

Audit and Governance Committee

6.30pm on Tuesday, 27th September 2016
Belle Vue Suite, Belle Vue Offices, Skipton

The Chairman (Councillor Harbron) and Councillors Barrett, Brockbank, Hull, Lis, Morrell, Place, Rose and Whitaker. Independent Person Mr G Robinson.

AGENDA

1. **Apologies for absence**
2. **Confirmation of Minutes** of meeting held on 21st June 2016.

Note : A copy of action check sheet for the above meeting is also attached.
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 and whether they wish to apply the exception below.

(Note: Declarations should be in the form of:
a “disclosable pecuniary interest” under Appendix A to the (new) Code of Conduct, and
“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, in which case the Member must leave the meeting room.

Where a member of the public has a right to speak at a meeting, a Member of Council who has a disclosable pecuniary interest has the same rights and may make representations, answer questions or give evidence, but at the conclusion of that, must then 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 may stay in the meeting, but not vote and speak only if members of the public are also allowed to speak at the meeting,)

Note of Agenda Item No. and type of Interest to be Declared at this Meeting:

Note : The Council’s external auditor, will be attending the meeting for Item 5 below.

5. **External Audit : Audit Completion Report** – Report of the External Auditor. Attached / to follow.

Purpose of Item – To enable the external auditor to present the Audit Completion report for 2015/16.

6. **Annual Governance Statement 2015/16** – Report of the Strategic Manager Financial Services and Section 151 Officer. Attached.

Purpose of Item – To present the final Annual Governance Statement 2015/16 for consideration and approval by Committee, and sign off by the Chairman of the Audit and Governance Committee and the Chief Executive.

7. **Statement of Accounts 2015/16** – Report of the Strategic Manager Financial Services and Section 151 Officer. Attached / to follow.

Purpose of Item – To present the Council's Statement of Accounts 2015-16

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

Agenda Contact Officer: Chris Waterhouse,
Tel. 01756 706235
e-mail : cwaterhouse@cravendc.gov.uk
19th September 2015.

Emergency Evacuation Procedure

In case of an emergency or if the alarm sounds, leave the meeting room and leave the building using the nearest available door. The assembly point is in the main square at the front entrance. An officer will take a roll call at that point.

Members of the Council : Please do not leave without telling the Chairman or the Democratic Services Section's representative.

Recording at Council Meetings

Recording is allowed at Council, committee and sub-committee meetings which are open to the public, subject to

- (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.

AUDIT AND GOVERNANCE COMMITTEE

21st June 2016

Present – The Chairman (Councillor Harbron) and Councillors Brockbank, Hull, Lis, Morrell, Place and Whitaker. Independent Person : Greg Robinson.

Officers – Strategic Manager for Financial Services, Solicitor to the Council, Audit Services Manager and Committee Officer.

An apology for absence was received from Councillor Barrett.

Start: 6.30pm

Finish: 7.54pm

Councillor Lis arrived at 6.37pm

The minutes of the Committee's meeting held on 5th April 2016 were confirmed 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 Minute AC.264, (marked \$) below 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.259

INTERNAL AUDIT

a. Internal Audit Reports

The Audit Services Manager presented copies of the audit reports listed below, which had been commissioned as part of the 2015/16 Internal Audit Plan.

- On-line Payments : Level of Assurance : Good
- Creditors : Level of Assurance : Good

In responding to Members' comments and questions regarding online payments and direct debits, the Strategic Manager for Financial Services stated that payments of a regular nature were more suited to direct debit, the nature of the transaction had therefore to be taken into account in determining the most appropriate method of payment; a move away from direct debit in favour of on-line could require upgrades to software systems and the cost effectiveness of such a move would require careful consideration. The terms of the audit of on-line payments had not extended to direct debit.

Resolved – That the reports of the Internal Auditor now presented are received and that implementation of outstanding recommendations therein are monitored through the arrangements approved at Minute AC.138(a)/12-13.

b. Recommendations : Implementation Monitoring

Further to Minute AC.254(a)/15-16, the Strategic Manager for Financial Services submitted a report updating the Committee on the position reached with implementation of Priority One internal audit

recommendations where the original completion date was prior to June 2016. Details of all recommendations, twenty-four in total, completed in the monitoring period were also reported.

During the course of the Committee's discussion Members expressed concern at the failure to address concerns in respect of the security and condition of the Council's Engine Shed Lane archive store within the agreed target date. It was therefore proposed and

Resolved – (1) That the responsible manager is asked to provide Members of this Committee with a written summary of action taken in response to the security risks in respect of the archive store, together with a copy of the action plan for addressing any outstanding issues.

(2) That in the event of Members not being satisfied with the response provided at (1) above, the Manager is asked to attend this Committee's next meeting on 27th September 2016.

(3) That the position in respect of implementation of internal audit recommendations is noted, and that action taken in completing Priority One audit recommendations in the monitoring period is approved.

c. Annual Internal Audit Report 2015-16

The Audit Services Manager submitted the Annual Internal Audit Report highlighting key findings and conclusions from the work undertaken by the Internal Audit Service in the 2015/16 financial year.

The Audit Services Manager reminded Members that under public sector internal audit standards the Internal Auditor was required to give an overall opinion on the adequacy and effectiveness of the Council's risk management, governance arrangements and internal controls. Based on the audit work undertaken during 2015/16, her opinion was that the Council's framework of governance, risk management and internal control was satisfactory and operating effectively in practice. Two significant control issues relating to the Transparency Code and information security respectively, had been identified as relevant to the preparation of the Annual Governance Statement for 2015/16. At the end of the year, four audits had been in progress and of these three remained outstanding in terms of submission to this Committee.

During the course of the discussion it was pointed out that there should be times during the year when the Committee met the internal and external auditors without management present. Having briefly discussed a previous similar arrangement which had involved the Committee Chairman meeting the auditors, it was

Resolved – (1) That the Annual Internal Audit Report, including the auditor's opinion, for the 2015/16 financial year is noted.

(2) That the Chairman, in consultation with officers, puts in place arrangements to enable meetings between the Committee and the Council's internal and external auditors without management present.

AC.260

DRAFT ANNUAL GOVERNANCE STATEMENT 2015-16

Further to Minute AC.233/15-16, the Strategic Manager for Financial Services submitted a report presenting the draft Annual Governance Statement for 2015/16 which would form part of the Annual Statement of Accounts 2015/16. The draft Statement had been compiled following CIPFA guidance.

The Statement explained the Council's arrangements for reviewing the effectiveness of its governance framework, including the system of internal control, alongside its annual statement of accounts. It also summarised the governance arrangements in place and how they would be monitored in the year ahead. Appendices to the Statement detailed significant governance issues outstanding at the end of 2015/16 and proposals for addressing those issues during the course of the current year.

The Strategic Manager for Financial Services pointed out that in complying with the Accounts and Audit Regulations (England) 2015, she may need to revisit some aspects of the draft Statement. Any changes made would be presented within an amended statement for approval by this Committee on 27th September 2016.

Resolved – That the draft Annual Governance Statement 2015/16 is approved, and that the Strategic Manager for Financial Services is authorised to amend or remove, as appropriate, any significant governance issues currently shown as outstanding within the appendices to the draft Statement if they are resolved prior to the final Statement's submission to this Committee in September 2016.

AC.261

**APPOINTMENT OF EXTERNAL AUDITOR – SECTOR LED
BODY**

Further to Minute AC.253/15-16, at which the Committee had authorised the Strategic Manager for Financial Services to express an interest to the Local Government Association on behalf of the Council in opting-in to a sector-led body approach for the appointment of external auditors, the Strategic Manager for Financial Services submitted a report informing the Committee that over 200 local authorities had expressed an interest in the sector led approach to the procurement of future external audit contracts for local government.

Members were reminded that the Local Government Association had proposed that Public Sector Audit Appointments Ltd (PSAA), be appointed as the sector led body for local government. PSAA had now registered its interest with the Department for Communities and Local Government and a response was awaited as to the next steps and timetable.

The likely deadline for authorities to formally opt-in was expected to be November/December 2016 and it was currently understood that formal opt-in would require full Council approval

Resolved – That the Strategic Manager's report is noted.

AC.262

CONTRACT PROCEDURE RULES – EXEMPTIONS

Further to Minute AC.194(b)/13-14, the Strategic Manager for Financial Services submitted a report presenting a summary of exemptions granted from the Council's Contract Procedure Rules in the period January to June 2016. Four exemptions had been granted in the period, details of a fifth exemption withdrawn from the report to enable a more detailed explanation to be provided would be reported to the Committee in due course.

Resolved – That the exemptions granted from the Council's Contract Procedure Rules are noted.

AC.263

REGULATION OF INVESTIGATORY POWERS

Further to Minute AC.246/15-16, the Solicitor to the Council submitted a report informing the Committee of the Council's use of covert surveillance under the Regulation of Investigatory Powers Act 2000 in the six month period from November 2015. No covert surveillance had been authorised in the period.

Resolved – That the Solicitor’s report is noted.

\$AC.264

RISK MANAGEMENT

Further to Minute AC.256/15-16, the Strategic Manager for Financial Services submitted a report updating the Committee on progress against actions intended to mitigate risks within the Council’s corporate risk register.

No changes had been made to the Council’s risk profile in the period since the Committee’s last meeting and no risks had been either added or removed from the corporate risk register.

Resolved – That progress against actions to mitigate risks within the Council’s corporate risk register is noted.

AC.265

MEETINGS – START TIME

Resolved – That for the remainder of the current municipal year, meetings of this Committee continue to start at 6.30pm.

