Care Board and the Craven Care Model Development Group. The group will progress a number of actions with the aim of reducing health and well-being inequalities locally, and is being supported by North Yorkshire County Council and health partners through the North Yorkshire Clinical Commissioning Group (CCG). We are also working with Craven Dementia Alliance to support dementia awareness.

We have been working hard supporting community groups across the District to achieve their ambitions. We continued to deliver our Member Ward Grant scheme which has resulted in 37 grants totalling £12,736 supporting a range of community projects relating to the arts, sport, playgrounds, and other infrastructure across the District, with grants ranging from £100 to £1000. The projects include Cononley Community Speedwatch, Seating in Hetton, Bentham Dementia Friendly Community, Voices for Craven Community Choir, Friends of Embsay with Eastby Recreation Ground for a picnic table, notice boards for Gargrave Village, football equipment for 1st Craven Boys Brigade, Exclusively Inclusive - wheelchair access and a defibrillator in East Marton.

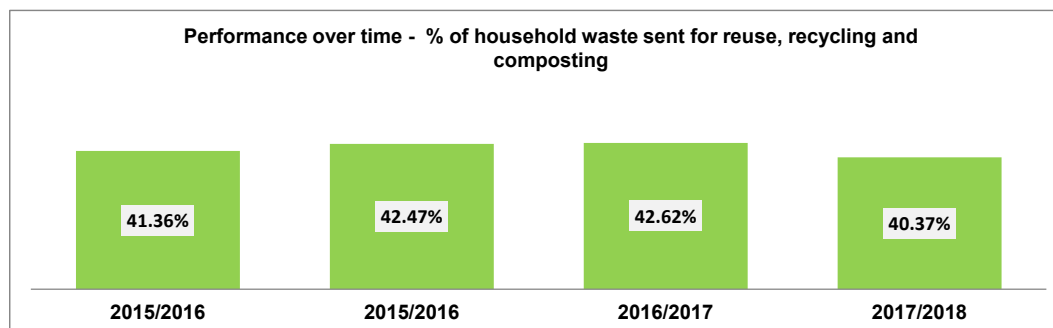
We have continued to provide support to a range of community groups across the District to help facilitate community projects. A key focus has been supporting the Friends of Aireville Park (FOAP) on a new play area within the park. A fundraising campaign was launched and a tender for the development of phase one of the plans for the new play area is underway. This initial phase is expected to be completed by November 2018. The Council has allocated a total of £182k in capital funding towards the project from its 2018/19 programme.

Create greener communities

As part of its ambitions for greener communities, the Council has continued to focus on reducing waste and increasing recycling levels within the District. In April 2017 'co-mingling' for recycling was introduced, which means that all recycling is now placed in one bin and removed the need for blue bags for cardboard and paper recycling. As part of the move the Council has also been able to make changes to the waste collection rounds to help to reduce costs.

The decrease in the global value of the resale of recycled material has meant the Council has faced additional pressures to loss of income. Changes to the way the Council operates the service have been required to ensure that the Council can continue to operate the service to meet the requirements and expectations of residents, deliver services within available budgets and continue with its efforts to meet government targets in respect of waste and recycling.

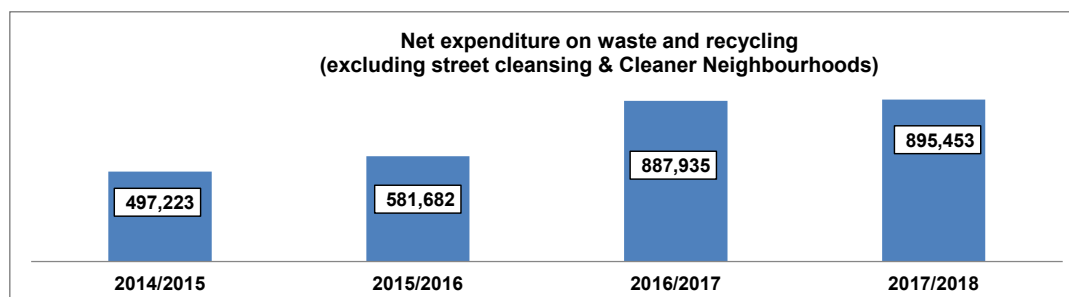
Whilst we have made significant changes to recycling arrangements and been successful in delivering services within budgets, current estimated data is showing a slight fall in the rate in the percentage of household waste sent for reuse, recycling and composting, during 2017/2018 40.37%(estimated figure, we are awaiting final confirmation of data from North Yorkshire County Council in their role as Waste Disposal Authority) from 2016/17 which was 42.62%. Our performance in this area has been relatively static over the last 4 years, as illustrated in the chart below, with an average of 41.71%. We are optimistic that the 2017/18 performance has shown a slight dip whilst our residents have got use to the new arrangements, and we are continuing with our efforts to encourage increased recycling.



Focus has been also been placed on increasing the commercial recycling offer to businesses throughout the District. A review of the Council's Commercial Waste Collection Scheme has been undertaken, with an agreement for the introduction of a new charging model to be introduced from April 2019. This will result in businesses being charged for trade waste collection based on both weight of waste and volume of waste (bin size), rather than just being charged on volume of waste. This will help to improve the cost effectiveness of the services which is an important area of income generation for the Council, with income of £774k during 2017/18 above budget expectations of £836k.

In terms of overall financial spend on waste management (excluding street cleansing and Clean Neighbourhoods activity), net expenditure (costs minus income) on waste management was slightly lower than expected at £887k against budget of £927k. Whilst costs have increased in some areas of waste management, we have achieved budgets due to increased income levels. This is largely due to increases in commercial and garden waste income, showing that charging for such discretionary services is having a positive impact on the Council's overall ability to balance its budgets.

The chart below illustrates the changes to our net expenditure on waste and recycling since 2014/15. The significant increase in costs in 2016/2017 was largely due to the reduced income from the resale of recyclates, which decreased from £237k in 2015/16 to £11k in 2016/17 and for 2017/18 has reduced further to £1k.



As part of continued improvements to waste and recycling and the need to identify further savings in Council expenditure, we have been exploring options for a joint waste authority with our North Yorkshire partners. During 2017/18 North Yorkshire Chief Executives made an 'in principle' decision that a business model be prepared by the North Yorkshire and York Waste Management Partnership for the establishment of a single collection service for household waste and commercial waste across the sub-region. This model will be considered by the Chief Executives Group in May 2018 and a decision made on next steps.

We have also continued to focus efforts on making Craven's public spaces cleaner, safer and greener. Key to this aim has been the adoption of the powers given to local authorities through the Anti-Social Behaviour, Crime and Policing Act 2014 which give the Council and the Police a range of additional options for dealing with issues of anti-social behaviour and environmental crime. We have continued to deliver our Cleaner Neighbourhood agenda focussing on a range of actions within our Cleaner Neighbourhoods Action Plan with an emphasis on 'zero tolerance' of environmental crime, and a proactive approach to enforcement against fly-tipping.

Our proactive approach to enforcement continues. Data shows 192 fly-tipping incidents during 2017/18 down from 236 in 2016/17, which we believe is in part due to enforcement activity and publicity arising from a successful prosecution against an individual for fly tipping.

Financial Resilience

The Council's aim under this priority is to eliminate the reliance on Government Revenue Support Grant by 2020.

The Council has continued to address the financial pressures it faces in the light of cuts to government funding to ensure it remains financially sustainable and has robust arrangements in place for securing value for money.

The Council's Long Term Financial Strategy (LTFS) sets out our longer term funding strategy and requirements, this is supported by our three year Medium Term Financial Plan (MTFP) Both are reviewed annually, and set out our requirements for additional savings and income needed to balance our budgets. Our Income and Savings Plan sets out the detail of how we intend to meet this target. £112k of savings has been achieved in 2017/2018 against a target of £332k for the year, which will help to contribute to the longer term savings needed.

Savings achieved in 2017/18 include £35k in savings from insurance contracts, £25k from a structure of the Council's Corporate Leadership Team, £19k in savings from payment in advance of employer back-funding pension liability, £8k from reductions on car mileage payments to staff, £6k arising from a review of waste management, environmental health and housing, £7k arising from a mini-review of financial services and reassigned of responsibilities, as well as smaller savings/ increased income across a range of services.

There has been slippage in the timescales of a number of projects and some projects originally identified as potential savings/income have not proved viable. Work will continue to deliver a number of further projects in order to meet the savings needed to balance the Council's budget, and the Plan is subject to quarterly update and refresh.

(Financial performance against our budgets is explained further under Financial Performance 2017/2018)

Part of our approach is to make the best use of Council assets to provide sustainability to Council funding streams. We have developed our Acquisition and Regeneration Investment Strategy which sets out how we will acquire and regenerate of property assets to improve outcomes throughout the District in respect of improving economic and social outcomes for our communities.

During 2017/18 we have progressed the redevelopment of our homelessness hostel Aireview House (expected completion May 2018) and are in the process of transferring amenity land at Wilson Street/Main Street in Sutton-in-Craven and public conveniences at Hall Street in Cross Hills to the respective Parish Councils. Following agreement by Policy Committee, Mealbank Quarry at Ingleton is also being transferred to the Yorkshire Wildlife Trust for its future management and use as a nature reserve.

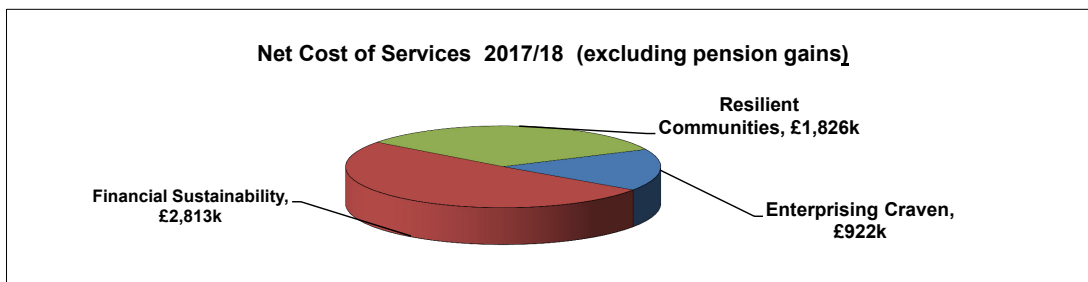
We have also progressed well with initiatives for the development of shared ownership housing and have a target to deliver 45 by April 2019. A small pilot development of 3 homes at a former garage site in Burnroyd Avenue, Glusburn was completed in late Summer 2017, and we have currently committed to developing a further 11 units on former garage sites and works are currently on site working with appointed developers building 7 homes across 2 sites at Harper Grove in Sutton-in-Craven and Colne Road, Glusburn which will be completed later in the year. To date we have also purchased 3 additional shared ownership properties and are in the process of acquiring an additional 3, which we expect to complete purchase on over the Summer.

Following a procurement exercise which initially took place 2016/17, the Council has now successfully established a partnership with Barnfield Investment Properties Limited, forming a Joint Venture Company known as Craven Barnfield Regeneration Limited which will deliver a range of major regeneration and development projects at sites across the District going forward.

NARRATIVE REPORT**Financial Performance 2017/2018**

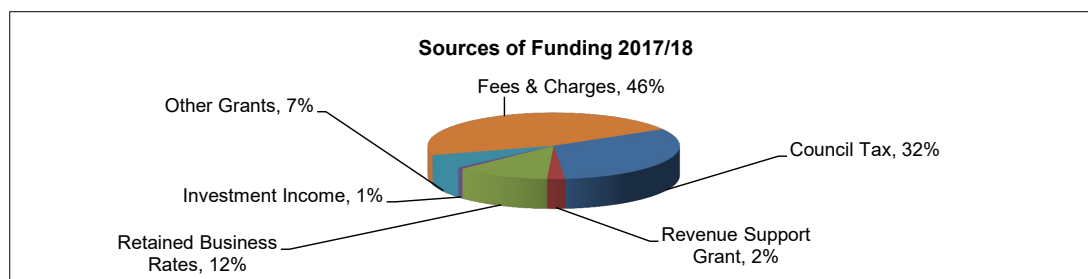
The Council has continued to strengthen its financial position in 2017/18. The total forecasted net revenue expenditure for the Council during 2017/18 was £7,137k, showing a £595k underspend against budget. This includes the net costs of services totalling £5,669k.

The chart and table below provide further detail on the cost of services.



	Expenditure £'000	Income £'000	Net Exp. £'000
Enterprising Craven includes the costs of all Skipton Town Hall, Craven Museum & Exhibition Gallery, Art Development, Planning and Building Control, Economic Development, Tourist Information Centres and Hackney Carriage and Premises Licensing	2,112	(1,190)	922
Financial Sustainability includes costs of miscellaneous property, Skipton Bus Station and Council Depot sites, Belle Vue Square Offices, Corporate Senior Management Costs, costs of teams managing and maintaining the Council's property assets, other back office services of business support finance, legal, human resources, information services, and a range of other corporate costs	3,091	(277)	2,814
Resilient Communities includes the costs of a wide range of front line services delivered to the public including Craven Leisure, Public Conveniences, Car Parks, Garages, Bereavement Services, Waste and Recycling Collection, Street Cleansing, Environmental Health and Housing, Shared Ownership Housing, Elections, Democratic Services, Revenues and Benefits and Customer Services, Community Services and Communications and Partnerships	16,351	(14,525)	1,826
<i>Adjustment for Investment Properties</i>	(2)	109	107
Total Net Cost of Services	21,552	(15,883)	5,669

The chart and table below show the sources of funding to the Council, to fund our expenditure which includes the cost of services. This includes Parish Precepts paid to Parish and Town Council's totalling £1,314k.