Minutes for Decision

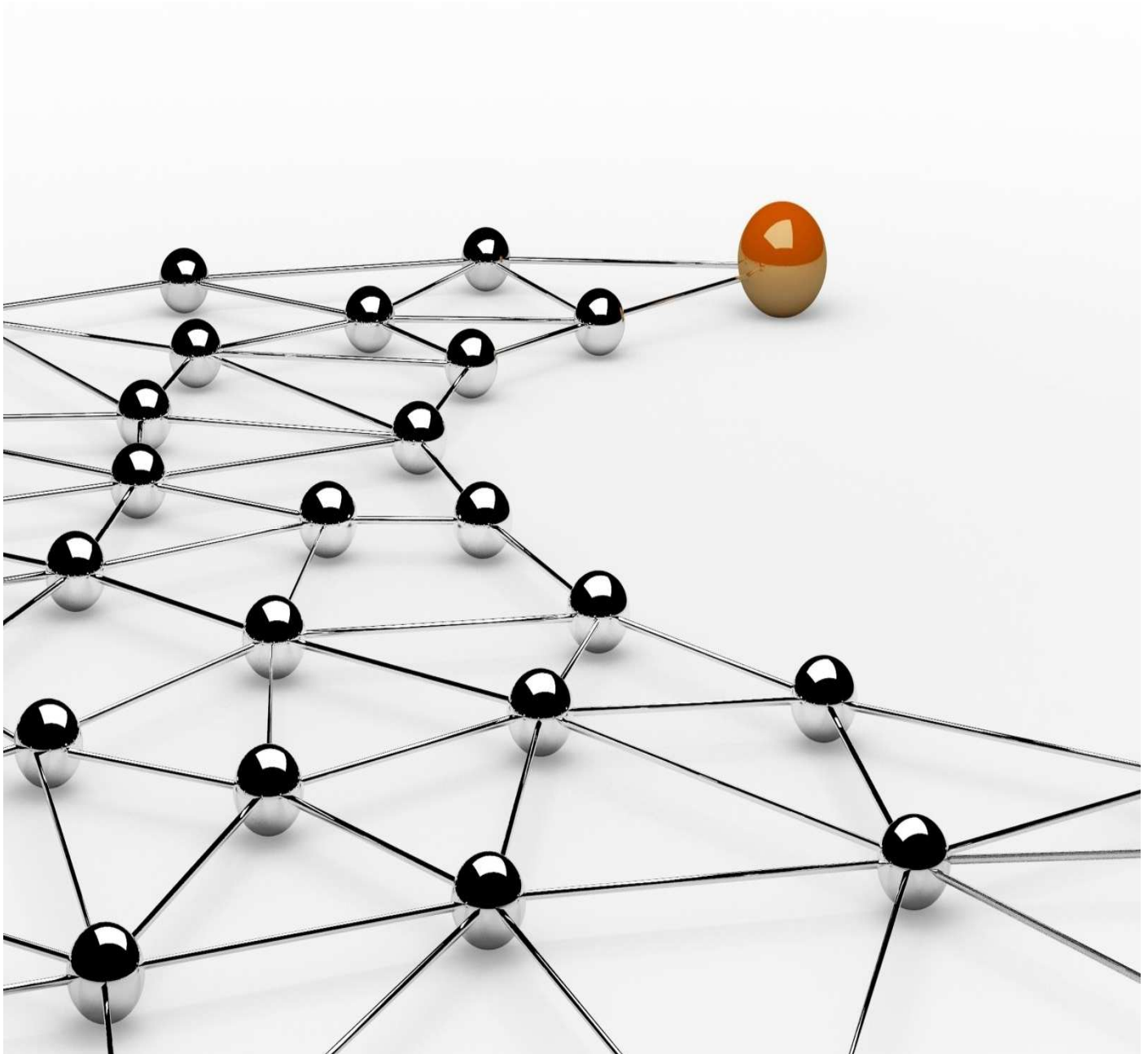
- None -

Chairman.

Audit Completion Report

Craven District Council – year ended 31 March 2016

September 2016



Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Audit and Governance Committee
Craven District Council
1 Belle Vue Square
Broughton Road
Skipton
North Yorkshire
BD23 1FJ

27 September 2016

Dear Members

Audit Completion Report – Year ended 31 March 2016

We are delighted to present our Audit Completion Report for the year ended 31 March 2016. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 05 April 2016. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6314 or Cameron.Waddell@Mazars.co.uk

Yours faithfully

Cameron Waddell

Mazars LLP

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Our reports are prepared in the context of the Statement of responsibilities of auditors and audited bodies issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and we take no responsibility to any member or officer in their individual capacity or to any third party.

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01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2016 to the Audit Committee of Craven District Council (the Council) and forms the basis for discussion at the Audit and Governance Committee meeting on 27 September 2016.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Council; and
- receive feedback from yourselves as to the performance of the engagement team.

Our work on the Craven District Council's accounts is designed to provide reasonable assurance that they are free from material misstatement. In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'. We consider materiality when planning and performing our work and in assessing audit results.

At the planning stage, we made a judgement about the size of misstatements which we would consider to be material and which gave a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We determined overall materiality to be £460,000 (being 2% of gross revenue expenditure), with a clearly trivial threshold of £14,000 below which identified errors will not usually be reported. We also set lower materiality values for accounting entries we consider to be more sensitive, for example, senior officer's remuneration.

We updated our materiality calculation when we received the draft accounts and set the overall level at £475,000 (being 2% of gross revenue expenditure) with a clearly trivial threshold of £14,000. Appendix C provides more information on our approach.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2016.

At the time of preparing this report, the following matters remain outstanding, and are usually done just prior to signing the audit opinion:

- review of the amended financial statements;
- completion procedures
- review of post balance sheet events; and
- review on receipt of management representation letter.

We will provide an update to you in relation to the significant matters outstanding above in a follow-up letter.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by the deadline of 30 September 2016.

Our proposed audit report is set out in Appendix B.

02 Significant findings

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

- Our audit conclusions regarding the 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. In this section 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.

Significant risks and key areas of management judgement

Management override of controls

Description of the risk

Auditing standards state that 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. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we approach the audit with due professional scepticism.

How we addressed this risk

We have updated our understanding and evaluation of internal controls procedures as part of our audit planning, including completion of a fraud risk assessment. As part of this, we have sought written assurances from the Audit Committee and management on their controls and processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to, and report fraud.

Our testing strategy for this significant risk due to fraud included:

- journals recorded in the general ledger and other adjustments made in preparation of the financial statements;
- consideration and review of material accounting estimates impacting on amounts included in the financial statements;
- consideration and review of any unusual or significant transactions outside the normal course of business; and
- consideration of any other local factors.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Revenue Recognition

Description of the risk

Auditing standards include a rebuttable presumption that there is a significant risk in relation to the timing of income recognition and in relation to judgements made by management as to when income has been earned. Mazars' policy is that the scope to apply such a rebuttal is limited. As there is an inherent risk of fraud in revenue recognition we consider it to be a significant risk on all audits. This does not imply that we suspect actual or intended manipulation but that we continue to approach the audit with due professional scepticism.

How we addressed this risk

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 income and receipts in March, April and May 2016 to ensure they have been recognised in the right year;
- testing adjustment journals; and
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention, except for the unadjusted misstatement set out below. We have carried out sufficient work to conclude this was an isolated error.

Pension entries (IAS 19)

Description of the risk

The financial statements contain material pension entries in respect of 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

We have discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we have:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuary; and
- considered the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which is commissioned by the National Audit Office.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.

Valuation of Property, Plant and Equipment (PPE)

Description of the area of management judgement

Accounting standards and CIPFA's Code of Practice on Local Authority Accounting require that all property, plant and equipment (PPE) are carried at fair value on the Council's Balance Sheet. PPE must be revalued regularly and impairment reviews completed. There is also the requirement that PPE is depreciated, unless there is a specific exception. The value of the Council's PPE is material to the accounts and involve management judgements over the valuations and useful lives of assets.

How we addressed this area of management judgement

We have evaluated the design and implementation of controls in respect of depreciation, revaluations and impairments as part of our walkthrough of the property, plant and equipment system.

In addition, we have undertaken a range of substantive procedures including:

- substantive sample testing of depreciation, revaluations and impairments per the disclosure note to the financial statements;
- reviewing and evaluating of the work of the external valuer, including the valuer's report;
- consideration of regional valuation trends; and
- specific follow up of the areas subject to material error in previous years.

Audit conclusion

In the course of our work we identified a number of amendments which in aggregate were over our materiality threshold. These are listed below in Section 05 of this report. We have obtained the assurance we sought following the processing of these amendments.

Accounting policies and disclosures

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 2015/16.

Significant matters discussed with management

We have not had discussed any significant matters with management, other than our usual discussions to obtain evidence during the course of our audit.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Electors' rights to inspect the accounts

The Accounts and Audit (England) Regulations 2015 ('the regulations'), introduced new requirements in respect of publishing the financial statements and the period within which local electors may raise questions on the financial statements or make an objection to an item of account. For 2015/16 the Authority set this period as Friday 1st July to Thursday 11th August 2016. We received no questions or objections within this period.

Modifications required to our audit report

Subject to successful completion of outstanding matters, we propose an unmodified audit report as set out in Appendix B.

04 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or 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.	0
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.	2
3 (Low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

Other deficiencies in internal control – (Level 2)

Description of deficiency

During the audit we have noted several amendments, that we would have expected to be identified and rectified by the finance team prior to submission of the financial statements for audit.

Potential effects

Material mis-statements are not identified prior to submission of the draft accounts

Recommendation

Management should incorporate a thorough review process into the accounts closedown procedures.

Management response

We will review the Accounts process for the 2015/16 Accounts and make adjustments as deemed necessary incorporating further a further review process into the closedown timetable including a review of the working papers.

Description of deficiency

Communication with the external valuer has led to a valuation being provided for some public conveniences, which were not in the originally planned list of assets due for valuation in the period. The movement on the asset was significant and as such has caused an audit adjustment.

Other issues have been noted regarding the clarity of the content within the report provided by the external valuer. We acknowledge that the use of this valuer was as a result of a change in the arrangements due to the previous, in-house, valuer ceasing employment with the authority.

Potential effects

Other than the observed issue listed above, additional costs could potentially be borne by the authority if the required assets are not valued in the correct period. The CIPFA code determines that when one asset of a certain type is revalued, all assets of that type should also be revalued. In light of the mistake made by the valuer and the magnitude of the observed change in value, the authority should have subsequently revalued all public conveniences. We acknowledge that the characteristics of the public conveniences in this situation do not necessarily apply to all council owned conveniences – the asset is in Skipton town centre on highly desirable land; as such we have not requested any further valuations to take place.

Recommendation

Contract Management and communication with the valuer should be reviewed to ensure the Terms of Engagement are clear and enforced.

Management response

If the Council needs to use an external valuer in the future for work in respect of the accounts we will review the terms of engagement to ensure that they are clear and concise and that there is complete understanding before authorising work to commence.

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

In our 2014/15 Audit Strategy Memorandum we reported internal control weaknesses in respect of controls over accounts closedown processes and management review of the draft financial statements which failed to identify material overstatement of expenditure due to incorrect treatment of recharges.

We are pleased to report that remedial action taken by the Council has resulted in this being prevented for the current set of financial statements.

05 Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level, are set out below. The first table outlines the identified misstatements 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 2015/16

		CIES		Balance Sheet	
		Dr	Cr	Dr	Cr
		£'000	£'000	£'000	£'000
1	Dr: Income	48			
	Cr: Debtors				48
Being the overstatement of income relating to reimbursement of flood relief grants. This error arose following incorrect communication from a local authority regarding the level of expenditure that could be reclaimed by Craven District Council.					

Adjusted misstatements 2015/16

		CIES		Balance Sheet	
		Dr	Cr	Dr	Cr
		£'000	£'000	£'000	£'000
1	Dr: PPE – Surplus Assets			2,785	
	Cr: Revaluation Reserve				2,685
	Cr: CIES reversal of impairment		20		
	Cr: PPE – Operational Land and Buildings				45
Reclassification and revaluation of an Asset not previously identified as Surplus. In line with Financial Reporting changes relating to the adoption of IFRS 13, the asset should have been held at its highest and best use value.					
2	Dr: PPE – Operational Land and Buildings			312	
	Cr: Revaluation Reserve				312
Being the revaluation of Coach Street Car Park and the associated Public Conveniences that were revalued by Eddisons' in the period but the transaction has not been performed by the Council.					

3	Dr: Cash and Cash Equivalent			238	
	Cr: Debtors				238
Being the misclassification of Debtors rather than Cash at bank and in hand. Management have agreed to amend the statements accordingly. This error has been reported in the previous two years.					

The following additional misstatements have been identified that management have agreed to amend which will improve the presentation and disclosure of the financial statements.

Disclosure amendments

Our audit identified the following items that management has agreed to amend in the disclosures in the financial statements, the most significant are listed below:

Note	Amendment
Note 12.2: Movement on Fixed Assets	Re-analysis of the movement on PPE Cost/Valuation and Accumulated Depreciation, split between Revaluation Reserve and the CIES (Disclosure Only).
Note 12.3: Commitments Under Capital Contracts	Reworking of the note and amendment to the narrative element
Note 12.4: Revaluations	A re-working of the note was required (Disclosure Only) to show the year in which each portion of the Council's Asset base was last revalued in the respective year.
Note 18: Short-term Debtors	Other entities and individuals" has been overstated by £22k due to a debtor with a local authority being incorrectly included. "Other local authorities" was understated by the same value.
Note 27: Amounts Reported for Resource Allocation Decisions	The depreciation, amortisation and impairment have been amended due to errors identified within our work performed on Fixed Assets.
Note 29: Officers' remuneration	A number of amendments relating to Basic Pay and Benefits in Kind.
Note 29: Termination Benefits	Amendment of exit package classified in the incorrect £20,000 band.
Note 31: Grant income	The DWP Grant for Housing Benefit has been understated by £34k, Housing Benefits Admin and Other Benefit Reform Grants has been overstated by the same amount.
Note 39: Nature and Extent of Risks arising from Financial Instruments:	The decrease in fair value of fixed rate borrowings liabilities did not agree to the report provided by Capita. This resulted in an overstatement of £389k (disclosure only).

There were also a small number of other non-material disclosure misstatements which have been corrected by management. These mainly were minor errors, omissions, clarifications and typographical errors. All were corrected by management. This includes some minor changes to the Narrative Report.

06 Value for money

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources by considering one overall criterion which is made up of three sub-criteria.

The overall criterion set out by the NAO is:

'In all significant respects, the audited body 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 three sub-criteria are:

Sub-criteria	Guidance
Informed decision-making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance. Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management. Reliable and timely financial reporting that supports the delivery of strategic priorities. Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. Managing and utilising assets effectively to support the delivery of strategic priorities. Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities. Commissioning services effectively to support the delivery of strategic priorities. Procuring supplies and services effectively to support the delivery of strategic priorities.

In the Audit Strategy Memorandum we identified significant risks relevant to the value for money conclusion. We detail below how we have addressed these risks and our conclusions.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

Significant Value for Money risks

VFM risk

Description of the risk

The Council is facing continued decreases in central government funding. The Council's Medium Term Financial Plan (MTFP) shows that savings of £0.7 million are required in 2017/18 with further savings of £0.9 million in 2018/19 also being necessary. Whilst the Council has a good record of achieving savings it is acknowledged that further savings are likely to be difficult to achieve.

The level of savings the Council needs to achieve over the period of its MTFP represents a significant risk to the sustainable resource deployment criteria in our value for money conclusion.

How we addressed this risk

In light of the revised guidance issued by the NAO for 2015/16, we undertook a programme of work that allowed us to conclude whether the Council has arrangements in place to identify and deliver the required cost savings as set out in its MTFP. This included a review of:

- the Medium Term Financial Plan and the reasonableness of the assumptions that underpin it;
- the arrangements in place to deliver the overall budget in 2016/17; and
- arrangements in place to identify, evaluate, risk assess and deliver future savings plans.

Conclusion

Overall we concluded the Council has appropriate arrangements in place to achieve the level of savings required. Our work provided us with assurance to mitigate the identified risk. The specific results of our testing are detailed below:

<p>Review of the Medium Term Financial Plan and the reasonableness of the assumptions that underpin it.</p>	<p>We reviewed the Medium Term Financial Plan. Arrangements are in place to ensure the Financial Plan is regularly reviewed and, where required, updated.</p> <p>The risk that the assumptions used in the Plan are unrealistic is mitigated by the small contingency for any unexpected pressures built into the Financial Plan. The risk is further mitigated by adequate levels of reserves held by the council. Budgetary control arrangements are in place.</p> <p>In recent years budget arrangements have identified, at an early stage, any threats to delivering the budget. This should ensure gaps in budget, including those as a result of Financial Plan being incomplete, are identified and reported at an early stage.</p>
<p>Review of arrangements in place to deliver the overall budget in 2016/17.</p>	<p>We reviewed budget monitoring arrangements in place at the council. We identified no weakness in arrangements to suggest a risk. Budget reports have been presented on a regular basis to Members throughout the financial year. Reports are presented in a clear and understandable way.</p>
<p>Review of the arrangements in place to identify, evaluate, risk assess and deliver future savings plans.</p>	<p>We reviewed the quarterly monitoring of the savings plan throughout the year, to consider if progress was reported consistently, and any issues were identified at an early stage. We identified no weakness in arrangements for developing plans and monitoring plans to suggest a risk. For a small number of savings identified it was confirmed that they were unlikely to be delivered in 2016/17. However arrangements meant mitigating savings had been identified and the Council is still forecasting to meet the 2016/17 budget position.</p> <p>We discussed with officers the progress made in developing savings plans for 2017/18 and beyond.</p> <p>While the Council still has a significant level of savings in 2017/18 arrangements are in place meaning plans are being developed. We identified no weakness in arrangements to suggest a risk.</p>

The table below summarises our findings in respect of the three sub-criteria applicable to the Council specified by the NAO.