Sources of Income to the Council	2017/18 £'000
Revenue Support Grant	353
Retained Business Rates	1,875
Council Tax (including parishes precepts)	4,988
Investment Income	122
Non Specific Government Grants and Other Income	1,066
Fees & Charges	7,223
Total	15,627

Excluding parish precepts, in 2017/18 the Council received 10% of its net funding from Revenue Support and Other Grants, 26% from Council Tax (excluding parish precepts), 13% from Retained Business Rates, 50% from Fees and Charges, and 1% from investment income.

The Council's Capital Programme

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

The Capital Programme was agreed by the Council's Policy Committee in February 2017, at £2,460k. However, as result of slippage brought forward into 2017/18, the success of Heritage Lottery Funding for the redevelopment of Craven Museum and Gallery/Skipton Town Hall and additional Council funding for the project, and a loan to Craven College of £400k, the final programme stood at £8,651k. The programme including £607k of grants under the mandatory disabled facilities grant improvements scheme, a number of schemes at Craven Leisure including the replacement of moveable floor in the learner pool and the buildings energy management system, replacement refuse collection vehicle, redevelopment of the Aireview House homelessness hostel, shared ownership housing and redevelopment of Skipton Town Hall.

The final programme spend for 2017/18 stands at £3,435k, the variance of £5,216k is a result of projects completing under budget, projects not able to go ahead and slippage on timescales for some projects. Required slippage will be carried forward into the 2018/19 capital programme for continuing projects. This includes the £3,800k for the redevelopment of Craven Museum Gallery/Skipton Town Hall.

Capital Programme

2016/17 Expenditure £'000	Areas of Capital Expenditure	2017/18 Approved Budget £'000	2017/18 Expenditure £'000
	Culture and Leisure Related		
22	Aireville Park Facilities	-	-
102	Craven Leisure (formerly Craven Pool & Fitness Centre)	78	73
247	Skipton Town Hall - Concert Hall (Arts Council England Funded Project)	4	4
281	Skipton Town Hall Redevelopment	439	406
	Skipton Town Hall Redevelopment (Heritage Lottery Fund Scheme)	3,910	110
	Economy, Housing and Environmental Related		
	Aireview House Homelessness Hostel Refurbishment	750	457
31	Car Parks and Parking Machines	69	42
46	Market Town Improvements	68	5
206	Shared-ownership housing	544	554
5	Toilet Refurbishment - Skipton Bus Station	44	55
	Toilet Refurbishment - Ashfield Settle	80	5
	Waste and Recycling Related		
73	Refuse Vehicles and Associated Equipment	1,083	793
	Commercial Vehicle Lift	20	-
	Other Asset Infrastructure		
73	IT Infrastructure	272	218
3	St Andrews Church Kildwick - Wall Repairs	19	25
9	Skipton Depot	241	1
22	Waltonwrays Crematorium Improvements	23	7
	Grant Assistance to Residents		
253	Disabled Facilities Capital Grants & Other Home Improvement Grants	607	280
	Other		
	Loan to Craven College	400	400
1,373	Total Capital Expenditure	8,651	3,435

The Council finances this expenditure from a variety of sources. An analysis of how the Capital Programme Expenditure in 2017/18 has been financed is set out on the next page.

2016/17 £'000	Capital Programme - Methods of Financing	2017/18 £'000
250	Prudential Borrowing	642
419	Capital Grants	777
247	Arts Council England Grant 30864670 for Skipton Town Hall Concert Hall	
157	Capital Receipts	747
300	Revenue Contribution	1,269
1,373	Total Financing	3,435

Review of the Council's Current Financial Position

Balance Sheet

The Council's Balance Sheet shows that the net worth of the Council increased by just under £7.5 million to £22,456k at 31 March 2018 from £15,040k at 31 March 2017.

The value of our long term non-current assets which are made up of the Council's property, equipment and vehicles used to deliver Council services, and also other assets such as investments have increased by £5,190k to £39,359k at 31st March 2018 compared to £34,169k at 31 March 2017.

The value of current assets increased slightly by £284k to £16,168k at 31st March 2018 from £15,884k at 31st March 2017. The majority of which being short term investments of £10,026k which has remained static compared to £10,027k at 31 March 2017, short term debtors at £2,652k an increase of £1,332k from 31 March 2017, and cash and equivalents at £3,441k decreasing from £4.481m at 31 March 2017. Though was offset by an increase in current liabilities to £5,932k from £5,146k, in the main due to an increase in short term creditors to the Council of £1,094k.

The Council's long term liabilities have decreased by £2,729k to £27,138k at 31st March 2018 compared to £29,867k at 31st March 2017. This is largely due to a reduction in liabilities in the Council's share of the deficit in the North Yorkshire Pension Fund which have decreased to £21,144k at 31 March 2018 from £23,465k at 31 March 2017, due to increased gains on investment, and prepayment in 2017/18 of deficit liabilities for 2018/19 and 2019/20 which has given benefits of additional cost discount. This is a long-term position, and contribution rates are set to meet 100% of local authorities' liabilities over time, under Pension Fund Regulations. The table "Scheme History" in Note 36 sets out the Council's estimated share of the North Yorkshire County Council's Pension Fund's assets and liabilities.

Council Reserves

At 31st March 2018 the Council's total reserves stood at £22,456k compared to £15,040k at 31st March 2017, an increase of £47,416k. This includes unusable reserves of £12,413k and usable reserves of £10,043k.

Useable reserves of £10,043k, includes £995k of unallocated general fund revenue reserves and £6,342k of earmarked general fund reserves. This reflects the decision to set aside to fund a range of projects including those to generate future savings and develop new working practices, resource to provide for potential cost pressures resulting from refunds required through the localisation of Business Rates, capital receipts reserves of £2,418k to fund the capital programme, and £288k of unapplied capital grants.

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. For 2017/18 the minimum level was calculated to be £995k 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.

Current Economic Climate

The Council requires financial resources to fund the delivery of its corporate priorities, statutory obligations and discretionary services. Government measures to reduce the budget deficit continue to have an impact on the Council's finances.

Cuts in Government Grant Funding which will see the Council's Government Support Grant steadily reduced to nil in 2019/20 and other budget pressures mean that the Council will need to find significant additional savings or increased income.

The Council's Long Term Financial Strategy (LTFS) 2018/19 to 2027/28 and the Medium Term Financial Plan (MTFP) 2018/19 to 2020/21, agreed in February 2018, show that further savings of £409k will be required in 2019/20 and £655k in 2020/21 to balance the following year's budget.

Corporate Governance and Risks

The Council has an embedded process to manage risks and assist the achievement of its objectives for service delivery and its priorities set out in the Council Plan. The Corporate Risk Register is subject to review and approval by the Council's Audit and Governance Committee, and monitoring of key risks is integrated into our performance monitoring arrangements and reports considered at the Audit & Governance Committee.

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

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

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

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

The following pages summarise the financial activities of Craven District Council in 2017/18 and comment upon the most significant matters reported in the accounts. This publication incorporates all of the financial statements and disclosure notes required by statute. The accounts have been produced in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18: Based on International Financial Reporting Standards (The Code), and the Service Expenditure Reporting of the Council.

The Council's accounts for the year 2017/18 comprise:

- **The Statement of Responsibilities for the Statement of Accounts (page 16).** Under the Code of Practice on Local Authority Accounting in the UK 2005, there is a requirement for the Council, in addition to the Chief Financial Officer, to certify its approval of the Statement of Accounts.
- **The Movement in Reserves Statement (MIRS) (page 18).** 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 19).** 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 20).** 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 21).** The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.
- **The Notes to the Financial Statements (pages 22 to 72).** These provide additional information about the figures in the core financial statements.

Supplementary Statements Comprising:

- **The Collection Fund Account (page 74).** 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 75 to 78).** 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 79 to 82)**
- **Glossary of Terms and Index of Notes (pages 83 to 89).** Terms used throughout this document are described in detail in these pages.
- **The Annual Governance Statement (Appendix 1 Page 91).** A statement explaining how the Council maintains an effective system of internal financial control.

Structure of the Council's Accounts

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

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

The way each of these is funded is also different:

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

Non-Current Assets

In accordance with the Council's 5-year rolling programme, a number of properties (land and buildings) were revalued in 2017/18. This resulted in valuation increases and decreases. Valuations were carried out by the Council's internal RICS-registered surveyor. In addition, an impairment review of properties was undertaken and it was found that no properties needed to be downwardly revalued due to impairment.

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

Prior Period Adjustments

Prior period adjustments have been made to the Council's 2016/17 published financial statements.

The Comprehensive Income and Expenditure Statement presented in a new 2017/18 Council reporting format where previously the Net Cost of Services was reported in line with a different Council reporting classification. In line with International Financial Reporting Standards a retrospective restatement of the 2016/17 Comprehensive Income and Expenditure Statement has been included within the 2017/18 Statement of Accounts. Further details of the restatement can be found in Note 41, Prior Period Adjustments.

Further Information

If you require further information concerning the Council's accounts, this is available from Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ (01756 700600) or by email to contactus@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 Statement of Accounts on pages 18 - 85 gives a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2018.

Nicola Chick
FCPFA
Chief Finance Officer

Date: 4th September 2018

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

Cllr Chris Harbron
Chair of Audit and Governance Committee

Date: 4th September 2018

SECTION 3

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

APPENDIX A

	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 2016	995	5,786	2,583	367	9,731	4,300	14,031
<u>Movement in reserves during 2016/17</u>							
Surplus or (deficit) on provision of services	859	0	0	0	859	0	859
Other Comprehensive Expenditure and Income	0	0	0	0	0	150	150
Total Comprehensive Expenditure and Income	859	0	0	0	859	150	1,009
Adjustments between accounting basis & funding basis under regulations (note 7)	(49)	0	175	(66)	60	(60)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	810	0	175	(66)	919	90	1,009
Transfers to/from Earmarked Reserves (note 8)	(810)	810	0	0	0	0	0
Movement in Year	0	810	175	(66)	919	90	1,009
Balance at 31 March 2017 carried forward	995	6,596	2,758	301	10,650	4,390	15,040
<u>Movement in reserves during 2017/18</u>							
Surplus or (deficit) on provision of services	552	0	0	0	552	0	552
Other Comprehensive Expenditure and Income	0	0	0	0	0	5,709	5,709
Total Comprehensive Expenditure and Income	552	0	0	0	552	5,709	6,261
Adjustments between accounting basis & funding basis under regulations (note 7)	(806)	0	(340)	(13)	(1,159)	2,313	1,154
Net Increase/Decrease before Transfers to Earmarked Reserves	(254)	0	(340)	(13)	(607)	8,022	7,415
Transfers to/from Earmarked Reserves (note 8)	254	(254)	0	0	0	0	0
Movement in Year	(0)	(254)	(340)	(13)	(607)	8,022	7,415
Balance at 31 March 2018 carried forward	995	6,342	2,418	288	10,043	12,413	22,456

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

APPENDIX A

2016/17				2017/18			Notes
Restated Expenditure £'000	Restated Income £'000	Restated Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	
1,887	(1,224)	662	Enterprising Craven	2,112	(1,190)	922	
3,097	(296)	2,801	Financial Sustainability	3,091	(277)	2,814	
17,122	(15,379)	1,743	Resilient Communities	16,351	(14,525)	1,826	
(16)	89	73	<i>Adjustment for Investment Properties</i>	(2)	109	107	
22,089	(16,810)	5,279	Cost of Services	21,552	(15,883)	5,669	
			Other Operating Expenditure				9
			2,103				2,901
			873				65
			Financing and Investment Income & Expenditure				10
			(9,114)				(9,187)
			Taxation and Non-Specific Grant Income				11
			(859)				(552)
			(Surplus) or Deficit on Provision of Services				
			Other Comprehensive Income and Expenditure				
			(661)				(3,966)
			(Surplus) or deficit on Revaluation of Property, Plant and Equipment Assets				22.1
			471				413
			Impairment Losses on Non-Current assets charged to the Revaluation Reserve				22.1
			40				(2,156)
			Remeasurement of net defined benefit / (liability)				36
			Total Other Comprehensive Income and Expenditure				(5,709)
			Total Comprehensive Income and Expenditure				(6,261)
			(1,009)				

BALANCE SHEET

31-Mar-17 £'000		31-Mar-18 £'000		Notes
29,084	Property Plant & Equipment	33,257		12
1,741	Investment Properties	2,176		12
3,079	Heritage and Community Assets	3,217		12
263	Intangible Assets	312		15
-	Long Term Investments	6		16
2	Long Term Debtors	391		16
34,169	Total Long Term Assets		39,359	
10,027	Short Term Investments	10,026		16
-	Assets Held For Sale	-		19
56	Inventories and Work in Progress	49		
1,320	Short Term Debtors	2,652		17
4,481	Cash and Cash Equivalents	3,441		18
15,884	Total Current Assets		16,168	
-	Cash and Cash Equivalents	-		18
(40)	Short Term Borrowing	(48)		16
(4,364)	Short Term Creditors	(5,458)		20
(742)	Provisions	(427)		39
(5,146)	Total Current Liabilities		(5,932)	
(5,996)	Long Term borrowing	(5,988)		16
(6)	Other Long Term Liabilities	(6)		
(23,865)	Defined Benefit Pension Scheme	(21,144)		36
(29,867)	Total Long Term Liabilities		(27,138)	
15,040	Net Assets		22,456	
10,650	Usable Reserves		10,043	21
4,390	Unusable Reserves		12,413	22
15,040	Total Reserves		22,456	

Nicola Chick
FCPFA
Chief Finance Officer

Dated: 4th September 2018

CASH FLOW STATEMENT

APPENDIX A

2016/17 £'000		2017/18 £'000	Notes
859	Net surplus/(deficit) on the provision of services	552	
2,225	Adjustments to net surplus or deficit on the provision of services for non-cash movements	1,068	23
(183)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(417)	23
2,901	Net cash flows from operating activities	1,202	
(934)	Investing Activities	(2,307)	24
432	Financing Activities	65	25
2,399	Net Increase or (Decrease) in cash and cash equivalents	(1,040)	
2,082	Cash and cash equivalents at the beginning of the reporting period	4,481	
4,481	Cash and cash equivalents at the end of the reporting period	3,441	18

SECTION 4

NOTES TO THE CORE FINANCIAL STATEMENTS

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EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS).