Informed decision making

Proper Arrangements	Arrangements at Craven District Council	Audit Assurance obtained?
Acting in the public interest, through demonstrating and applying the principles and values of sound governance	The Council has an established 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.	Yes
Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	The Council continues to produce regular finance reports which are presented throughout the financial year to the Policy Committee. Reports are easy to read and clearly set out the financial position of the Council. The year-end position is not significantly different to that forecast during the year.	Yes
Reliable and timely financial reporting that supports the delivery of strategic priorities.	The Councils Audit Committee receives regular updates on the top risks facing the council. The Council's Financial Strategy identifies the risks associated with the plan. Risk management arrangements are in place. The Council has a comprehensive Internal Audit plan and Internal Audit provide reports at each Audit and Governance Committee meeting.	Yes

Sustainable resource deployment

Proper Arrangements	Arrangements at Craven District Council	Audit Assurance obtained?
Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	<p>Financial and performance reports demonstrate a history of achieving financial targets. The Council has a Medium and Long Term Financial Plan covering the period up to 2023/24. This has been updated to reflect funding settlements.</p> <p>The strategies are reviewed and updated, as a minimum on an annual basis. The Strategies are designed to ensure the Council has sufficient resources to achieve the Councils aims and priorities. The Financial Strategies include reasonable assumptions and identifies the financial pressures the Council will face in coming years. The Financial Strategy clearly sets out the savings the Council will need to achieve up to 2023/24. Whilst the Council has a good record of achieving its budgets, including challenging savings levels, there is recognition that achieving these savings will be a significant challenge and risk to the Council.</p> <p>The level of reserves are considered by the Council to be at a sufficient level. Earmarked reserves are reviewed annually to ensure that balances earmarked for specific schemes are still relevant.</p>	Yes
Managing and utilising assets effectively to support the delivery of strategic priorities.	The Council has an approved Capital Programme for 2016/17 to 2019/20. The capital programme sets out an approved capital spend of £1.53m for 2016/17. As part of the capital programme monitoring, a business case is required by the Corporate Leadership Team for each project, prior to the funding being released.	Yes

Proper Arrangements	Arrangements at Craven District Council	Audit Assurance obtained?
Planning, organising and developing the workforce effectively to deliver strategic priorities.	HR policies and procedures in place. Regular sickness information and reports are provided to Corporate Management Team (CMT), Human Resources Service Group (HRSG) and Heads of Service in all departments. HR analyse sickness data and identify any appropriate actions to support particular services or reasons/patterns of absence.	Yes

Working with partners and other third parties

Proper Arrangements	Arrangements at Craven District Council	Audit Assurance obtained?
Working with third parties effectively to deliver strategic priorities.	The Council has a track record of working with partners. Reporting on significant partnerships is incorporated into the Performance Monitoring Reports.	Yes
Commissioning services effectively to support the delivery of strategic priorities.	The Council's Constitution details the arrangements for contracting with third parties.	Yes
Procuring supplies and services effectively to support the delivery of strategic priorities.	The Council have a Procurement Strategy in place and Contract Procedure Rules in place. There are numerous policies which support the Procurement Strategy, including Tendering Policies. These procedures are designed to ensure supplies and services are procured effectively.	Yes

Having gathered evidence of the Council's arrangements for each of the sub-criterion we conducted a 'reality check', building upon our existing knowledge of the Council and considering the robustness of our assessment by referring to:

- reports by statutory inspectorates or other regulators;
- achievement of performance and other targets; and
- performance against budgets and other financial targets.

Evidence	Auditor Assessment
Reports by statutory inspectorates or other regulators	<p>We are not aware of any statutory inspections or other regulators reports which are applicable to the 2015/16 value for money conclusion.</p> <p>We reviewed the value for money profiles (based on data from Public Sector Audit Appointments). Based on this review, there were no indicators which would suggest weaknesses in the Council's arrangements, or any information contrary to our knowledge of the Council.</p>
Achievement of performance and other targets	<p>We reviewed the latest performance reports and identified no matters suggesting a weakness in the Council's arrangements or any information contrary to our knowledge of the Council.</p>
Performance against budgets and other financial targets	<p>The Council has a history of achieving budget targets.</p>

Overall conclusion

Having completed our assessment, and having carried out a 'reality check', we can conclude that our initial risk assessment remains appropriate and we can be confident in our conclusion that the Council has adequate arrangements in place for each criterion.

We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

Appendix A – Draft management representation letter

Craven District Council - audit for year ended 31 March 2016

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 2016 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.

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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 s151 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 unasserted 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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 s151 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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

s151 Officer

Date.....

Appendix B – Draft audit report

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

Opinion on the Authority financial statements

We have audited the financial statements of Craven District Council for the year ended 31 March 2016 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 and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Craven District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

Respective responsibilities of the *Chief Finance Officer* and auditor

As explained more fully in the Statement of the *Chief Finance Officer's* Responsibilities, 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Narrative Statement and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or

- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

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

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

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, we are satisfied that, in all significant respects, Craven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Cameron Waddell

For and on behalf of Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

September 2016

Appendix C – Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assumed that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We considered materiality whilst planning and performing our audit.

Whilst planning, we made judgements about the size of misstatements which we considered to be material and which provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

In 2015/16 we set materiality at the planning stage at £460,000 (2% of gross revenue expenditure) with a clearly trivial threshold of £14,000 below which identified errors will not usually be reported. We set lower materiality levels for the accounting entries we consider to be more sensitive, for example, senior officer's remuneration, as we considered these items to be of specific interest to users of the accounts sufficient to warrant audit procedures which would not otherwise be applied based on the materiality level for the audit as a whole. The materiality determined at the planning stage did not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, would be considered as immaterial.

We revised materiality for the financial statements as our audit progressed. Our closing assessment of materiality in 2015/16, based upon the final version of the financial statements, was £475,000 with a clearly trivial threshold of £14,000 below which identified errors were not reported.

We discussed with management any significant misstatements or anomalies that we identified during the course of the audit and we reported in our Audit Completion Report all unadjusted misstatements we identified other than those which were clearly trivial, and obtained written representation that explained why these remain unadjusted.

Appendix D – 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 in April 2016 and therefore we remain independent.

Audit & Governance Committee – 27th September 2016

Annual Governance Statement 2015/16



Report of the Strategic Manager – Financial Services (s151 Officer)

Ward(s) affected: All

1. Purpose of Report

- 1.1 To present the Final Annual Governance Statement for 2015/16 for consideration and approval by Committee, and sign off by the Chair of the Audit Committee and the Chief Executive.

2. Recommendation

- 2.1 That, members approve the Annual Governance Statement which will form part of the Statement of Accounts 2015/16.

3. Background Information

- 3.1 The Council is required to publish an Annual Governance Statement (AGS) which must accompany its Annual Statement of Accounts in compliance with the Accounts and Audit (England) Regulations 2015 – Regulation 6(1)b.
- 3.2 Good governance is important to all involved in local government. The statement summarises the governance arrangements in place and sets out how they will be further improved in the year ahead.
- 3.3 The preparation and publication of an AGS in accordance with the CIPFA/SOLACE Framework is necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to “conduct a review at least once a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.
- 3.4 The AGS is attached at Appendix 1 for member approval for inclusion with the Annual Statement of Accounts.

4. The Report

- 4.1 At the meeting of Audit and Governance Committee on 21 June 2016 the draft AGS was approved pending a review to ascertain if additional information was required as a consequence of changes to the CIPFA Good Governance Framework.

4.2 The purpose of this report is to inform members that any changes required are for statements from 2016/17 onwards and therefore there are no changes to be made to the AGS presented in June. There has been one internal audit priority 1 recommendation completed in respect of Bereavement services raising and recording credit notes (IA 15/16 239) and the AGS can therefore be approved and signed prior to the approval of the 2015/16 Statement of Accounts.

4.3 A copy of the AGS is attached as Appendix 1.

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 Governance Statement for inclusion with the Statement of Accounts.

5.3 Contribution to Council Priorities

Financial resilience through appropriate procedures and practices

5.4 Risk Management

Implementation of measures to improve the Council's governance arrangements help to mitigate against Corporate Governance risks.

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. Consultation with Others

CLT, Insurance Risk and Procurement Manager, Internal Audit Manager, VFM & Improvement Manager.

7. Access to Information : Background Documents

CIPFA – Delivering Good Governance in Local Government.

CIPFA Finance Advisory Network – AGS a Rough Guide for Practitioners

8. Author of the Report

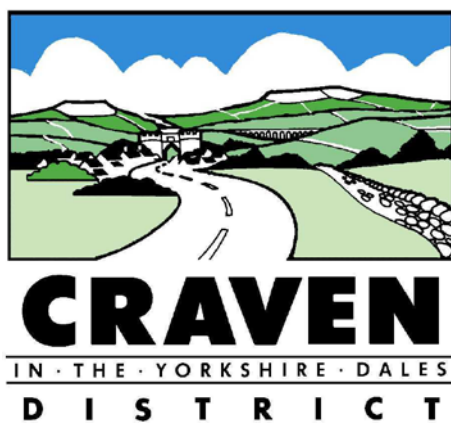
Nicola Chick – Strategic Manager – Financial Services (s151 officer)

Telephone: 01756 706418

E-mail: NChick@cravenc.gov.uk

9. Appendices

Appendix 1 – Annual Governance Statement



ANNUAL GOVERNANCE STATEMENT 2015/16

Annual Governance Statement (AGS)

1. Scope of Responsibility

- 1.1 Craven District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Local Code can be obtained from the Council's website www.cravencd.gov.uk or by writing to: - Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ.
- 1.4 This Statement explains how Craven District Council has complied with the Code and meets the requirements of regulation 4 regulation 4(2) of the Accounts and Audit (England) Regulations 2015. It is a requirement to produce this statement under regulation 6(1) b of the Accounts and Audit (England) Regulations and that it is approved by Audit & Governance Committee in advance of them agreeing the statement of accounts. The Statement also sets out significant governance issues that will be addressed during 2016/17.

2. The Purpose of the Governance Framework

- 2.1 The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and, where appropriate, leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Craven District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.4 The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) identifies six underlying principles of good governance. These principles have been taken from the Good Governance framework and adapted for local authorities. They are defined as follows:

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

2.5 The Governance Framework has been in place at Craven District Council for the year ended 31st March 2016, and up to the date of the approval of the Statement of Accounts for 2015/16. It has seen reports submitted to Audit & Governance Committee on the progress made on issues identified in the previous Annual Governance Statement and identified any issues for consideration in the 2015/16 Statement.