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

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Revenue relating to such items as Council Tax and Non Domestic Rates, is measured at the full amount receivable (net of any impairment losses) as they are non-contractual non-exchange transactions and there can be no difference between the delivery and payment dates.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the balance sheet.
- In the event that consideration has been paid in advance of the receipt of goods or services or other benefit, an authority shall recognise a debtor (i.e. payment in advance) in respect of that outflow of resources.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- In the event that consideration is received but the revenue does not meet the recognition criteria as described above, the Council recognises it as a creditor (i.e. receipt in advance) in respect of that inflow of resources.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is charged to a bad debts provision. Contributions to the provision are made by charging the service revenue accounts dependent upon the value of outstanding aged debts.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Year-end accruals and prepayments are made, as appropriate, subject to a de-minimis level of £500.

1.3. Cash & Cash Equivalents

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

1.3.1. Cash Flow

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

1.3.2. Capital Receipts

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

1. Accounting Policies continued

1.4. Collection Fund

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

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

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the MiRS.

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

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.

1.7. Employee Benefits

Benefits Payable During Employment

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

1. Accounting Policies continued**1.7. Employee Benefits continued.....****Termination Benefits**

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

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.6% 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.

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.

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. Accounting Policies continued

1.8. Events After the Reporting Period

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

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

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

1.9. Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

The Council only has one type of significant financial asset:

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

Loans and Receivables

Loans and receivables are 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.

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.

1. Accounting Policies continued**1.10. Government Grants and Contributions continued.....**

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. The carrying amounts are reviewed where there is evidence of impairment and any impairment is recognised and measured in accordance with the authority's general policy on impairment - see note 1.18 in this summary of significant accounting policies.

1.12. Intangible Assets

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

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

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

1.13. Interests in Companies and Other Entities

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

1.14. Inventories and Long-term Contracts

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

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

1. Accounting Policies continued**1.15. 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 highest and best use value of the asset from the market participants perspective. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

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

1.16. Accounting for Leases

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

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

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

The Council as Lessee**Finance Leases**

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

Lease payments are apportioned between:

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

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

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory 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.

1. Accounting Policies continued**1.16. Accounting for Leases continued.....****The Council as a Lessor****Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

1.17. Overheads and Support Services

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

1.18. Property, Plant and Equipment

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

Recognition:

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

Measurement:

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

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.

1. Accounting Policies continued**1.18. Property, Plant and Equipment continued.....****Measurement continued.....:**

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

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

Otherwise, net current replacement cost is assessed as:

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

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

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

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

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

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

Impairment:

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

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

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

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

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

Depreciation:

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

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

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

1. Accounting Policies continued**1.18. Property, Plant and Equipment continued.....****Componentisation:**

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

Remaining Useful Asset Life:

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

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

Disposals and Non-Current Assets Held For Sale:

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

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

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

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

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

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

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES when the authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. The main provision that the Council currently holds is that for bad debts.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

1. Accounting Policies continued**1.19. Provisions, Contingent Liabilities and Contingent Assets continued.....****Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.20. Reserves

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

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

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

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

1.21. Revenue Expenditure Funded from Capital under Statute

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

1.22. Value Added Tax (VAT)

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

1.23. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The amendments that are to be adopted in the 2018/19 Code that will be applied by the authority are as follows:

IFRS9 Financial Instruments - The standard introduces extensive changes to the classification and measurement of financial assets including new classifications, measurement of fair value and the recognition of gains and losses. One of the main features is the change from losses based on incurred loss to one based on "expected credit loss." Given the financial instruments (investment methods) utilised by the Council, the impacts arising are not considered to be material upon the financial statements. However, there will be some impact with regards to consideration of the standard in relation to investment property assets held by the Council. Further assessment will be undertaken in preparation for the production of the 2018/19

IFRS 15 Revenue from Goods and Services - The standard will require local authorities to recognise revenue in such a way that it represents the transfer of promised good or services to the recipient (customer) in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services. Following initial consideration of the nature of and range of income streams to the Council, it is not expected that application of the standard would have a material impact on revenue recognition in the financial statements. Further assessment will be undertaken in preparation for the production of the 2018/2019 accounts.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses - The standard which has been amended relate to accounting for taxes on an entity's income (for example corporation tax). The do not relate to accounting for VAT, council tax or non domestic rates, which are addressed by other standards set out in the Code. The standard is not relevant to the Council in the context of its financial statements which are presented on a single entity basis.

IAS 7 Statement of Cashflows: Disclosure Initiative - The standard has been amended to and this will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 25) in future years.

3. Critical Accounting Judgements In Applying Accounting Policies

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

Classification of Leases

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

Arrangements Containing a Lease - Implied Leasing

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

Local Government Funding

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

Investment Properties (Commercial Property)

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

Assets Held For Sale

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

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

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

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

4. Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty continued....**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 £1,232k. However, the assumptions interact in complex ways. During 2017/18, the Authority's actuaries advised that the net pensions liability had increased by £388k as a result of estimates being corrected as a result of experience.

Arrears

At 31 March 2018, the Authority had a balance of sundry debtors for £350k and housing benefit overpayments of £264k. A review of all balances suggested that an impairment of doubtful debts of £457k 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 £62k to be set aside as an allowance.

Employee Benefits Accrual

The employee benefits accrual cost was calculated for years from 2008/09 to 2016/17. There is little or no variation year on year. The amount involved is deemed not to be material and therefore no adjustment has been made to the accrual included within the accounts. The calculation will be performed and reviewed each year and should it be deemed material an adjustment to the accrual will be made in the accounts. The level of leave at the end of 2017/18 has not altered materially from 2016/17.

5. Material Items of Income & Expenditure

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

6. Events After The Reporting Period

The unaudited Statement of Accounts was authorised for issue on 31 May 2018 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2017/18	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	1,409			(1,409)
Revaluation gains/(losses) on Property, Plant and Equipment	277			(277)
Movements in the fair value of Investment Properties	(527)			527
Amortisation of intangible assets	19			(19)
Capital grants and contributions applied	(471)			471
Revenue expenditure funded from capital under statute	25			(25)
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	299			(299)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(319)	(10)		329
Capital expenditure charged against the General Fund	(1,264)			1,264
Movements in Donated Assets	-			-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(13)		13	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(26)	26
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	(355)	355		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(747)		747
Other cash receipts	(62)	62		-
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**

2017/18	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 Pensions Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 36)	2,012			(2,012)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,577)			2,577
less prepayment of 2018/2019 and 2019/20 employees' contributions payable	1,154			
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	(31)			31
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	(382)			382
Cost of Services	(806)	(340)	(13)	2,313

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**7. Adjustments between Accounting Basis and Funding Basis under Regulations**

2016/17	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	868			(868)
Revaluation losses on Property, Plant and Equipment	108			(108)
Movements in the fair value of Investment Properties	52			(52)
Amortisation of intangible assets	25			(25)
Capital grants and contributions applied	(259)			259
Revenue expenditure funded from capital under statute				-
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	159			(159)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(319)			319
Capital expenditure charged against the General Fund	(300)			300
Acquisition of Donated Assets				-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(88)		88	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(154)	154
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	(176)	176		-
Use of the capital Receipts Reserve to finance new capital expenditure	-	(157)		157
Other cash receipts	(156)	156		-
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

2016/17	General Fund Balances Restated £'000	Capital Receipts Reserve Restated £'000	Capital Grants Unapplied Restated £'000	Movement in Unusable Reserves Restated £'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 Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 36)	1,774			(1,774)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,382)			1,382
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	(11)			11
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	(344)			344
Cost of Services	(49)	175	(66)	(60)

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.

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-16 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-17 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-18 £'000	See Notes Below
Bishopdale Court	5	-	-	5			5	
Building Control Reserve	25	-	-	25			25	
Buildings Reserve	465	(94)	130	501	(297)	156	360	8.1
Business Rates Equalisation	1,250	(364)	208	1,094	(484)	140	750	8.2
Contingency	25	(25)	25	25		75	100	
Edith Stead Bequest Reserve	2	-	-	2			2	
Elections	-			-		35	35	8.3
Enabling Efficiencies Fund	418	(141)	94	371	(91)	20	300	8.4
ERDF Funds	48	-	-	48			48	8.5
Future Year Budget Support	364	(271)	136	229	(100)	111	240	8.6
Insurance	50	-	10	60		10	70	
IT Reserve	730	(71)	80	739	(218)	39	560	8.7
Local Authority Business Growth Incentive	9	-	-	9			9	
Local Plan / Planning Reserve	370	(119)	425	676	(230)	29	475	8.8
New Homes Bonus	1,258	(438)	1,190	2,010	(662)	844	2,192	8.9
Partial Exemption Reserve	17	-	-	17		783	800	8.10
Revenue Expenditure Reserve	170	(170)	124	124	(124)	21	21	8.11
Vehicle Replacement Reserve	580	(57)	138	661	(348)	37	350	8.12
Total	5,786	(1,750)	2,560	6,596	(2,554)	2,300	6,342	

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

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

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

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

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

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

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

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

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

8.10. Partial Exemption Reserve carries funds to offset the impact on revenue services if the Council's partial exemption de-minimis threshold of 5% is exceeded meaning that VAT on purchases cannot be recovered for certain Council services. There is expected to be a breach in 2018/19 caused by the replacement of the cremators at Waltonwrays

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

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

9. Other Operating Expenditure

2016/17 Restated £'000		2017/18 £'000
1,275	Parish Precepts	1,314
(156)	Receipts from covenants	(62)
1,048	Depreciation, Amortisation & Impairment	1,428
(47)	Revaluations (Gain) / Loss Chargeable to the CIES	277
(17)	(Gains) / Losses on Disposal of non-Current assets	(56)
2,103	Total	2,901

10. Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
256	Interest Payable and similar charges	256
(127)	Interest Receivable and similar income	(122)
773	Net interest on the net defined benefit liability (asset)	565
(21)	Income and expenditure in relation to investment properties and changes in their fair value	(634)
(8)	Other investment income	-
873	Total	65

11. Taxation and Non-Specific Grant Income

2016/17 £'000		2017/18 £'000
(4,773)	Council Tax	(5,019)
(2,594)	Non Ring-fenced Government Grants	(2,353)
(360)	Capital Grants and other contributions	(484)
(7,378)	Retained Business Rates	(7,207)
5,991	Business Rates Tariff/(Top Up)	5,876
(9,114)	Total	(9,187)

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	10
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 tables below and on the following page show the movement in value of the Council's non-current assets. Properties owned by the Council are valued on a rolling programme basis except for investment properties which are valued annually at the balance sheet date. Valuations for 2017/18 have been undertaken in-house by a RICS-qualified valuer.

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

2017/18	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 2017	26,717	5,592	2,780	35,089	1,741	3,079	39,909
Movement in 2017/2018							
Additions	1,632	990	-	2,622	-	6	2,628
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	3,126	-	-	3,126	-	280	3,406
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(182)	-	-	(182)	527	(147)	198
Derecognition - disposals	(288)	(269)	-	(557)	-	(1)	(558)
Reclassification	92	28	-	120	(92)	-	28
Value as at 31 March 2018	31,097	6,341	2,780	40,218	2,176	3,217	45,611
Accumulated Depreciation and Impairment							
at 31 March 2017	2,179	3,811	15	6,005	-	-	6,005
Movement in 2017/2018							
Depreciation for the Year	1,115	289	5	1,409	-	-	1,409
Depreciation written out to the Revaluation Reserve	(148)	-	-	(148)	-	-	(148)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	(52)	-	-	(52)	-	-	(52)
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	(4)	(249)	-	(253)	-	-	(253)
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Value as at 31 March 2018	3,090	3,851	20	6,961	-	-	6,961
Net Book Value							
at 31 March 2018	28,007	2,490	2,760	33,257	2,176	3,217	38,650
at 31 March 2017	24,538	1,781	2,765	29,084	1,741	3,079	33,904

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12.2. Property, Plant and Equipment continued

Movement on Fixed Assets continued

2016/17	Land & Buildings Restated £'000	Vehicles Plant & Equipment £'000	Surplus Assets £'000	PPE TOTAL £'000	Investment Property Restated £'000	Community & Heritage Assets £'000	TOTAL £'000
Tangible Assets							
Cost or Valuation at 31 March 2016	26,606	5,487	2,750	34,843	1,469	3,079	39,391
Movement in 2016/17							
Additions	615	197		812	241	-	1,053
Donations				-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(52)			-	-	-	-
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(155)			(52)	(52)	-	(207)
Derecognition - disposals	(167)	(92)		(259)	-	-	(259)
Reclassifications	(130)		30	(100)	83	-	(17)
Value as at 31 March 2017	26,717	5,592	2,780	35,089	1,741	3,079	39,909
Accumulated Depreciation and Impairment							
at 31 March 2016	1,951	3,592	-	5,543	-	-	5,543
Movement in 2016/17							
Depreciation for the Year	552	311	5	868	-	-	868
Depreciation written out to the Revaluation Reserve	(242)	-	-	(242)	-	-	(242)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	(48)	-	-	(48)	-	-	(48)
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	(7)	(92)	-	(99)	-	-	(99)
Other movements in Depreciation and Impairment	(27)		10	(17)	-	-	(17)
Value as at 31 March 2017	2,179	3,811	15	6,005	-	-	6,005
Net Book Value							
at 31 March 2017	24,538	1,781	2,765	29,084	1,741	3,079	33,904
at 31 March 2016	24,655	1,895	2,750	29,300	1,469	3,079	33,848

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 2018, 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 committed to expenditure in future years of £3,712k as shown in the table below:

	Expenditure approved and contracted at 31-Mar-18 £'000	Expenditure approved to proceed but not contracted at 31-Mar-18 £'000	Period of Investment
IT Software	13	132	1-3 years
Vehicles & Equipment		1,472	1-3 years
Home Improvement & Repair Grants	62	517	1-3 years
Other Grants		225	1-3 years
Craven Market Towns Development		258	1-5 years
Property Acquisitions / New Build	74		1-3 years
Improvements to Property	142	817	1-3 years
Total	291	3,421	

12.4. Revaluations

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

	Other Land and Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historical cost:	-	2,490	-	2,490
Changes in Current Value as at:				
31-Mar-18	12,176	-	-	12,176
31-Mar-17	6,354	-	-	6,354
31-Mar-16	9,000	-	2,760	11,760
31-Mar-15	1,624	-	-	1,624
31-Mar-14	1,027	-	-	1,027
Total Cost or Valuation	30,181	2,490	2,760	35,431

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 June 2014, unless an event dictates otherwise. Revaluations in the year included those items of significant value forming part of the Roebuck Collection of artworks, and the Shakespeare First Folio. There were no disposals of capitalised heritage assets in the year.

14. Investment Properties

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

	2016/17	2017/18
	£'000	£'000
Rental Income From Investment Property	89	109
Direct Operating expenses arising from investment property	(16)	(2)
Net Gain / (Loss)	73	107

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

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

	2016/17	2017/18
	£'000	£'000
Balance at start of the year	1,469	1,741
Additions:		
Purchases	-	-
Construction	241	-
Subsequent Expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	(52)	527
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	83	(92)
Other Changes	-	-
Balance at end of Year	1,741	2,176

Fair Value Hierarchy

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

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**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.

2016/17 Software Licenses £'000		2017/18 Software Licenses £'000
	Cost	
1,412	Historic Cost brought forward 1 April	1,476
64	Additions	96
-	Reclassifications	(28)
-	Disposals	-
1,476	Historic Cost carried forward 31 March	1,544
	Amortisation and Impairments	
1,188	Accumulated amortisation and impairment brought forward	1,213
25	Charge for year	19
-	Reclassifications	-
-	Disposals	-
1,213	Accumulated amortisation and impairment carried forward	1,232
263	Balance Sheet at 31 March	312

16. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

	Long-Term		Current	
	31-Mar-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000
Investments				
Loans and receivables (excl cash equivalents)	-	6	10,027	10,026
Available-for-sale financial assets	-	-	-	-
Total investments	-	6	10,027	10,026
Debtors				
Loans and receivables	2	391	108	12
Total included in Debtors	2	391	108	12
Borrowings				
Financial Liabilities at amortised cost	5,996	5,988	40	48
Total included in Borrowings	5,996	5,988	40	48
Creditors				
Financial liabilities carried at amortised cost	-	-	4,065	2,918
Total Creditors	-	-	4,065	2,918

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

All financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

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

No early repayment or impairment is recognised;

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

	31 March 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
The fair values calculated using Link Asset Services' method (new borrowing rate) are as follows				
Financial Liabilities	5,988	8,692	5,988	8,629
	31 March 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
The fair values calculated using PWLB's method (premature repayment rate) are as follows				
Financial Liabilities	5,988	10,484	5,988	10,351

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 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Fixed term Loans and Receivables	10,000	10,000	10,000	10,000

The fair value is 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.

17. Short-Term Debtors

The following table shows the amounts owed to the Council for which payments have not been received by 31 March 2018. 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-17 £'000		31-Mar-18 £'000
549	Central Government Bodies	425
171	Other Local Authorities / Public Bodies	306
1,080	Other Entities and Individuals	2,378
1,800		3,109
(480)	Less Provision for Bad Debts	(457)
1,320	Total	2,652

18. Cash and Cash Equivalents

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

Balance at 31-Mar-17 £'000		Balance at 31-Mar-18 £'000
4	Cash held by the Authority	6
457	Bank Current Accounts	1,004
4,020	Short-term Deposits	2,430
4,481		3,441

19. Assets Held For Sale

There are no items fulfilling the criteria of Assets Held for Sale as at 31 March 2018.

20. Creditors

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

31-Mar-17 £'000		31-Mar-18 £'000
374	Central Government Bodies	1,030
2,345	Other Local Authorities / Public Bodies	2,307
1,645	Other Entities and Individuals	2,121
4,364	Total	5,458

21. Usable Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. These Reserves can be analysed between Usable (i.e. the balances are available to support the delivery of Council Services) and Unusable (i.e. they are kept to manage accounting processes for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Authority). Unusable Reserves are detailed in note 22.

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

2016/17 £'000		2017/18 £'000	Note
	Usable Reserves		
995	General Fund	995	21.1
6,596	Earmarked Reserves	6,342	21.2
2,758	Capital Receipts Reserve	2,418	21.3
301	Capital Grants Unapplied	288	21.4
10,650	Total	10,043	

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS**21. Usable Reserves continued.....****21.1. General Fund**

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

21.2. Earmarked Reserves

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

21.3. Capital Receipts Reserve

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

21.4. Capital Grants Unapplied Reserve

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

22. Unusable Reserves

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

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

2016/17 £'000		2017/18 £'000	Note
	Unusable Reserves		
	Revaluation Balances		
10,518	Revaluation Reserve	13,675	22.1
18,128	Capital Adjustment Account	19,860	22.2
(23,865)	Pensions Reserve	(21,144)	22.3
-	Deferred Capital Receipts Reserve	-	22.4
(333)	Collection Fund Adjustment Account	80	22.5
(58)	Accumulated Absences Account	(58)	22.6
4,390	Total	12,413	

22.1. Revaluation Reserve

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

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

22. Unusable Reserves continued.....**22.1. 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.

2016/17 £'000		2017/18 £'000
10,633	Balance brought forward at 1 April	10,518
661	Upwards revaluation of assets	3,966
(471)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(413)
190	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	3,553
(236)	Difference between fair value depreciation and historical cost depreciation	(291)
(69)	Accumulated gains on assets sold or scrapped	(105)
(305)	Amount written off to the Capital Adjustment Account	(396)
10,518	Balance carried forward at 31 March	13,675

22.2. Capital Adjustment Account

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

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

22. Unusable Reserves continued.....**22.2. 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.

2016/17		2017/18
£'000		£'000
17,846	Balance brought forward at 1 April	18,128
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(868)	Charges for depreciation and impairment of non-current assets	(1,409)
(25)	Amortisation of intangible assets	(19)
(108)	Revaluation losses on Property, Plant and Equipment	(276)
-	Revenue Expenditure Funded From Capital Under Statute	(25)
(159)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(299)
(1,160)		(2,028)
305	Adjusting amounts written out of the Revaluation Reserve	396
(855)	Net written out amount of the cost of non-current assets consumed in the year	(1,632)
	Capital financing applied in the year:	
157	Use of the Capital Receipts Reserve to finance new capital expenditure	747
259	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	471
154	Application of grants to capital financing from the Capital Grants Unapplied Account	26
319	Minimum Revenue Provision - Borrowing	329
300	Capital expenditure charged against the General Fund	1,264
1,189	Total capital financing applied in the year	2,837
(52)	Movements in the market value of Investment Properties debited or credited to the CIES	527
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
18,128	Balance carried forward at 31 March	19,860

22. Unusable Reserves continued.....**22.3. Pensions Reserve**

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

2016/17 £'000		2017/18 £'000
(23,433)	Balance brought forward at 1 April	(23,865)
(40)	Remeasurements of the net defined benefit liability / (asset)	2,156
(1,774)	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	(2,012)
1,382	Employer's pensions contributions and direct payments to pensioners payable in the year	2,577
(23,865)	Balance carried forward at 31 March	(21,144)

22.4. Deferred Capital Receipts Reserve

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

2016/17 £'000		2017/18 £'000
-	Balance brought forward at 1 April	-
-	Deferred Payments re assets sold in year transferred to the Capital Receipts Reserve	-
-	Balance carried forward at 31 March	-

22. Unusable Reserves continued.....**22.5. Collection Fund Adjustment Account**

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

2016/17 £'000		2017/18 £'000
(688)	Balance brought forward at 1 April	(333)
355	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	413
(333)	Balance carried forward at 31 March	80

22.6. Accumulated Absences Account

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

2016/17 £'000		2017/18 £'000
(58)	Balance brought forward at 1 April	(58)
(58)	Balance carried forward at 31 March	(58)

23. Cash Flow Statement - Operating Activities

2016/17 £'000		2017/18 £'000
	The cash flows for operating activities include the following items:	
(127)	Interest Received	(122)
256	Interest Paid	256
129		134

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

2016/17 £'000		2017/18 £'000
859	Net Surplus / (deficit) on the provision of services	552
	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	
1,001	Depreciation, impairment and downward valuations	1,705
2	(Increase) / decrease in long term debtors	(389)
538	Increase / (decrease) in creditors	1,094
209	(Increase) / decrease in debtors	(1,332)
(101)	Increase / (decrease) in provisions	(315)
(12)	(Increase) / decrease in inventories	7
392	Movement in pension liability	589
159	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	299
52	Changes in the value of Investment Properties	(527)
-	Net pensions in advance	
(15)	Other non-cash items charged to the net surplus or deficit on the provision of services	(64)
2,225		1,068
	The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:	
(183)	Proceeds from the sale of property, plant and equipment, investment property and intangibles	(417)
2,901	Net Cash Flows From Operating Activities	1,202

24. Cash Flow Statement - Investing Activities

2016/17 £'000		2017/18 £'000
(1,117)	Purchase of property, plant and equipment, investment property and intangible assets	(2,724)
183	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	417
-	Proceeds from short-term and long-term investments	-
(934)	Net Cash Flows From Investing Activities	(2,307)

25. Cash Flow Statement - Financing Activities

2016/17 £'000		2017/18 £'000
-	Cash receipts of short-term and long-term borrowing	-
-	Repayments of short-term and long-term borrowing	-
432	Other payments for financing activities	65
432	Net Cash Flows From Financing Activities	65

26. Expenditure and Funding Analysis

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

2016/17 Restated				2017/18		
Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
662	-	662	Enterprising Craven	922	-	922
3,537	(736)	2,801	Financial Sustainability	2,814	-	2,814
1,743	-	1,743	Resilient Communities	1,826	-	1,826
73	-	73	Adjustment for Investment Properties	107	-	107
6,015	(736)	5,279	Net Cost of Services	5,669	-	5,670
(6,825)	687	(6,138)	Other Income and Expenditure	(4,261)	(1,960)	(6,221)
(810)	(49)	(859)	Surplus or Deficit	1,408	(1,960)	(552)
6,781			Opening General Fund Balance 31 March (including Earmarked Reserves)	7,591		
(810)			Plus Surplus/Less Deficit on General Fund Balance in Year	1,408		
7,591			Closing General Fund Balance 31 March (including Earmarked Reserves)	6,183		

Note 26a to the EFA 17 18 - adjustments between funding and accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustments (Note 2) £'000	Other (Note 3) £'000	Total Adjustments £'000
Enterprising Craven	-	-	-	-
Financial Sustainability	-	-	-	-
Resilient Communities	-	-	-	-
Net Cost of Services	-	-	-	-
Other Income & Expenditure from the Funding	(982)	(565)	(413)	(1,960)
Difference between General Fund Surplus or	(982)	(565)	(413)	(1,960)

Other (Note 3) Analysis:

£ '000

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

(31)

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

(382)

(413)

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustments (Note 2) £'000	Other (Note 3) £'000	Total Adjustments £'000
Enterprising Craven	-			-
Financial Sustainability	-	(736)		(736)
Resilient Communities	-	-		-
Net Cost of Services	-	(736)	-	(736)
Other Income & Expenditure from the Funding	(86)	1,128	(355)	687
Difference between General Fund Surplus or	(86)	392	(355)	(49)

Other (Note 3) Analysis:

£ '000

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

(11)

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

(344)

(355)

1. Adjustments for Capital Purposes

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

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

2. Net Change for Pensions Adjustments

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

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

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

3. Other Differences

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

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

□

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

	Enterprising Craven £'000	Financial Sustainability £'000	Resilient Communities £'000	Other Income & Expenditure from the Funding Analysis £'000	Total £'000
Revenues from External Customers	(1,171)	(187)	(14,387)	-	(15,745)
Revenues from transactions with other operating segments of the authority	-	-	(138)	-	(138)
Interest Revenue	-	-	-	(122)	(122)
Interest Expense	-	-	-	256	256
Depreciation & Amortisation	-	-	-	1,428	1,428
	(1,171)	(187)	(14,525)	1,562	(14,321)

Note 26b to the EFA 16 17 - Segmental Income & Expenditure

	Enterprising Craven £'000	Financial Sustainability £'000	Resilient Communities £'000	Other Income & Expenditure from the Funding Analysis £'000	Total £'000
Revenues from External Customers	(1,212)	(219)	(15,238)	-	(16,669)
Revenues from transactions with other operating segments of the authority	-	-	(141)	-	(141)
Interest Revenue	-	-	-	(127)	(127)
Interest Expense	-	-	-	256	256
Depreciation & Amortisation	-	-	-	1,048	1,048
	(1,212)	(219)	(15,379)	1,177	(15,633)

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

	2016/17 Income from Services £ '000	2017/18 Income from Services £ '000
Enterprising Craven	(1,212)	(1,171)
Financial Sustainability	(219)	(187)
Resilient Communities	(15,379)	(14,525)
Total Income Analysed on a Segmental Basis	(16,810)	(15,883)