3. The Council's Governance Framework

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

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

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

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

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

- 3.1.3 A Performance Management Framework sets out the formal arrangements for effective performance management, and is used to monitor and report progress against the Council Plan, Annual Service Plans, Budgets and Performance Indicators.
- 3.1.4 The Council has a Value for Money Framework detailing the Council's principles and actions for securing Value for Money in the services it delivers. This includes an agreed approach for Service Reviews to secure efficiencies and improve effectiveness.
- 3.2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles

The Council has the following arrangements in place:

- 3.2.1 A Constitution, updated on a rolling basis, setting out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are lawful, efficient, open, transparent and accountable to local people. This includes Standing Orders; Financial Regulations, Committee Membership and Terms of Reference, Scheme of Delegation to Officers, and Members and Employee Codes of Conduct / Protocol.
- 3.2.2 Regular meetings between the Leader of the Council, the Chief Executive and Group Leaders.
- 3.2.3 Lead Members and Champions for specific Council Priorities including a Lead Member for Asset Management and Financial Resilience.
- 3.2.4 A designated Head of Paid Services (the Chief Executive), responsible and accountable to the Authority for all aspects of operational management, in accordance with Section 4 of the Local Government and Housing Act 1989.
- 3.2.5 A designated Section 151 Officer (the Strategic Manager – Financial Services), responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control, in accordance with Section 112 of the Local Government Finance Act 1988.
- 3.2.6 A designated Monitoring Officer (the Solicitor to the Council and Monitoring Officer), responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with, in accordance with Section 5 of the Local Government and Housing Act 1989.
- 3.2.7 An Independent Remuneration Panel that reviews Members' remuneration.
- 3.2.8 Recruitment and Selection and Job Evaluation Policies and Procedures, providing a framework for the recruitment and selection of employees which reflects fairness, equity and best practice.
- 3.2.9 A strategic planning process, communication strategy and performance framework to ensure the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.
- 3.2.10 Effective mechanisms to monitor service delivery, e.g. the Performance Management Framework, the complaints, comments and compliments procedure,

and customer satisfaction surveys.

- 3.2.11 Constitutions, Terms of Reference or Service Level Agreements are in place for each partnership, as appropriate. These measures ensure that there is clarity over the legal status of powers, and roles and responsibilities in respect of each partnership in which the Council is involved. The Council has a comprehensive database of partnerships which is maintained on an on-going basis.
- 3.3 Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- 3.3.1 The set of shared core Values embedded in the culture of the organisation, guiding and influencing the way the Council and its staff work, and helping to continually improve performance.
- 3.3.2 The Council has developed and adopted formal Codes and Protocols aimed at ensuring high standards of conduct and personal behaviour, which make up the Council's ethical framework for both Members and employees.
- 3.3.4 The Localism Act 2011 introduced changes to the standards regime. The Council has a duty under the act to promote and maintain standards. The Council's Standards Committee acts as the main means to raise awareness and takes the lead in promoting and maintaining high standards of conduct and the effectiveness of the ethical framework.
- 3.3.5 Arrangements are in place to ensure that members and staff are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and appropriate processes exist to ensure they continue to operate in practice. These include a complaints procedure, standards hearings, codes of conduct, equality impact assessments of services, and policies and equalities training.
- 3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- 3.4.1 The Council's Select (Scrutiny) Committee provides constructive challenge in relation to the Council's services and those of other agencies. The Scrutiny Officer provides support to the Committee and the development of the scrutiny function. A work programme is formulated on an annual basis which complements the aims and objectives of the Council's Priorities in the Council Plan. Issues that arise during the year can also be referred to the Committee. Different methods are used to involve the public and stakeholders in Select (Scrutiny) Reviews, including surveys, press releases and invitations to meetings. An annual report is produced recording recommendations and actions.
- 3.4.2 The Audit and Governance Committee acts as the Council's responsible body charged with governance. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, approves the Final Statement of Accounts, and receives reports from External and Internal Audit. In February 2015 the Council approved the appointment of a non-voting independent member to assist the Committee. The appointment is for 2 years until May 2017.
- 3.4.3 The Council has a Standards Committee that is responsible for promoting and maintaining good ethical governance within the organisation and operates in accordance with legislative requirements.

- 3.4.4 The Call-In Procedure provides a mechanism for Members to directly challenge decisions made by the Policy Committee.
- 3.4.5 The Council has a Whistleblowing Policy and an Anti-Fraud and Corruption Policy.
- 3.4.6 Arrangements and processes are in place to ensure conflicts of interest on behalf of members and employees are avoided.
- 3.4.7 The Council has an established Complaints, Comments and Compliments procedure which is due to be reviewed in 2016. There are also procedures in place to deal with complaints about Members. There has been no finding of maladministration against the Council by the Local Government Ombudsman during 2015/16.
- 3.4.8 In order to ensure those making decisions are provided with information that is fit for purpose, relevant, timely and gives clear explanations of technical issues and their implications, the Council uses a standards report format. The reports include financial, legal and risk management implications, as well as relevance to Council Priorities. Wherever possible, reports are circulated in good time before meetings in order to meet the Access to Information requirements.
- 3.4.9 The Council has a formal system of Risk Management. Whilst responsibility for the identification and management of risks rests with service managers, corporate arrangements are coordinated by the Risk Management function to ensure that:
- the council's assets are adequately protected;
 - losses resulting from hazards and claims against the council are mitigated through the effective use of risk control measures.
- 3.4.10 The system of risk management includes the maintenance of an overall and corporate risk register. The Risk Management Group and Corporate Leadership Team (CLT) are responsible for keeping arrangements for both risk registers under review. The Register is used to monitor risks and identify appropriate action plans to mitigate risks. These risk management arrangements and the Corporate Risk Register containing the Council's key strategic risks are monitored by CLT and the Audit & Governance Committee.
- 3.4.11 The Council has policies in place to ensure compliance with established policies, procedures, laws and regulations.
- 3.5 Developing the capacity and capability of Members to be effective and ensuring that officers, including statutory officers, also have the capability and capacity to deliver effectively
- 3.5.1 The Councils People Strategy 2016 – 2020 was approved by Policy Committee in April 2016. The action plan is monitored, reviewed and updated quarterly.
- 3.5.2 Recruitment and selection procedures are based on recognised good practice that aims to secure applicants for employment from all sections of the Community.
- 3.5.3 Induction training is given to new Members and staff.
- 3.5.4 Protocols are in place which set out the roles and responsibilities of the three statutory officers.
- 3.5.6 Performance of officers is managed under the Council's Performance Development Review (PDR) system. This links individuals' performance to that of their Service and the Council. The PDR provides the opportunity to identify staff training and development needs.

- 3.5.7 Member Training is provided to meet the needs of all Members. Options are being explored to develop a Member Development Programme with other Local Authorities.
- 3.5.8 The Council revises its Training and Development Plan annually. A Leadership and Management Development Programme was delivered during 2013-2015. A further Management Development Programme is due to be delivered in July 2016 to enable succession planning as required in the future. A variety of training across all service areas is delivered throughout the year, as highlighted via the Council Performance Development Review process.
- 3.5.9 The Council continues to develop its Apprenticeship Scheme. During 2015 4 new Apprentices were appointed. Recruitment is currently underway to recruit a further 3 Apprentices in 2016
- 3.5.10 In March 2015 it was confirmed that the Council had retained its Investors in People (IiP) accreditation. The IiP award is a very challenging standard to meet and is increasingly seen as a measure of a quality employer. The award represents a significant achievement for the Council and it serves as a testament to the work of all staff and Members in establishing excellent management practices. Most importantly, it acknowledges the efforts of all the staff who have embraced the considerable changes that have been necessary to move the Council forward. The next review is due to take place in 2018.
- 3.5.11 Various partnerships are in place with local schools, colleges and voluntary organisations to provide opportunities for work experience to individuals from all sections of the community.
- 3.6 Engaging with local people and other stakeholders to ensure robust local public accountability
- 3.6.1 The Council ensures its staff and the community are clear to whom and for what the Council is accountable through publication of its Constitution.
- 3.6.2 The Council's Community Engagement Strategy and Toolkit sets out how the Council will consult, engage and involve the public in service improvement and delivery. The Select (Scrutiny) function is one of the Council's primary means of engaging with local communities and stakeholders. An annual report on the activity of the scrutiny function is produced.
- 3.6.3 The Council also operates an Employers Consultative Working Group consisting of Members, the Chief Executive, Corporate Head of Business Support and Trades Union representatives.
- 3.6.4 Clear channels of communication are in place with the Parishes, for example the Parish Liaison Group and the Parish Clerks Forum.
- 3.6.5 All meetings of the Council, its Committees and Sub-Committees are open to the public, except when we have to discuss information in closed session to avoid the disclosure of exempt information.
- 3.6.7 The following includes some of the arrangements the Council has in place to enable us to engage with all sections of the community effectively:
- The annual consultation programme - Have Your Say
 - A Residents Panel
 - Active involvement with the Craven Youth Council

- Budget Consultation
- Publishing an Annual Statement of Accounts
- Crime and Disorder Committee
- Craven Community Safety Partnership

3.6.8 The Council requested a peer review which was completed in June 2012. One of the guiding questions for this type of challenge is 'Are effective governance and decision-making arrangements in place to respond to key challenges and manage change and transformation'. The review found that the council embraced the challenge positively, transparently and openly. The Council is in early discussions with the LGA for a review in 2017.