27. Expenditure and Income Analysed by Nature

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

	2016/17 £ '000	2017/18 £ '000
Expenditure		
Employee benefits expenses	7,296	7,841
Other services expenses	14,772	13,077
Support service recharges	-	-
Depreciation, amortisation, impairment	1,048	1,428
Interest payments	1,029	821
Precepts and levies	1,275	1,314
Payments to Housing Capital Receipts Pool	-	-
Gain on the disposal of assets	(64)	221
Total Expenditure	25,356	24,702
Income		
Fees, charges and other service income	(7,133)	(7,223)
Interest and investment income	(291)	(184)
Income from council tax, nondomestic rates, district rate income	(6,160)	(6,350)
Government grants and contributions	(12,632)	(11,497)
Total income	(26,215)	(25,253)
Surplus or Deficit on the Provision of Services	(859)	(552)

28. Members Allowances

The Accounting Code of Practice requires disclosure of the total sum paid in the year under the Members Allowances

2016/17 £'000		2017/18 £'000
158	Allowances	160
6	Expenses	6
164	Total	166

29. Officers' Remuneration

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

	Salary (including fees & allowance)	Returnin g Officer Fees	Bonuse s	Benefits in Kind (car allowance)	Total Remuneration excluding pension contributions	Pension Contribution	Total Remuneratio n including pension contributions
Post Title	£		£		£	£	£
2017/18							
Chief Executive	98,848	7,823	5,000	-	111,671	19,655	131,326
Director of Services	78,038	-	-	-	78,038	13,813	91,851
Chief Finance Officer (Section 151 Officer)	52,846	-	-	-	52,846	9,354	62,200
Solicitor to the Council (Monitoring Officer)	52,373	-	-	-	52,373	9,270	61,643
Strategic Manager - Planning and Regeneration	55,147	-	-	-	55,147	9,761	64,908
2016/17 (restated)							
Chief Executive	97,869	4,375	5,000	98	107,342	14,402	121,744
Director of Services	77,265	-	-	14	77,279	10,817	88,096
Corporate Head Business							
Salary	54,559	-	-	36	54,595	7,638	62,233
Exit Package	47,651	-	-	-	47,651	-	47,651
Total	102,210	-	-	36	102,246	7,638	109,884
Strategic Manager - Financial Services (Section 151 Officer)	49,218	-	-	7	49,225	6,891	56,116
Solicitor to the Council (Monitoring Officer)	48,299	-	-	7	48,306	6,762	55,068
Strategic Manager - Planning and Regeneration	54,601	-	-	86	54,687	7,644	62,331

Note 1 - The Corporate Head Business Support left the Authority in February 2017. Payments include termination benefits paid. The post of Strategic Manager - Financial Services (Section 151 Officer) was renamed Chief Finance Officer (Section 151 Officer) during 2017/2018

Note 2 - Chief Executive Pension Contributions includes payments in relation to Returning Officer Fees for elections totalling £1274.09 in 2017/18.

29. continued

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

2016/17 Total (restated)	Remuneration Band			2017/18 Total
	£		£	
1	50,000	to	54,999	2
0	55,000	to	59,999	1
0	60,000	to	64,999	0
0	65,000	to	69,999	0
0	70,000	to	74,999	0
1	75,000	to	79,999	1
0	80,000	to	84,999	0
0	85,000	to	89,999	0
0	90,000	to	94,999	0
0	95,000	to	99,999	0
1	100,000	to	104,999	0
1	105,000	to	109,999	0
0	110,000	to	114,999	1

Termination Benefits

Two exit package was approved in 2017/18 at a cost of £14,264 which has been charged to the provision in the current year (1 in 2016/17 costing £47,651).

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	
£		£	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £	2017/18 £
0	-	20,000	-	1	-	1	-	2	-	14,264
20,001	-	40,000	-	-	-	-	-	-	-	-
40,001	-	60,000	1	-	-	-	1	-	47,651	-
60,001	-	80,000	-	-	-	-	-	-	-	-
80,001	-	100,000	-	-	-	-	-	-	-	-
Total			1	1	-	1	1	2	47,651	14,264

30. External Audit Costs

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

2016/17 £'000		2017/18 £'000
46	Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year.	46
-	Fees payable to Mazars with regards to V.A.T advice	-
9	Fees payable to Mazars for the certification of grant claims and returns for the year	12
55	Total	65

31. Grant Income

An analysis of Government and Other Grants Included in the CIES for 2017/18 is shown below:

2016/17 £'000		2017/18 £'000
	<u>Credited to Taxation and Non-specific Grant Income</u>	
698	Revenue Support Grant	353
	Non-Service Related Government Grants	
1,090	New Homes Bonus	820
507	NNDR - Small Business Rate Relief, Retail Relief and Other S. 31 Grants	926
21	Transitional Grants	21
	Transparency code set up	8
278	Rural Services Support Grant	225
2,594	Total	2,353
	<u>Credited to Services</u>	
	Other Government Grants:-	
9,029	DWP Grant for HB	7,805
433	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	526
-	Homes and Community Agency Grants	471
151	Housing Benefits Admin & Other Benefit Reforms Grants	104
120	NNDR Collection	118
-	Local Council Tax New Burdens	2
46	Local Council Tax Support Admin Subsidy	45
-	Business Rates Reconciliation Grant	53
-	Individual Electoral Registration	7
5	FERIS	16
7	Welfare Reform	7
19	LADS (Data Sharing)	10
56	Arts Council	9
10	Prevent	-
-	Apprentice Levy Grant	16
-	Homelessness (Prevention)	127
5	Rough Sleeper (Homelessness)	-
-	New Burdens	89
	Non-government Grants:	
56	HLF	140
247	Arts Council Funding (30864670)	-
12,778	Total	11,898

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-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000
Grants Receipts in Advance (Capital Grants)				
Disabled Facilities Grant	-	-	-	537
Total	-	-	-	537

	Long-Term		Current	
	31-Mar-17 £'000	31-Mar-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000
Grants Receipts in Advance (Revenue Grants)				
Local Services Grant	-	-	152	157
Total	-	-	152	157

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 2018 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 2017/18, there were services provided by the Council, to organisations of which Members had a declared interest. The agreements are in place with no bias, and no discounts or benefits were afforded to these organisations. The material transactions are included below.

Officers

During the year 2017/18 one Officer declared an interest of acting as a director of Skipton Business Improvement District as a representative of Craven District Council. One officer is a director of Craven Barnfield Regeneration Ltd. Another Officer is chair of the District Council Network and a board member of Equity Housing Group Ltd.

32. Related Party Transactions continued.....**Other Public Bodies**

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

Craven District Council Councillors who were also North Yorkshire County Councillors are as follows; Cllr Ireton, Cllr Heseltine, Cllr Barrett, Cllr Welch, Cllr Mulligan and Cllr Solloway. In the year Craven District Council received of £1.07m in income and had £491k of expenditure relating to North Yorkshire County Council.

Cllr Brown is a Governor at Craven College from which we received income of £11k and had expenditure of £7k. Craven Council gave the college a loan of £400k during the year.

Cllr Harbron, Cllr Jaquin, Cllr Heseltine, Cllr Madeley, Cllr Dawson and Cllr Whitaker are members of Skipton Town Council. Transactions relating to Skipton Town Council were £14.5k in income and expenditure of £489k of which £466k related to parish precept payments.

Cllr Lis is a director of the Yorkshire Dales National Park Authority (YDNPA), the Yorkshire Millennium Trust and National Parks UK LTD. Cllrs Foster, Cllr Ireton & Cllr Heseltine all have an interest in YDNPA. Transactions relating to the YDNPA were £9k in income and £17k in expenditure.

Cllr Foster is a member of the Local Government Association with which Craven Council had expenditure of £8k during the year.

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

Cllr Myers has an interest in Welcome to Yorkshire with which Craven Council had expenditure of £12k for the year.

Cllr Lis, Cllr Jaquin & Cllr Heseltine all sit on the committee for Yorkshire Housing Group Ltd from which we received income of £23k and had £58k of expenditure.

Cllr Rose is a member of Friends of Craven Museum with which Craven Council had expenditure of £2k during the year.

Each councillor had a ward member district grant allowing them to give up to £1,000 to support a community project within their ward. A total of £12,736 was given out as ward grant, the details of which can be found on the councils website.

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

The Council does not administer any pension fund.

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

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

2016/17 Transactions £'000	2016/17 Balance Owed £'000		2017/18 Transactions £'000	2017/18 Balance Owed £'000
1,275	-	Parish Precepts	1,314	-
1,382	-	North Yorkshire Pension Fund (Employer Contributions)	2,576	-
-	-	North Yorkshire waste disposal services	-	-
2,657	-	Total Payments	3,890	-

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.

2016/17 £'000		2017/18 £'000	2017/18 £'000
5,532	Opening Capital Financing Requirement		5,463
	Capital investment		
1,053	Property Plant & Equipment	2,628	
65	Intangible assets	96	
	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - non		
254	CDC Assets, grants & repair assistance loans	305	
	Loans to Other Organisations	400	
1,372	Total Capital Investment		3,429
	Sources of finance		
(157)	Capital receipts		(747)
(665)	Government grants and other contributions		(777)
(300)	Sums Set Aside from Revenue		(1,264)
(319)	MRP / Loans Fund Principal		(329)
5,463	Closing Capital Financing Requirement		5,775
	Explanation of movements in year		
	Increase in underlying need to borrow (unsupported by government financial assistance)		641
250			(329)
(319)	MRP / Loans Fund Principal		
(69)	Increase / (decrease) in Capital Financing Requirement		312

34. Leases

Authority as a Lessee

Finance Leases

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

Operating Leases

Craven District Council leases land in Bentham with which it provides car parking facilities. The annual rent is £1,330 and no parking income is derived. The expenditure was charged to the Comprehensive Income & Expenditure Statement in 2017/18.

Authority as a Lessor

Finance Leases

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

Operating Leases

The Council acts as a lessor for a number of properties including industrial units, shops, offices and dwellings. The income received from these tenants during the year was £109k (£89k in 2016/17).

Undiscounted lease payments to be received on an annual basis for the next 5 years, and a total of amounts beyond 5 years,

2018/2019 £'000	2019/2020 £'000	2020/2021 £'000	2021/2022 £'000	2022/2023 £'000	Over 5 Years £'000
121	122	122	123	124	2,829

The rentals receivable 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 2017/18 the Council has recognised no impairment losses, as was the case during 2016/17.

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

Funding and Governance Arrangements

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2012 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

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

Principal Risks to the Authority of the Scheme

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions Relating to Retirement Benefits

The Council makes contributions towards the cost of post employment benefits, as part of the terms and conditions of employment of its officers. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement. During 2017/18 the Council made a prepayment of deficit liabilities for 2018/19 and 2019/20 which has given benefits of additional cost discount.

2016/17 £'000	North Yorkshire Pension Fund	2017/18 £'000
	Comprehensive Income and Expenditure Statement	
	<i>Net Cost of Services:</i>	
997	current service cost	1,447
4	past service costs	-
-	past service costs (gains)	-
-	past service costs	-
-	administration expenses	-
-	settlement and curtailments	-
	<i>Financing and Investment Income and Expenditure:</i>	
773	net interest on the net defined benefit liability (asset)	565
1,774	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,012
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
(5,853)	Remeasurements (experience (gain)/loss on liabilities)	388
12,715	Remeasurements (experience (gain)/loss on financial assumptions)	(63)
(76)	Remeasurements (experience (gain)/loss on demographic assumptions)	-
(6,746)	Remeasurements (experience gain on assets)	(2,481)
1,814	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(144)
	Movement in Reserves Statement	
1,774	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	2,012
	Actual Amount charged against the General Fund Balance for pensions in the year:	
(1,382)	employers' contributions payable to the scheme	(2,577)
	less prepayment of 2018/2019 and 2019/20 employers' contributions payable	1,154

36. Defined Benefit Pension Schemes continued.....**Transactions Relating to Retirement Benefits continued.....**

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

Assets and Liabilities in Relation to Post-employment Benefits

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

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

	Funded		Unfunded	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
1 April b/fwd	61,716	69,397	254	286
Current Service Cost	997	1,447	-	-
Interest on Pension Liabilities	2,063	1,712	8	7
Member contributions	295	304	-	-
Past Service Cost/(gain)	4	-	-	-
Remeasurements (experience (gain)/loss on liabilities)	(5,851)	424	(2)	(36)
Remeasurements (experience (gain)/loss on financial assumptions)	12,675	(64)	40	1
Remeasurements (experience (gain)/loss on demographic assumptions)	(79)	-	3	-
Curtailments	-	-	-	-
Benefits Paid	(2,423)	(2,158)	(17)	(18)
31 March c/fwd	69,397	71,062	286	240

Reconciliation of fair value of the scheme assets:

	Funded		Unfunded	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
1 April b/fwd	38,537	45,818	-	-
Interest on plan assets	1,298	1,154	-	-
Remeasurements (assets)	6,746	2,481	-	-
Administration expenses	-	-	-	-
Employer Contributions	1,365	2,559	17	18
Member Contributions	295	304	-	-
Benefits/transfers paid	(2,423)	(2,158)	(17)	(18)
31 March c/fwd	45,818	50,158	-	-

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 £3,635k (2016/17 £8,044k).

Scheme History

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Present Value of Liabilities	54,484	64,526	61,970	69,683	71,302
Fair Value of Assets	33,827	38,759	38,537	45,818	50,158
Surplus / (Deficit) in the Scheme	(20,657)	(25,767)	(23,433)	(23,865)	(21,144)

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.

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 2018/19 is £0.874m (2017/18 £1.396m). During 2017/18 the Council made a prepayment of deficit liabilities for 2018/19 and 2019/20 which has given benefits of additional cost discount.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The assessment of the North Yorkshire Pension Fund liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

The main assumptions used in their calculations have been:

	2016/17	2017/18
Rate of CPI inflation	2.0%	2.1%
Rate of increase in salaries	3.25%	3.35%
Rate of increase in pensions	2.0%	2.1%
Discount Rate	2.5%	2.6%
Longevity at 65 for current pensioners (in years):		
Men	22.8	22.9
Women	26.3	26.4
Longevity at 65 for future pensioners (in years):		
Men	25	25.1
Women	28.6	28.7

	31-Mar-17		31-Mar-18	
	£'000	%	£'000	%
Split of Assets between Investment Categories:				
Equities (Quoted)	29,965	65.4%	32,502	64.8%
Government Bonds (Quoted)	6,506	14.2%	8,276	16.5%
Corporate Bonds (Quoted)	1,420	3.1%	-	0.0%
Property (Quoted)	3,895	8.5%	4,013	8.0%
Cash (Quoted)	46	0.1%	100	0.2%
Other (Quoted)	3,986	8.7%	5,267	10.5%
Total	45,818	100.00%	50,158	100.00%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the scheme	
	Increase in assumption
	£'000
Longevity increase of 0.1 year	2,097
Rate of inflation increase by 0.1%	1,041
Rate of increase in salaries increase 0.1%	212
Rate for discounting scheme liabilities increase by 0.1%	(1,232)

36. Retirement Benefits continued**Asset and Liability Matching Strategy**

The Pension Fund Committee of North Yorkshire County Council has determined the investment strategy which is aimed at growing the Fund's assets to meet benefit obligations when they fall due. As required by the regulations, the suitability of various classes of investments has been considered including assessing the benefit of asset class diversification. The Fund is primarily invested in equities (65% of scheme assets), with investments also in bonds (17% of scheme assets), property (8% of scheme assets) and other alternatives, the proportions being not materially dissimilar to the comparative year. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 24 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The council anticipates to pay £0.874m expected contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for the scheme members is 17.5 years.

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

37. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2018 .

Municipal Mutual Insurance

The Scheme of Arrangement was enacted in 2012/13. The Council received notification on 13th April 2017 of the outstanding Levy payable at a rate of 25% on Established Scheme Liabilities over £50,000, the impact of which is not material and not included within the accounts. The impact upon the Council as a scheme creditor beyond this 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.

Non Domestic Rates

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

Planning Appeals

The Council is currently involved in planning application appeal. The appeal is based on a planning decision in the 2017/18 financial year. It is not possible to accurately quantify the financial liability arising.

HMRC VAT Compliance

The Council was in receipt of a compliance visit in respect of VAT by HMRC during 2017/18. HMRC have issued their findings in respect of the visit and these are now subject to discussion. There is a risk that the Council could be required to repay any VAT that has been overclaimed in respect of its partial exemption levels. Due to the uncertainty a provision has not been made and instead funds have been placed in the Council's partial exemption reserve to pay for any liability should it arise.

38. Nature and Extent of Risks Arising From Financial Instruments

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

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

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.

38. Nature and Extent of Risks Arising From Financial Instruments continued.....**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 counterparty which does not meet a minimum standard of creditworthiness, spreading the investment portfolio as widely as possible, and investing with credit-rated counterparties or those with sufficient asset-backed capital.

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 2018 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 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 collateral as security in the form of a legal charge placed against the property of a long-term debtor.

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 2018 £'000 (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions at 31 Mar 2018 % (C)	Estimated maximum exposure to default and uncollect- ability 31 Mar 2018 £'000 (A x C)	Estimated maximum exposure default and uncollect- ability 31 Mar 2017 £'000
Deposits with banks and financial institutions	6,000	0.03	0.03	2	0
Customers:					
- Government & Local Authorities	730	0	0	0	0
- Other	219	0.6	0.6	1	1
				3	1

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

At 31-Mar-17 £'000		At 31-Mar-18 £'000
209	Up to 1 month	-
22	1-2 months	77
5	2-3 months	46
13	3-6 months	17
-	over 6 months	79
249		219

38. Nature and Extent of Risks Arising From Financial Instruments continued**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-17 £'000		At 31-Mar-18 £'000
-	Less than one year	-
-	Between one and two years	-
500	Between two and five years	500
5,488	More than five years	5,488
5,988		5,988

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

Market Risk**Interest Rate Risk**

The 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 financial penalty which would be incurred should the debt be repaid early. However, as borrowings are carried at amortised cost any changes in fair value have no impact on the Comprehensive Income and Expenditure Statement.

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

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

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 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

At 31-Mar-17 £'000		At 31-Mar-18 £'000
-	Increase in interest payable on variable rate borrowings	-
185	Increase in interest receivable on variable rate investments	117
-	Increase in government grant receivable for financing costs	-
185	Impact on Surplus of Deficit on the Provision of Services	117
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on Other Comprehensive Income & Expenditure	-
(1,442)	Increase/(Decrease) in fair value of fixed rate borrowings (no impact on Consolidated Income and Expenditure Statement)	(1,410)

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.

39. Provisions

2016/17 £'000	Business Rates	Business Rates £'000	Other £'000	2017/18 TOTAL £'000
843	Balance brought forward at 1 April	698	44	742
(101)	Increase/(decrease) in provision in year	(290)	(25)	(315)
742	Balance carried forward at 31 March	408	19	427

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 2018.

Local Land Charges

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

Restructuring Costs

£25k of the provision was for restructuring costs to meet the estimated liabilities arising from restructures in 2016/17. £13k was required in 2017/18 with the balance returned to the revenue account.

40. Joint Venture Arrangements

In partnership with Barnfield Investment Properties Ltd, the Council during 2017/18 has established a joint venture company to be known as Craven Barnfield Regeneration Partnership Ltd. Whilst it is considered to be a jointly controlled entity it is not regarded in the financial year ended 31 March 2018 as so financially material to the Council to require the preparation of Group Accounts for 2017/18. This position is subject to an annual review in response to any changes in the scale of activity of the Council and Craven Barnfield Regeneration Partnership entity.

Craven Barnfield Regeneration Partnership Ltd (Company No. 10855480)

Craven Barnfield Regeneration Partnership (CBRP) was incorporated in July 2017 but was not actively trading at 31 March 2018. The overriding aim of the Joint Venture is to improve the economic, social and environmental well-being of Craven District. This aim will be achieved by:-

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

The Council holds 3000 shares, Barnfield 7000. It requires Barnfield for each project to transfer an amount of cash into a joint venture account equivalent to the land value x 2.33 and the Council to commit the land, (an investment ratio of 30:70). The Board shall consist of six personnel, three representatives nominated each by the Council and Barnfield. The Council will be represented by two officers and a Member, and in 2017/18 this was the Lead Member for Financial Resilience. Company Secretarial services were provided by the Council in 2017/18 and the Council's Accountancy Services Manager is the Company Secretary.

41. 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 2016/17 financial statements and the equivalent amounts presented in the 2017/18 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 2016/17 published financial statements in relation to the following:

Comprehensive Income and Expenditure Account

Cost of Services have been re-stated from an analysis based on the 2016/17 Internal Reporting format, to an analysis based on current, 2017/18, reporting structures for internal financial reporting. Items previously analysed under the headings of 'Chief Executive/Director of Services', 'Community Department' and 'Resources Department' are now shown under the headings of the Council Priorities. These are 'Enterprising Craven', 'Financial Sustainability' and 'Resilient Communities'. This adjustment has resulted in no change to the Cost of Services.

Internal Reporting 2016/17	By Internal Reporting 2016/17 £'000	Adjustments between internal reporting classification from 2016/17 to 2017/18 £'000	As Restated 2016/17 £'000	By Internal Reporting 2017/18
Net Movement				
Chief Executive/Director of Services	1,915		662	Enterprising Craven
Community Department	2,411		2,801	Financial Sustainability
Resources Department	880		1,743	Resilient Communities
<i>Adjustment for Investment Properties</i>	73		73	<i>Adjustment for Investment Properties</i>
Cost of Services	5,279	-	5,279	Cost of Services
Other Operating Expenditure	2,103		2,103	Other Operating Expenditure
Financing and Investment Income & Expenditure	873		873	Financing and Investment Income & Expenditure
Taxation and Non-Specific Grant Income	(9,114)		(9,114)	Taxation and Non-Specific Grant Income
(Surplus) or Deficit on Provision of Services	(859)	-	(859)	(Surplus) or Deficit on Provision of Services
Total Expenditure				
Chief Executive/Director of Services	11,708		1,887	Enterprising Craven
Community Department	7,649		3,097	Financial Sustainability
Resources Department	2,748		17,122	Resilient Communities
<i>Adjustment for Investment Properties</i>	(16)		(16)	<i>Adjustment for Investment Properties</i>
Cost of Services	22,089	-	22,089	Cost of Services
Total Income				
Chief Executive/Director of Services	(9,793)		(1,224)	Enterprising Craven
Community Department	(5,238)		(296)	Financial Sustainability
Resources Department	(1,868)		(15,379)	Resilient Communities
<i>Adjustment for Investment Properties</i>	89		89	<i>Adjustment for Investment Properties</i>
Cost of Services	(16,810)	-	(16,810)	Cost of Services

SECTION 5

SUPPLEMENTARY FINANCIAL STATEMENT

Collection Fund and Notes

THE COLLECTION FUND

APPENDIX A

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.

2016/17 £'000		NDR £'000	2017/18 Council Tax £'000	Total £'000	Notes
	Income				
36,579	Council Tax	-	38,307	38,307	
18,301	Non Domestic Ratepayers	17,736	-	17,736	4
73	Transitional Protection Payments	(263)	-	(263)	
54,953	Total Income	17,473	38,307	55,780	
	Expenditure				
35,827	Demands on Collection Fund	-	37,543	37,543	5
550	Payments of previous surplus	-	750	750	
(909)	Receipt of previous deficit	(1,209)	-	(1,209)	
	Business Rates:				
9,247	- Payment to Government	9,137	-	9,137	4
1,664	- Payment to NYCC	1,645	-	1,645	4
185	- Payment to NYFRS	183	-	183	4
7,398	- Payment to Craven DC	7,309	-	7,309	4
	- Costs of Collection Allowance (to CDC)	118	-	118	
120	- Interest on Overpayments	-	-	-	
199	Bad and Doubtful Debts - Write Offs	46	84	130	5
14	Contribution to Provision for bad and Doubtful Debts	13	76	89	5
(887)	Appeals - Write Offs	(724)	-	(724)	5
571	Contribution to Provision for Appeals	-	-	-	5
53,979	Total Expenditure	16,518	38,453	54,971	
(974)	(Surplus) / Deficit for the year	(955)	146	(809)	
	COLLECTION FUND BALANCE				
530	Balance Brought Forward	1,259	(1,703)	(444)	6
(974)	(Surplus) / Deficit for the year	(955)	146	(809)	6
(444)	Balance Carried Forward	304	(1,557)	(1,253)	6

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	4,181	(611)	3,570	6/9	2,380.10
B	6,076	(625)	5,451	7/9	4,239.50
C	5,820	(477)	5,343	8/9	4,748.90
D	4,227	(305)	3,922	9/9	3,922.30
E	3,169	(176)	2,993	11/9	3,658.40
F	1,983	(89)	1,894	13/9	2,736.10
G	1,268	(53)	1,215	15/9	2,025.00
H	94	(3)	91	18/9	181.00
Total	26,828	(2,340)	24,488		23,896.30
Net effect of premiums and discounts					(1,803.30)
COUNCIL TAX BASE (Band D Equivalent)					22,093.00

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 (£1,640.22 in 2017/18) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Taxbase shown above. The Council Tax for dwellings in other Valuation Bands is the appropriate Proportion of the Band D tax.

The basic amount for a band D property in 2017/18 of £1,583.95 is broken down as follows:

2016/17 £		2017/18 £
157.21	Craven District Council	162.21
1,143.86	North Yorkshire County Council	1,189.50
217.00	Police and Crime Commissioner North Yorkshire	221.32
65.88	North Yorkshire Fire & Rescue Authority	67.19
1,583.95		1,640.22

4. Income from Business Ratepayers

NNDR is organised on a national basis. The Government specifies an amount for businesses with a rateable value below £51,000 of 46.6p in 2017/18, (48.4p in 2016/17) and 47.9p in 2017/18 (49.7p 2016/17) for businesses with a rateable value above £51,000, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The total non-domestic rateable value at 31st March 2018 was £50.223m (31st March 2017 £47.609m).

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

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

The business rates shares payable for 2017/18 were estimated before the start of the financial year as £9.137m to Central Government, £1.645m to NYCC, £183k to NYFRS and £7.427m to Craven Council. These sums have been paid in 2017/18 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 2017/18 to the value of £5.638m (£5.876m in 2016/17).

The total income from business rate payers collected in 2017/18 was £18.070m (£18.374m in 2016/17). This sum includes £263k of transitional protection relief for ratepayers (£73k in 2016/17) 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 £1.283m. 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 2017/18.

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 2018. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision as at 31 March 2018 has been calculated at £1,020k (£1,744k at 31 March 2017).

The amounts collected are analysed below:

2016/17 £'000		2017/18 £'000
22,855	Gross Amount Due	23,180
(3,819)	Charitable Relief etc.	(4,532)
73	Transitional Protection Payments / (Relief)	(263)
(735)	Other Reliefs: Empty and Part Occupation Relief etc.	(912)
18,374		17,473

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:

2016/17 £'000		2017/18 £'000
3,431	Craven District Council	3,584
24,964	North Yorkshire County Council	26,279
4,736	Police and Crime Commissioner North Yorkshire	4,890
1,438	North Yorkshire Fire & Rescue Authority	1,484
1,258	Parishes	1,306
35,827	Total	37,543

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 2018.