3.6.9 The Council nominates Members on to outside bodies.

3.6.10 The Council is continuing with its approach of Community Led Planning, establishing Local Action Teams. The 'Localism Reserve' established in 2011 and has provided funding for organisations and individuals including third sector, parish and town councils and community and business groups to deliver community projects that fit with Council priorities. The Localism Reserve is provided two years funding for the Council's Core Grant Funding Scheme in 2014/15 and 2015/16.

4. Review of Effectiveness

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

4.2 Issues identified in the 2014/15 Annual Governance Statement and the management actions to reduce the risk have been reported to, either Audit & Governance Committee and or Policy Committee and or Council. These reports where appropriate have also included new issues for consideration.

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

4.4 This document is produced as a result of that review in respect of the 2015/16 financial year.

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

4.5.1 The Council

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

4.5.2 Policy Committee

The Policy Committee is responsible for exercising the Council's powers within the budget and policy framework in the non-regulatory areas of its functions. It is also charged with making recommendations to the Council on the budget and

framework and any plans, policies or strategies that have a significant corporate impact.

4.5.3 **Select (Scrutiny) Committee**

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

4.5.4 **Audit and Governance Committee**

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

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

In June 2014 the Council approved the appointment of a non-voting independent member to assist Audit & Governance Committee in their work. An appointment to the role was agreed in February 2015 for a period of two years.

4.5.5 **Standards Committee**

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

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

The Chief Executive is the Council's head of paid service; the Strategic Manager – Financial Services is the Council's chief financial officer (s151 officer). The Solicitor to the Council is the Monitoring Officer. This officer has a statutory responsibility to ensure the legality of transactions, activities and arrangements that the Council enters into.

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

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

The Council's Monitoring Officer, oversees the operation of the Constitution in order to ensure that its aims and principles are given full effect. A Corporate Governance Working Group, consisting of the s151 officer, the Monitoring Officer, other relevant officers and Members, oversees the review of the governance framework.

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

4.5.7 Internal Audit

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 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 by an outside organisation to see how far their internal audit service meets the Standards. Craven commissioned its external auditors, Mazars LLP, to review its Internal Audit Service during March 2014.

Whilst the overall conclusion of the review was that Internal Audit is “substantially compliant”, with the requirements of the PSIAS it identified a number of areas where there was scope for improvement in the work of Internal Audit, the overall governance and assurance arrangements within the Council and the role Internal Audit plays within those arrangements. All actions included in the improvement plan have now been implemented – except for developing an assurance map. The intention is to consider this during 2016/17 and for it to become part of the planning process for the 2017/18 Internal Audit Plan.

The PSIAS require that “chief audit executive”, or equivalent gives an annual opinion on the overall adequacy and effectiveness of the organisation’s arrangements for governance risk management and internal control. The Audit Services Manager has set out his opinion on these arrangements for Craven covering 2015/16 in her Annual Internal Audit Report.

The 2015/16 financial year was the first year of the new three year shared service arrangement between Craven District Council and Harrogate Borough Council. 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 these are comprehensive.”*

Internal Audit does however express concern regarding the following:

- The security of personal and sensitive information needs to be reviewed to ensure that it is protected and adequately secured.
- The publication requirements contained within the Transparency Code need to be followed so that no breach of the Code occurs.

*“.....**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 and observation of proceedings at the Risk Management Group – together with a review of the Risk Management Strategy and risk registers (both corporate and specific (recent examples include Tour de France, 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.*

*“.....**Internal Control:** Generally, fundamentally sound systems of internal control are in place. 67% of the opinions issued were either “significant” or*

“good”. In other areas, progress continues to be made.

4.5.8 **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 2015/16 are included in their report to those charged with governance. There were no significant issues from the 2014/15 Audit.

5. Significant Governance Issues

- 5.1 It is stressed that no system of control can provide absolute assurance against material mis-statement or loss. This statement is intended to provide reasonable assurance.
- 5.2 Issues that have been identified as Significant Governance Issues are included in Appendix A. Appendix B sets out the major issues arising from the work of Internal Audit ('Priority 1' issues). Under the Council's 2015/16 governance arrangements, all internal audit recommendations are reported through the Audit and Governance Committee. Outstanding Priority 1 issues arising during 2015/16, and brought forward from the previous year, have been set out in Appendix B.
- 5.3 The governance issues set out in Appendices A and B will be addressed during 2016/17. Progress on actions identified to address the recommendations of the Audit Commission's report will be subject to regular monitoring by the Council's Audit and Governance Committee.

APPENDIX A: SIGNIFICANT GOVERNANCE ISSUES 2015/16

Ref	Gaps in 2015/2016	Improvement Action	Responsible Officer	Timescales	Position at 31 March 2016 & Commentary
PSIAS Review March 2014					
1.	Integration of the role of Internal Audit within the Council's 'assurance framework'. An assurance mapping exercise to ensure that operational risks are identified is required.	An assurance mapping exercise should be carried out within the framework of a new assurance framework to ensure that all of the key risks the Council and its service lines are facing are identified.	Internal Audit Services Manager	31 March 2016 Revised to 31 March 2017	Work has yet to begin due to the focus being on the procurement of a new integrated audit and risk system. This will occur in June/July 2016 with an expectation of the new system being in place by the Autumn. The assurance mapping exercise will occur after installation and will be integral to the creation of the 2017/18 Audit Plan.

APPENDIX B: SIGNIFICANT GOVERNANCE ISSUES

No	Ref	Service Area	Issue	Improvement Action	Responsible Officer	Timescales	Position at 31 March 2016 & Commentary
2015/16 (Outstanding Priority 1 issues arising from 2014/15 Internal Audit Work)							
1.	IA 14/15 157	IT Services	A clearly owned information asset inventory should be developed and maintained. Once developed, identified information asset owners should ensure that risks and opportunities are monitored.	Data audits to document the Councils Information Assets form part of the Information Governance Project.	ICT Manager	August 2016	An Information Asset Inventory framework has been developed, and is being compiled and refreshed on an ongoing basis with the identified Information Asset Owners (Service Managers). The Council's overall inventory has been partially completed. It is anticipated that the project will be completed in June 2016
2015/16 (Outstanding Priority 1 issues arising from 2015/16 Internal Audit Work)							
2.	IA 15/16 227	Building Control	A replacement for the Fast Control system should be timetabled for implementation as soon as possible	Replacement system is budgeted for within the capital programme for delivery by April 2017	Strategic Manager – Planning & Regeneration	April 2017	Recruitment to the project manager role is underway. Once an appointment is made there will be a lead in time of approximately 18 months before the new system is fully introduced.
3.	IA 15/16 245	Bereavement Services	Access levels should be set up on the BACAS system	Appropriate levels of access to be set on the BACAS system.	Bereavement Services Manager	January 2016 – June 2016	We are currently working with BACAS to achieve this. Access levels as appropriate should now be introduced by the end of June.
4.	IA 15/16 256	BVS – Ground Floor Alarm	There should be appropriate arrangements put in place to ensure that the Belle Vue Square ground floor alarm is set in any absence of the Caretaker	Appropriate zoning for alarms required / arranged for BVS.	Facilities Manager	March 2016	The Council has a number of alarms from different suppliers across its property portfolio. The intention is to rationalise them. In the interim a meeting with the BVS alarm company has been arranged and an order placed to alarm the Registrars Zone whilst a practicable solution is sought to keep flexibility of access in other areas.

APPENDIX B: SIGNIFICANT GOVERNANCE ISSUES cont.....

No	Ref	Service Area	Issue	Improvement Action	Responsible Officer	Timescales	Position at 31 March 2016 & Commentary
5.	IA 15/16 257	IT – All Services	Cabinets containing personal data should be locked at night	Staff reminder issued via core brief. Staff training via e-learning. Policies updated. Approval of Information Management & Governance Strategy	ICT Manager	September 2016	This recommendation will be completed during the current financial year.
6.	IA 15/16 259	IT – Information Security – Bereavement Services	Arrangements should be made to ensure that any data of a personal and/or sensitive nature held in the chapel office is stored securely	Staff reminder issued via core brief. Staff training via e-learning. Policies updated. Approval of Information Management & Governance Strategy	ICT Manager	September 2016	A review of filing storage has been undertaken and VDU screens relocated. Locked storage alternatives are now being considered.
7.	IA 15/16 261	IT – Information Security – TIC	Arrangements should be made to ensure that any data of a personal nature held in the TIC should be stored securely	Staff reminder issued via core brief. Staff training via e-learning. Policies updated. Approval of Information Management & Governance Strategy	ICT Manager	September 2016	This action has been implemented, but compliance will be confirmed by July 2016.
8.	IA 15/16 263	IT – Information Security – ESL	The security and condition of the Engine Shed Lane archive store should be assessed in terms of its adequacy for data storage and appropriate action taken	Visit by Information Governance Officer and recommendations proposed.	ICT Manager	March 2016	Review is currently in progress and will be completed in 2016.

Through the actions referred to above, we propose, over the coming year, to address the issues that have been identified, with a view to further enhancing our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed

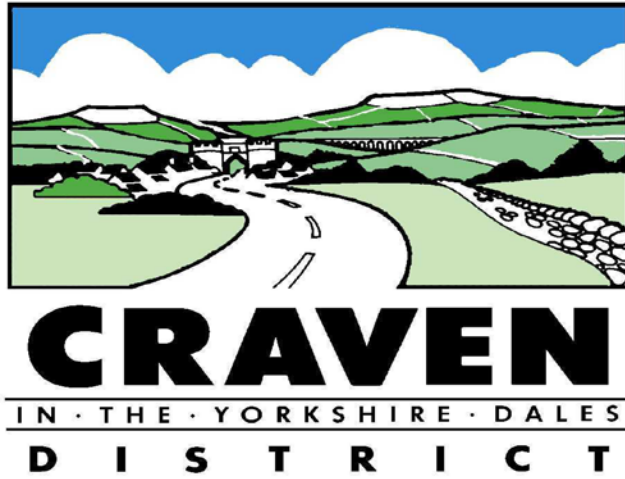
Signed

.....