2016/17 £'000		2017/18 £'000
	<u>Council Tax Bad & Doubtful Debts</u>	
79	Write-offs during the year	84
(88)	Contributions to provisions during the year	(160)
(9)	Net (increase)/decrease in provision in year	(76)
(447)	Balance at 1 April	(456)
(456)	Balance at 31 March	(532)
	<u>NNDR Bad & Doubtful Debts</u>	
120	Write-offs during the year	46
(125)	Contributions to provisions during the year	(60)
(5)	Net (increase)/decrease in provision in year	(14)
(134)	Balance at 1 April	(139)
(139)	Balance at 31 March	(153)
	<u>NNDR Appeals</u>	
887	Write-offs during the year	724
(570)	Contributions to provisions during the year	-
317	Net (increase)/decrease in provision in year	724
(2,061)	Balance at 1 April	(1,744)
(1,744)	Balance at 31 March	(1,020)

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 2017/18 there was a distribution of £750k surplus on Council Tax based on this calculation and a claw-back of £1,209k deficit on NNDR.

Council Tax:

There was an in-year deficit of £62k on the Collection Fund in 2017/18, the effect of which was to decrease the balance on the Account at 31 March 2018 to £1,641k.

NNDR:

There was an in-year surplus of £955k on the Collection Fund in 2017/18, the effect of which was to reduce the deficit on the Account at 31 March 2018 to £304k.

The balance at 31 March 2018 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

2016/17 Council Tax £'000	2016/17 NNDR £'000		2017/18 Council Tax £'000	2017/18 NNDR £'000
170	(504)	Craven District Council (including parishes)	201	(122)
1,226	(113)	North Yorkshire County Council	1,092	(27)
239	-	Police and Crime Commissioner North Yorkshire	203	-
68	(12)	North Yorkshire Fire & Rescue Authority	61	(3)
-	(630)	Central Government	-	(152)
1,703	(1,259)	Total	1,557	(304)

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 2018 as required by the 2017/18 Code of Practice on Local Authority Accounting.

SECTION 6

INDEPENDENT AUDITOR'S REPORT

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

Opinion on the financial statements

We have audited the financial statements of Craven District Council ('the Council') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Craven District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Responsibilities of the Council

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

Auditor's responsibilities in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Craven District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Craven District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham
For and on behalf of Mazars LLP

Mazars House
Gelderd Road
Gildersome

Leeds
LS27 7JN

4 September 2018

SECTION 7

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Accounting Concepts

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

Accounting Period

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

Accounting Policies

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

Accounts

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

Accruals

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

Actuarial Gains and Losses:

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

Actuary

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

Administrative Buildings

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

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.

GLOSSARY OF TERMS

Capital Financing

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

Capital Financing Requirement

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

Capital Grant

Grant provided for the purpose of capital expenditure on projects.

Capital Programme

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

Capital Receipts

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

Cash Equivalents

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

Cash Flow Statement

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

Charging Authority

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

CIPFA

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

Code of Practice on Local Authority Accounting

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

Collection Fund

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

Community Assets

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

Comprehensive Income and Expenditure Account

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

Consistency

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

Amounts that will become due during the next accounting period.

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.

GLOSSARY OF TERMS

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.

Deferred Discounts & Premiums on Early Repayment of Debt

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

Deferred Liabilities

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

Defined Benefit Pension Scheme

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

Depreciation

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

Emoluments

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

Exceptional Items

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

Exchange Transactions

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

Expected Return in Pension Assets

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

Fees and Charges

Income arising from the provision of services.

Finance Leases

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

Financial Instruments and the Financial Instruments Adjustment Account (FIAA)

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

Financial Reporting Standards (FRSs)

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

Financial Year

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

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.

GLOSSARY OF TERMS

Government Grants

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

Housing Capital Receipts Pool

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

Housing - Other Services

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

Impairment

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

Infrastructure Asset

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

Intangible Non-Current Asset

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

Interest Cost

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

International Financial Reporting Standards (IFRS)

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

Investment

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

Leasing

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

Liability

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

Minimum Revenue Provision (MRP)

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

Monitoring Officer

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

Movement in Reserves

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

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.

GLOSSARY OF TERMS

Non-Operational Assets

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

Operational Assets

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

Past Service Cost

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

Post Balance Sheet Events

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

Precept

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

Precepting Authority

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

Prior Year Adjustments

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

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 years Council Tax.

Revenue Support Grant

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

GLOSSARY OF TERMS

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.

Settlement

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

Service Reporting Code of Practice (SeRCOP)

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

Soft Loans

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

Statement of Recommended Practice (SORP)

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

Statement of Standard Accounting Practice (SSAP's)

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

Inventories

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

Support Services

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

Tangible Non-Current Assets

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

Temporary Borrowing/Investment

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

Unsupported (Prudential) Borrowing

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

Useful Life

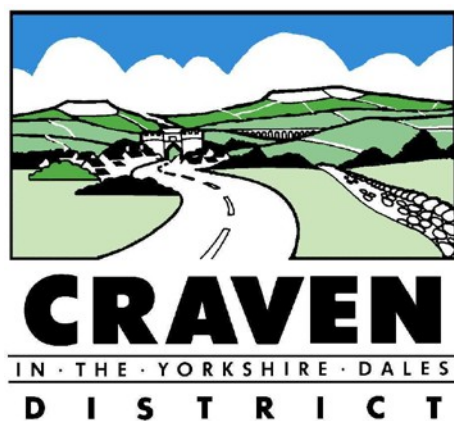
The period over which the Council will derive benefits from the use of an asset.

Vested Rights

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

Work in Progress

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



ANNUAL GOVERNANCE STATEMENT 2017/18

Annual Governance Statement (AGS)

Scope of Responsibility

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

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

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

The Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

A copy of the Local Code can be obtained from the Council's website www.cravendc.gov.uk or by writing to: - Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ.

This Statement demonstrates how Craven District Council has complied with the Code and meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015, which require the Council to prepare an annual governance statement.

The Purpose of the Governance Framework

The Governance Framework comprises the systems, processes cultures and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and, where appropriate, leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

This statement gives assurances on compliance with Craven District Council's governance framework for the year ending 31 March 2018 and up to the date of approval of the Statement of Accounts for 2017/2018.

Annual Review of Effectiveness

Craven District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

In preparing the Annual Governance Statement for 2017/18, the Council has reviewed the effectiveness of the principles and mechanisms to secure good governance in place as outlined in the Local Code of Governance.

The purpose of the review is to identify and evaluate the key controls in place to manage key risk, and evaluate the assurances received, identify gaps in controls and assurances. Areas of improvement have been identified and are outlined in the Statement.

Review of the governance framework is overseen by the Council's Strategic Finance Manager (s151 Officer) and undertaken by the Corporate Governance Working Group consisting of the Corporate Leadership Team (CLT) and representatives of the service managers that form the Council's Senior Leadership Team (SLT).

The review of effectiveness is informed by the work of the Corporate Leadership Team (CLT) who have responsibility for developing and maintaining the governance environment, the Internal Audit Services Manager's annual report, and also by the comments made by external auditors, and other review agencies and inspectorates.

The outcomes of the review are considered and approved by the Audit and Governance Committee. The Audit and Governance Committee has overall responsibility for ensuring the effective development and operation of corporate governance within the Council and ensuring compliance with best practice.

Issues identified in the Annual Governance Statement and the management actions to reduce the risk have been reported to, Audit & Governance Committee and or Policy Committee and or Council. These reports where appropriate have also included new issues for consideration.

Specific Assurances

The following specific assurances have been obtained to support this statement:

- **Chief Finance Officer, Section 151 Officer**

In accordance with the CIPFA statement on the role of the Chief Financial Officer, they must provide assurance in a number of governance arrangements including those relating to financial decision making, financial accounting and reporting, internal control, and risk management, in order to protect that financial control is exercised consistently, and that the organisation implements appropriate measures to protect its assets from fraud and loss. These assurances have been considered through the review of our governance arrangements, and it has been established that the Council's arrangements confirm to the CIPFA requirements.

- **Chief Information Officer**

Craven District Council maintains externally verified (annually) compliance with the Governments PSN (Public Services Network) and the Payment Card Industries PCI-DSS (Payment Card Industries – Data Security Standards). Compliance with these standards provides confidence that services used over the technical network will work without problems, gives assurance that our data and our customers data is protected in accordance with our Information Assurance (IA) commitments and ensures that in the event of things going wrong they can be quickly put right. In the case of PCI-DSS it also ensures that adequate controls are in place surrounding the storage, transmission and processing of our customers payment card data that we handle.

• **Audit Services Manager**

The 2017/18 financial year was the third year of a three year shared service arrangement between Craven District Council and Harrogate Borough Council.

This arrangement has been renewed and will continue for a 3 year term from 1 April 2018 year to 31 March 2021 with provision for an additional 2 year extension beyond that period.

The overall opinion of the Council's Internal Audit is that:

“.....Governance: This concerns the combination of protocols, procedures and structures in place to inform, direct, manage and monitor activities towards the achievement of the Council's objectives. The opinion is that generally speaking, adequate and effective arrangements are in place. The Annual Governance Statement sets out those arrangements and I can confirm that

“.....Risk Management: The Council has adequate arrangements in place with risk management being embedded within the Authority. This is based on Internal Audit's experience together with a review of the Risk Management Strategy and risk registers (both corporate and specific (recent examples include, Skipton Town Hall refurbishment, Health and Safety). There is also robust challenge by Members when risk registers are submitted to the Audit and Governance Committee for consideration and approval.” Audit and Governance Committee appointed its Independent Member to be its representative on the Risk Management Group. His remit is to report back to the Committee the scope for improving effectiveness of the Council's arrangements and provide suggestions for areas of focus. However, due to recent changes in approach, risk management is now considered and integrated into the work of the Senior Leadership Team (SLT) replacing the work of the former Risk Management Group, and arrangements need to be put in place to ensure the continued involvement of the Independent Member during 2017/18.

“.....Internal Control: Generally, fundamentally sound systems of internal control are in place. During 2017/2108 seven internal audits have been concluded and opinions used, 57% received a good level of assurance and 43% significant level of assurance. “significant” or “good”.

• **External Audit**

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

Conclusions and significant issues arising in 2017/18 are included in their report to those charged with governance. There were no significant issues from the 2016/17 Audit.

• **Local Government Ombudsman**

The Local Government Ombudsman Annual Review letter was reported to the Council's Standards Committee in September 2017. The report considered 7 complaints referred to the Ombudsman in for the year ended 31 March 2017. Of the complaints received, none were upheld. 5 were referred back to the Council for local resolution, none were considered incomplete/invalid and 2 were closed after initial enquiries.

The Review letter for the year ended 31 March 2018 is expected in July 2018.

Performance against the Local Code of Corporate Governance

The Council considers that its governance arrangements continue to be regarded as fit for purpose and comply with our Local Code of Corporate Governance which sets out the detail of the Council's Governance Framework.

In undertaking our review of effectiveness we have assessed our performance against the detailed arrangements set out in our Local Code.

The Council has assessed and confirms that arrangements detailed within the Local Code are in place and no significant weaknesses to our governance arrangements have been identified.

However, in doing so we have identified a number of areas for improvement to form part of our Governance Improvement Plan.

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

We have set on the following pages our assessment of compliance with the arrangements we have in place to meet the governance principles as set out in our Local Code, along with our Governance Improvement Plan.

Review of Governance Improvement Actions

In undertaking our annual review of effectiveness for 2017/2018 we have considered the progress we have made during 2017/2018 in the implementation of our Governance Improvement Plan.

This was set out in our 2016/2017 Annual Governance Statement and identified 19 actions we would take to improve our performance against governance arrangements set out in our Local Code.

We have made good progress and consider the actions listed below as completed.

Ref	Action to Improve Governance Arrangements	Link to Principle	Completion Date
1.	Constitution - Undertake a light touch review of the Constitution	A	October 2017
6.	Website Engagement - Implement the Council's new website	C	December 2017
11.	PDR Process - Review and improve the effectiveness of the Council's staff Performance Development Review (PDR) process	E	March 2018
16.	Data Protection - Implement our action plan to ensure compliance with the requirements of the new General Data Protection Regulations	F	Largely completed – but some work to continue to June 2018 – so also rolled forwarded into our 2018/19 plan.
19.	Effective Accountability - Participate in Local Government Association led Peer Review and develop an action plan to respond to improvement recommendations	G	September 2017 – Peer Review Completed Action Plan - January 2018

Implementation of the remaining actions is ongoing or requires further improvements; other intended actions during 2017/18 are outstanding. These actions have been integrated into our updated Governance Improvement Plan for implementation during the 2018/2019 financial year.

Further information on our 2017/2018 Annual Review of Effectiveness and our updated Governance Improvement Plan is detailed on the following pages.