**Councillor C Harbron
Chairman of the Audit & Governance
Committee**

.....

**Paul Shevlin
Chief Executive**



AUDITED
STATEMENT OF ACCOUNTS
2015/2016

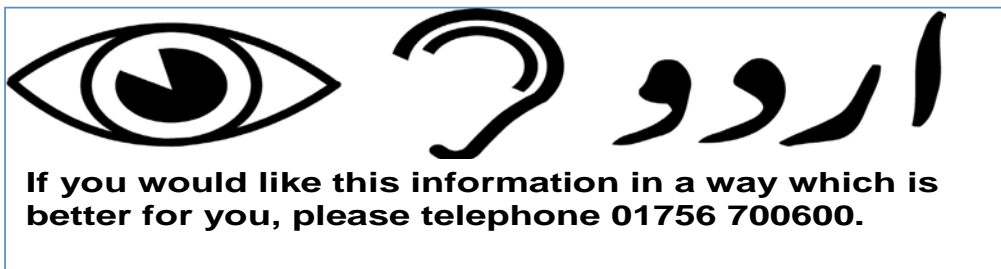
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These Accounts are subject to audit. The Auditor's Report will be attached when it is available

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

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



SECTION 1

NARRATIVE REPORT

NARRATIVE REPORT

This booklet contains the Statement of Accounts which the Council publishes in accordance with 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 2015/16 and comment upon the most significant matters reported in the accounts. This publication incorporates all the financial statements and disclosure notes required by statute. The accounts have been produced in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16: Based on International Financial Reporting Standards (The Code), and the Service Expenditure Reporting Code of Practice (SeRCOP).

The Council's accounts for the year 2015/16 are set out on pages 13 to 81 and comprise of:

- **The Statement of Responsibilities for the Statement of Accounts (page 12).** Under the Code of Practice on Local Authority Accounting in the UK 2005, there is a requirement for the Council, in addition to the Chief Financial Officer, to certify its approval of the Statement of Accounts.
- **The Movement in Reserves Statement (MIRS) (page 14).** This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.
- **The Comprehensive Income and Expenditure Statement (CIES) (page 15).** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet (page 16).** The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **The Cash Flow Statement (page 17).** The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

NARRATIVE REPORT

- **The Notes to the Financial Statements (pages 18 to 75).** These provide additional information about the figures in the core financial statements.

Supplementary Statements Comprising:

- **The Collection Fund Account (page 77).** This reports the transactions of the Council as a billing authority. Amounts in respect of business rates and council tax due are shown, together with how these have been distributed to precepting authorities, the Council's General Fund and the Government.
- **Notes to the Collection Fund Account (pages 78 to 81).** These provide additional information about the figures in the Collection Fund.

Other Statements Comprising:

- **The Independent Auditor's Report to Craven District Council - Audit Certificate and Opinion (pages 83 to 85)**
- **Glossary of Terms and Index of Notes (pages 86 to 95).** Terms used throughout this document are described in detail in these pages.

Supporting Statements:

- **The Annual Governance Statement (Appendix 1 Page 97).** A statement explaining how the Council maintains an effective system of internal financial control.

Pages 6 to 10 show, in broad terms, where the money comes from, how it is spent, the difference between budget and actual income / expenditure and issues affecting the Council's finances.

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.

NARRATIVE REPORT

Review of Performance 2015/16

The Council has made good progress on delivery against its 4 priorities of Enterprising Craven, Working with Communities, Greener Craven and Financial Resilience as set out in the Council Plan 2015/18.

Enterprising Craven

The Council has made good progress to determine future land allocations for housing and employment across the District outside the National Park and secure affordable homes. Work has continued on the Local Plan which will set 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. Although consultation on the Second Draft Local Plan was subject to some slippage and commenced in April 2016.

187 net additional homes (which includes affordable homes) were delivered during 2015/16 against a target of 160 increasing from 128 in 2014/15. 62 affordable homes were delivered exceeding a target of 40. £180,000 of capital expenditure was allocated from Empty Homes funding in order to return properties into use including as affordable dwellings which has helped to meet this target. Whilst performance has exceeded target, the number of affordable homes delivered in 2015/16 has decreased from 2014/15 when 92 were delivered. The timing of new developments coming on stream means such fluctuations can arise.

The Council has continued to work to improve infrastructure throughout the District delivering a number of schemes. As a partner in the Superfast North Yorkshire project to roll out broadband across the District. Total expenditure of £91,875 has been allocated from New Homes Bonus Infrastructure Reserve to enable projects including connection to properties in Carlton in Craven, Skipton North and Middleton.

Efforts have also continued to work with partners to regenerate and revitalise the stretch of the Leeds Liverpool Canal Corridor within Craven delivering a range of infrastructure improvements to the tow paths from Bradley to Skipton under Phase 1 of the scheme. A total of £410,000 of New Homes Bonus Infrastructure Reserve being committed by the Council to the project in 2015/16.

Work has continued with partners to deliver a number of key schemes aimed at supporting business growth and improving the economic vitality of Craven's market towns and villages. Total funding of £210,000 from the New Homes Bonus Infrastructure Reserve has been allocated to refurbishment schemes within Cross Hills and Ingleton, aimed at encouraging more visitors and shoppers, and boosting the local economies. Actions plans have been developed with local communities to deliver a range of improvements within the localities. Further expenditure of £85,000 from the New Homes Bonus Infrastructure Reserve has been identified for improvements within Settle Town Centre but not yet approved by Members.

Work has also continued to develop the South Skipton Employment Zone. The site will provide 24,155 square metres of employment space, accommodate 1,040 jobs and 200 dwellings. It is expected that the development will generate £30million gross value added annually for the Craven economy. The developer is looking to start work on the on-site infrastructure in early 2017.

Greener Craven

The Council has continued to focus on reducing waste and increasing recycling levels within the District. During 2015/16 45.87% (estimate) of household waste has been sent for reuse, recycling and composting, against a target of 42.52%, performance improving from 42.10% in 2014/15.

Significant capital investment of £258,000 has been made in this area during 2015/16 with the replacement of a number of vehicles within the Council's waste management fleet including 4 refuse trucks and 1 compact sweeper totalling £208,000 through the Capital Vehicle Replacement Programme. In the longer term this will further improve efficiency of operations and reduce the revenue costs of maintaining older vehicles.

Focus has been placed on increasing the commercial recycling offer to businesses throughout the District. The number of commercial recycling contracts in place has increased to 377 in 2015/16 from 357 in 2014/15. Income from these contracts totalling £568,756 against a budget of £592,000. A specific post of Commercial Waste Officer has been created through the restructure of the Waste Management Service to enable the Council to strengthen delivery of this service and further develop this income stream to the Council.

Working with Communities

The Council has continued to support local citizens to become more actively involved in their communities working with number of local community and voluntary organisations to deliver a number of initiatives.

Working with the Friends of Aireville Park group a new Skatepark and Pump Track has been provided within Aireville Park. Both projects funded from a mixture of public and private sector investment, resulted in a total capital investment of £134,703 to provide the facilities, £130,758 of which was grant funded.

The Council has worked with partners to build on the successes of the Tour de France and the delivery of the Tour de France legacy strategy. Funding from the New Homes Bonus Infrastructure Reserve totalling £170,000 was committed by the Council to fund the Tour de Yorkshire finish in Settle in April 2016.

NARRATIVE REPORT

Financial Resilience

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 Plan sets a target of £1 million in additional income/savings by the end of 2019/20. £100,165 has been achieved in 2015/2016 against a target of £300,000, due to slippage in the timescales of a number of projects. Savings identified include insurance, banking and mobile phone contracts and agreements of leases at Skipton Town Hall. Work will continue to deliver a number of further projects in order to meet the savings needed to balance the Council's budget.

A specific area of focus as part of the plan is building homes for shared ownership or rent, with expectations of generating £45,000 in additional income by the end of 2019/20. Approval has been given from Members to acquire 3 properties from developers as part of a shared ownership scheme and planning permission for the development of 3 houses has been granted as part of a pilot scheme.

Together with Selby District Council, the Council had been running a procurement exercise looking to find a partner for the delivery of the Revenue and Benefits Service, and in addition for IT services for the Council. Expectations included in the Council's Income and Savings Plan were for a £10,000 cost saving. The procurement process has however been terminated following detailed evaluation of outline submissions which did not sufficiently align with the Council's aspirations for the services. The Council will continue to explore options for improving the service and delivering value for money.