Review of Effectiveness for 2017/2018

Principle	
<p>Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <p>Supporting Principles</p> <ul style="list-style-type: none"> • Behaving with integrity • Demonstrating strong commitment to ethical values • Respecting the rule of the law 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some areas for continual improvement.
Commentary	<p>The Council's Constitution is subject to annual review and update. A light touch review was presented to Council in October 2017. Further review and update will continue.</p> <p>A review of the Whistleblowing Policy was undertaken and presented to Standards Committee in March 2018. It was approved by Council in April 2018.</p> <p>The Council's Member and Officer Code of Conduct explicitly follow the seven principles of work in public life (Nolan Principles). The Council's Core Values are linked to the same principles and the annual staff award programme also focus on demonstrating the Code Values. However, there is further work required to develop and embed understanding of those linkages amongst Officers at all levels.</p>
Link to Improvement Actions	
1 and 2	

<p>Principle B - Ensuring openness and comprehensive stakeholder engagement</p> <p>Supporting Principles</p> <ul style="list-style-type: none"> • Openness • Engaging with individual citizens and service users effectively 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some minor areas of improvement required.
Commentary	<p>We have a range of processes and mechanisms in place to consult with stakeholders. We have had successes in with working with a number of groups such as the Friends of Aireville Park in delivering a number of new facilities within Aireville Park, Skipton, through matched funding and fundraising efforts.</p> <p>The Council has signed up to the North Yorkshire Joint Principles for consultation and we have a range of processes and mechanisms in place to consult with stakeholders and citizens. However, we have identified that there is an opportunity to further develop understanding of and embed the North Yorkshire Joint Principles for Consultation across all services, through the work of our Senior Leadership Team.</p> <p>Whilst the Council engages with a number of outside bodies through representation from Craven District Council Members, we have identified an opportunity to improve understanding of this work amongst all Members and Senior Officers through developing Member reporting on this work to Council.</p> <p>The Council implemented its new website in December 2017. We will make it easier for the public to contact their local Councillor through enhancements to the Contact Your Councillor section of our website during 2018.</p>
Link to Improvement Actions	
3 and 4	

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits Supporting Principles <ul style="list-style-type: none"> • Defining outcomes • Sustainable economic, social and environmental benefits 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some minor areas of improvement required.
Commentary	The Council's policy making and decision making processes take into account the financial, legal, risk and equality impact of decisions. However, we recognise the need for greater consideration of wider economic, social and environmental impacts in our decision making processes.
Link to Improvement Actions	
5	

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes Supporting Principles <ul style="list-style-type: none"> • Determining interventions • Planning interventions • Optimising achievement of intended outcomes 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.
Commentary	<p>We have identified an opportunity to improve our approach to project implementation and management to ensure that the range of improvement projects implemented across Council services are done so effectively to maximise outcomes and make best use of resources. A Programme Office was established in early 2018 to lead on this work following the outcomes of the Peer Review.</p> <p>We are continuing to review and strengthen our approach to procurement to ensure arrangements continue to be fit for purpose, secure value for money, and contribute the achievement of added value (social value) within the community.</p> <p>During 2018 we have actively participated in the review of the National Procurement Strategy through our membership of the Regional Strategic Procurement Group. An updated Council Procurement Strategy will be agreed during the 2018/19 financial year to mirror the national and regional priorities for procurement.</p> <p>The Council has agreed a Value for Money Framework detailing the principles and actions for securing value for money in service delivery. The Framework will be reviewed and updated during 2018/2019.</p>
Link to Improvement Actions	
6, 7 and 8	

Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it Supporting Principles <ul style="list-style-type: none"> • Developing the entity's capacity • Developing the capability of the entity's leadership and other individuals 		
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.	
Commentary	<p>We have an agreed induction programme in place for officers, however, we have identified that these arrangements may not be operating consistently across all services. We will be undertaking a review to identify gaps and make improvements to our induction process going forward as necessary.</p> <p>We have effective arrangements in place to identify and respond to training needs through our annual Training Plan and Member training programmes. However, we have identified training for new Members as an area for further improvement, which requires continual focus due to the Council undertaking elections in thirds.</p>	
Link to Improvement Actions		9 and 10

Principle F - Managing risks and performance through robust internal control and strong public financial management

Supporting Principles

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.	
Commentary	<p>We have continued to review our corporate approach to risk management to ensure arrangements are fully embedded within the culture of the organisation, are fit for purpose and identified risks effectively addressed. An Internal Audit of our risk management arrangements concluded in April 2018. We will continue to improve our approach to risk management during 2018/19 as we respond to the findings and recommendations of the Internal Audit.</p> <p>During 2016/17 Internal Audit undertook work to assess the Council's arrangements in place to protect against the risk of fraud and corruption based on the CIPFA Code of Practice, we have made good progress in the implementation of our action plan first approved by Audit & Governance Committee in January 2017. Further work on outstanding actions is required over the next financial year.</p> <p>The work of internal audit in local authorities is now governed by the Public Sector Internal Audit Standards (PSIAS). These took effect from April 2013 (revised 1st April 2017) and it is a legal requirement for local authorities to comply with them. The PSIAS state that at least once every five years, local authorities are required to commission a review to see how far their internal audit service meets the Standards. Craven commissioned its external auditors, Mazars LLP, to review its Internal Audit Services during March 2014.</p> <p>Whilst the overall conclusion of the review was that Internal Audit is "substantially compliant", with required standards, it identified a number of areas where there was scope for improvement. All actions included in the improvement plan have now been implemented, with the exception of developing an assurance map which will now be completed in 2018 as part of the 2018/19 Audit Plan.</p> <p>We have continued to implement our action plan in relation to compliance with the new General Data Protection Regulations that come into force in May 2018, and have completed most actions intended during 2017/18. However, some work will continue in June/July 2018 and will then keep ongoing compliance under regular review.</p>	
Link to Improvement Actions		11, 12, 13 and 14

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability Supporting Principles <ul style="list-style-type: none"> • Implementing good practice in transparency • Implementing good practices in reporting • Assurance and effective accountability 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.
Commentary	<p>The Council is currently developing a number of new partnerships to deliver a range of projects. We need to instigate appropriate governance arrangements for these new partnership arrangements; which include the Council's Joint Venture Regeneration Partnership, and the Great Place Partnership with South Lakeland District Council, and Yorkshire Dales National Park Authority; and ensure we embed review of partnership performance within the Council's performance review and monitoring arrangements.</p> <p>We remain committed to publishing a range of data under the Data Transparency Guidelines, however to ensure we continue to meet requirements, we have identified the need to raise awareness of requirements and improve ownership within a number of services impacted upon by staff changes within the last year. There are also opportunities for improvement arising from the implementation of the new website.</p>
Link to Improvement Actions	15 and 16

Governance Improvement Plan for 2018/2019

Ref	Action to Improve Governance Arrangements	Link to Principle	CLT Lead/ Lead Officer(s)	Expected Completion
1.	Constitution - Undertake a light touch review of the Constitution	A	Solicitor to the Council and Monitoring Officer	March 2019
2.	Nolan principles - Further develop and embed understanding of the Nolan Principles and the linkages between them and the Council's Officer Code of Conduct and Core Values amongst Officers at all levels throughout the Council	A	Solicitor to the Council and Monitoring Officer /Senior Leadership Team (SLT)	March 2019
3.	Consultation and Engagement - Work to further develop understanding of and embed the North Yorkshire Joint Principles for Consultation across all services	B	Director of Services/ Senior Leadership Team (SLT)	March 2019
4.	Member Engagement - Enhance approaches to Member engagement through improvements to the Contact Your Councillor section of the Council's website and Member reporting on their work with Outside Bodies	B	Solicitor to the Council and Monitoring Officer /Member Services Manager	December 2018
5.	Economic, Social and Environmental Impacts – Improve our approach to ensure greater consideration of wider economic, social and environmental impacts of policy decisions in our decision making processes	C	Corporate Leadership Team (CLT)/ Senior Leadership Team (SLT)	March 2019
6.	Project management - Improve our approach to project management to ensure that the range of improvement projects implemented across Council services are done so effectively to maximise outcomes and make best use of resources.	D	Corporate Leadership Team (CLT)/ Programme Office	March 2019
7.	Procurement - Review the procurement to ensure arrangements continue to be fit for purpose, secure value for money, and contribute the achievement of added value (social value) within the community including publication of an updated Procurement Strategy, improved use of E Tendering, staff training and development, and improved supplier engagement and contract management	D	Chief Finance Officer/ Exchequer and Performance Manager	March 2019
8.	Arrangements to secure value for money - Review and update of the Council's Value for Money Framework	D	Chief Finance Officer / Exchequer and Performance Manager	March 2019
9.	Officer induction - Review and improve the effectiveness of the Council's approach to Officer Induction	E	Chief Executive/ Senior HR Manager	March 2019
10.	Member training - Review and improve the Council's approach to training for new Members	E	Chief Executive/ Member Services Manager	March 2019

Ref	Action to Improve Governance Arrangements	Link to Principle	CLT Lead/ Lead Officer(s)	Expected Completion
11.	Risk Management - Implement the revised corporate approach to risk management to ensure arrangements are fully embedded within the culture of the organisation, are fit for purpose and identified risks effectively addressed.	F	Chief Finance Officer/ Senior Leadership Team (SLT)	March 2019
12.	Counter Fraud and Corruption - Further strengthen Counter Fraud and Corruption Arrangements to drive a strong anti-fraud and corruption culture from a corporate to operational level	F	Chief Finance Officer/ Senior Leadership Team (SLT)	March 2019
13.	Internal Audit - Undertake an assurance mapping exercise to further integrate the role of Internal Audit within the Council's 'assurance framework '	F	Chief Finance Officer / Internal Audit Services Manager	March 2019
14.	Data Protection - Implement our action plan to ensure compliance with the requirements of the new General Data Protection Regulations	F	Director of Services/ Chief Information Officer	June 2018
15.	Partnership Governance - Ensure appropriate governance arrangements are instigated for and effectively embedded in Council performance review and monitoring arrangements existing and new partnership arrangements, including the Great Places Partnership with South Lakeland District Council and the Council's Joint Venture Regeneration Scheme	G	Corporate Leadership Team (CLT)/ Senior Leadership Team (SLT)	March 2019
16.	Data Transparency - raise awareness of requirements for data publication under Data Transparency Guidelines, improve ownership across services of services and look to opportunities for improvement to data publication arising from the implementation of the new website.	G	Director of Services/ Chief Information Officer	March 2019

We will address the issues identified above to further enhancing our governance arrangements. We are satisfied that these steps will address the need for improvements identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed Councillor C Harbron Chairman of the Audit & Governance Committee	Signed Paul Shevlin Chief Executive
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Statement of Accounts 2017/18 – 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 2017/18: 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	2016/17 £000's	2017/18 £000's	Variance £000's	Comment
(Surplus) / Deficit on Provision of Services	(859)	(552)	307	Net Cost of Service increased by £390k. Offset by £798k increase in other operating Expenditure and a £808k decrease in Financing and Investment Income & Expenditure.
Other Comprehensive (Income) & Expenditure	(150)	(5,709)	(5,559)	£3.3m upwards revaluation of current assets. £2.1m on remeasurement of Net Defined Benefit/ Liability (Pension liability).
Balance on Reserves at 31 March	15,040	22,455	7,415	Increase in the Unusable Reserves of £8m – made up of - Increase in the Revaluation Reserve £3m and the Capital Adjustment Account £2m. Movement in the Pension Reserve £3m. A reduction in the Usable Reserves – made up of - Reduction in the Capital Receipts reserve £0.340m and in the Earmarked reserves £0.254m

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 £5,669k).
 - 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 £8,635k).
 - Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to (£552k).

- Surplus or deficit on revaluation of Non-Current Assets and impairments (£3,553k)
- Remeasurement of net defined benefit/ (liability) (pension fund) (£2,156k). (Bringing the overall total of Comprehensive Income and Expenditure to £6,261k.

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 2016/17 and 2017/18:

Description	2016/17 £000's	2017/18 £000's	Variance £000's	Comment
Enterprising Craven	662	922	260	Increase in net expenditure in the Skipton Town Hall and Museums, £158k. Pension costs increased by £52k.
Other Operating Expenditure	2,103	2,901	798	Parish Precepts increased by £40k. In year depreciation charges £380k. Revaluation charges to CIES £324k
Financing and Investment Income & Expenditure	873	65	(808)	Investment properties and changes in their Fair Value £613k. £208k net interest and Pension Liability.
(Surplus) or Deficit on revaluation of non-current assets	(661)	(3,966)	(3,305)	£3.3m upwards revaluation of current assets.
Remeasurement of net defined benefit/ liability.	40	(2,156)	(2,196)	Remeasurement of; Liability £(6,241)k Financial Assumptions £12,778k On Assets £(4,265)k Demographic Assumptions. £(76)k

- 5.3 Councillors will note that the Comprehensive Income and Expenditure of the Council has moved from a surplus of £1.009m at the end of 2016/17 to a surplus of £6.262m at the end of 2017/18 – 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 to 2016/17.

Description	2016/17 £000's	2017/18 £000's	Variance £000's	Comment
Property Plant & Equipment.	29,084	33,257	4,173	Revaluation increases £3,178k, additions of £1,810k and depreciation in year £(541)k
Investment Properties	1,741	2,176	435	Net Gain from Fair Value Adjustments
Long Term Debtors	2	391	389	Loan to Craven College
Short Term Debtors	1,320	2,652	1,332	Increase in Council tax arrears @ year end £171k. Prepayment of the pension deficit £1,154k and reduction in provisions £23k
Cash and Cash Equivalents	4,481	3,441	1,040	Increase in the Current account balance of £550k and a reduction in Short Term deposits £1,590k
Short Term Creditors	(4,364)	(5,458)	(1,094)	Central Government Creditors increase by £669k – Housing Fund Grants in advance. Capital grants in advance £348k.
Other Long Term Liabilities	(23,871)	(21,150)	2,721	Pension Reserve movements in the liability
Usable Reserves	10,650	10,043	(607)	Reduction in the Capital Receipts reserve £340k and in the Earmarked reserves £254k
Unusable Reserves	4,390	12,413	8,023	Increase in the Revaluation Reserve £3k and the Capital Adjustment Account £2k. Movement in the Pension Reserve £3k.

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 2016/17

Description	2016/17 £000's	2017/18 £000's	Variance £000's	Comment
Net surplus or (deficit) on the provision of services	859	552	307	See Section 4.1
Investing Activities	(934)	(2,307)	(1,307)	Additions of PPE and some sale proceeds from PPE/Investment Properties & Intangible Assets.
Cash & cash equivalents	4,481	3,441	(1,040)	See Section 6.2

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.