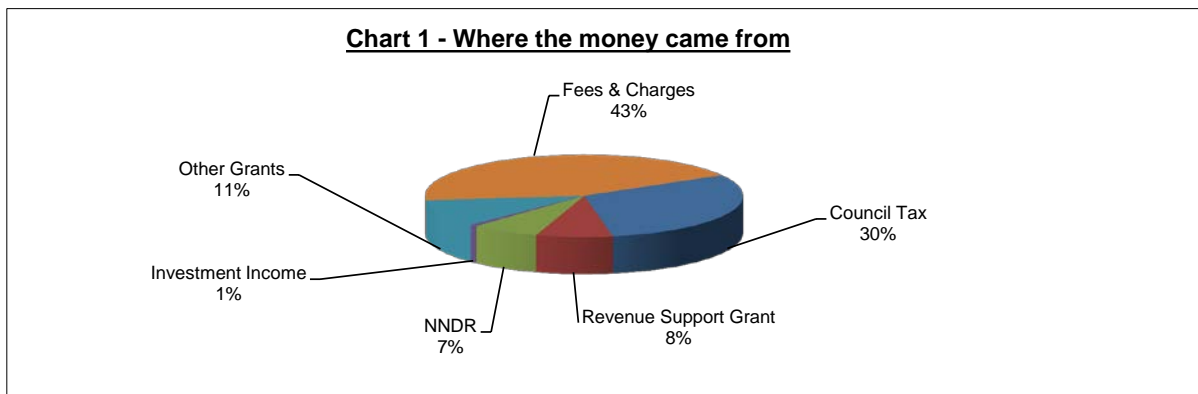
The Council has continued to implement its business plan to restore Skipton Town Hall as a sustainable and vibrant community venue, investing further capital expenditure of £395,000 for refurbishment and alteration works and £20,000 from the New Homes Bonus Infrastructure Reserve allocated for a feasibility study for the future development of the concert hall. The Plan includes developing the space for letting to a range of business and commercial entities. This has generated additional income in the region of £9,000 in 2015/16 and is expected to generate further income in the region of £268,000 to the end of 2019/20.

Review of Financial Performance 2015/16

The Council continues to face significant financial challenges due to on-going reductions in Government funding which contributed a significant proportion of the Council's income in 2015/16.

Chart 1 and the table below show the sources of income to the Council, the table including comparisons between budgeted (original estimate) and actual income. This includes Parish Precepts.

Excluding parish precepts, in 2015/16 the Council received 20% of its net funding from Revenue Support and Other Grants, 24% from Council Tax (excluding parish precepts), 8% from Non Domestic Rates and 47% from Fees and Charges, and 1% from investment income.

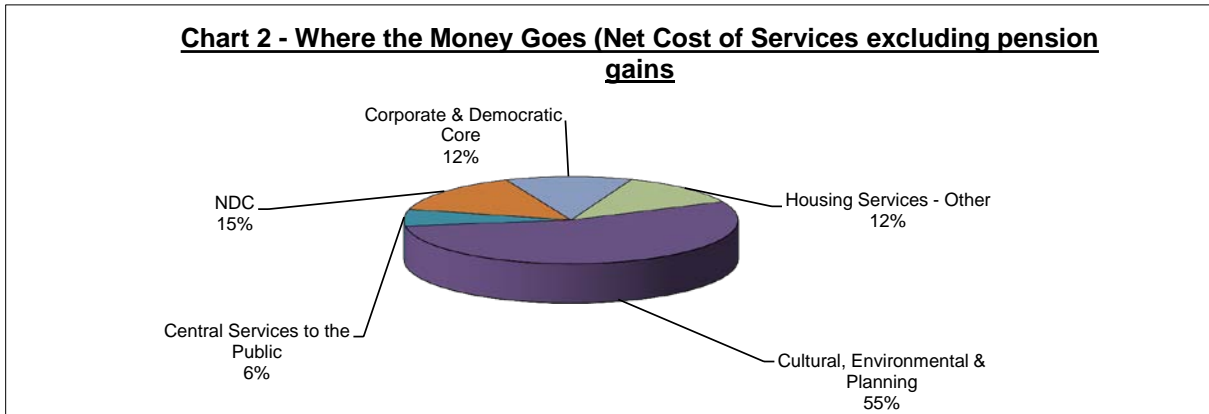


Comparison against Original Estimate	Original Estimate £'000	Actual Income £'000	Variance £'000
Revenue Support Grant	1,147	1,147	-
National Non-Domestic Rates	925	1,030	105
Council Tax Precept on Collection Fund (including parishes precepts)	4,491	4,497	6
Investment Income	61	105	44
Non Specific Government Grants and Other Income (incl - CT Freeze Grant)	1,654	1,575	(79)
Fees & Charges	5,813	6,415	602
Total	14,091	14,769	678

NARRATIVE REPORT

Income generation is a priority area for the Council and it will continue to maximise its current sources of income through its Income and Savings Plan; working proactively on projects and identifying others that will generate new sources of income and increase the resources available to the Council.

Chart 2 below shows expenditure during 2015/16. The figures do not include the impact of asset sales which are included within the CIES, but do include contributions to earmarked reserves and the capital accounting transactions which form part of the transactions within the MiRS.



The Council has continued to strengthen its financial position in 2015/16. The increases in income and savings on costs within the budget has enabled the Council to provide additional contributions to its reserves which will assist with delivery of both the revenue budget and capital programme in future years as resources to fund the capital programme become scarcer going forward.

The cost of services is £690k lower than budget this is due mainly to increases in income received by the Council savings in costs and the impact of the Council's Income and Savings initiative designed to mitigate the impact of the expected reductions in government funding support.

The increased income is from services such as bereavement services, development control and land charges and fees for car parking. There was budget slippage of £170k for planned expenditure within revenue services for a range of projects including maintenance of cremators, community grants, economic development projects and staff training. The funding has been carried forward to 2016/17 when this work will be completed.

	Revised Budget 2015/16 £000	Actual 2015/16 £000	Variance 2015/16 £000
Chief Executive / Director of Services	1,896	1,649	(247)
Resources Department	1,718	1,515	(203)
Community Department	2,131	1,891	(240)
Total Departmental Net Costs	5,745	5,055	(690)

The Council planned to contribute £1,326k to its earmarked reserves during 2015/16, this included £794k to the New Homes Bonus Reserve which is being used to fund improvement projects throughout the Craven District. Through strong financial management, the Council has made additional contributions of £655k to reserves including £325k to Business Rates Contingency.

The Council did not budget to utilise all the on account receipts in respect of the localisation of business rates. These additional funds of £300k have been placed in the Business Rates Equalisation Reserve to mitigate against potential costs for business rates appeals outstanding at 31 March 2016 and other liabilities that the Council now shares responsibility for as a consequence of the localisation of business rates.

The strong financial performance in 2015/16 has improved the Council's resilience. As a result, at 31 March 2016 the Council has agreed its General Fund Balance at £995k (£1,030k at 31 March 2015) and Earmarked Reserves of £5,786k (£5,615k at 31 March 2015)

NARRATIVE REPORT

Borrowing Facilities

The Council's borrowing facilities for 2015/16 are as follows;

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

The maximum amount of external borrowing the Council can have at any one time is governed by the Prudential Code, which was introduced in April 2004. The Prudential Code controls borrowing by reference to an Authorised Limit and Operational Boundary. The Council agreed the Prudential Indicator limits for 2015/16.

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

Capital Expenditure

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

In 2015/16 the Council spent a total of £901k on acquiring and improving assets. In addition it made £429k of grants under the mandatory disabled facilities grant improvements scheme and loans to households under the empty homes and repairs assistance schemes.

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

2014/15 £'000	Areas of Capital Expenditure	2015/16 £'000
521	Skipton Town Hall Project	395
710	Refuse Vehicles and associated equipment	258
339	Disabled Facilities Capital Grants & Other Home Improvement Grants	429
79	IT Infrastructure	54
19	Waltonwrays Crematorium Improvements	-
54	Car Parking Machines	24
9	Security Upgrades on Council Owned Buildings	-
-	Craven Pool & Leisure Centre	35
-	Aireville Park Facilities	135
1,731	Total Capital Expenditure	1,330

This expenditure compares with an approved budget of £3,192k. The variance of £1,862k is a result of projects completing under budget, projects not able to go ahead and slippage as follows:

Slippage and Reclassification	2015/16 £'000
Waste Management (Replacement Vehicles)	485
Building Works	602
Property Acquired for Shared Ownership	150
Private Sector Renewal and Disabled Facilities Grants	59
Equipment Purchase & Replacement	-
IT Projects	148
Budget Savings & projects cancelled.	418
Total Slippage and Reclassification	1,862

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

2014/15 £'000	Method of Financing	2015/16 £'000
300	Prudential Borrowing	275
218	Capital Grants	388
827	Revenue Contribution	485
384	Capital Receipts	182
1,729	Total Financing	1,330

NARRATIVE REPORT

Non-Current Assets

In accordance with the Council's 5-year rolling programme, a number of properties (land and buildings) were revalued in 2015/16. This resulted in valuation increases and decreases. Valuations were carried out by a RICS-registered external surveyor. The surveyor also undertook an impairment review of properties which found that no properties needed to be downwardly revalued.

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

Pensions

Disclosure requirements under the Code are included and are in accordance with International Accounting Standard (IAS) 19. Details of the information are set out in Note 36 to the Core Financial Statements and associated tables. The implementation of these accounting policies has a material effect on substantial parts of the Statement of Accounts.

The table "Scheme History" in Note 36 sets out the Council's estimated share of the North Yorkshire County Council's Pension Fund's assets and liabilities. The Balance Sheet shows that the deficit has decreased from £25.767m at 31 March 2015 to £23,433m at 31 March 2016. This is a long-term position, and contribution rates are set to meet 100% of local authorities' liabilities over time, under Pension Fund Regulations.

Current Economic Climate

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.

The Council has set a balanced budget for 2016/17. Announcements in February 2016 confirmed the level of expected funding from Government going forward, Assumptions in the current Long Term Financial Strategy (LTFS) and Medium Term Financial Plan (MTFP) show that further savings of at least £734k will need to be made in 2017/18. This is set to increase to £1060k by 2018/19, when Government Revenue Support Grant is reduced to nil.

The Council has developed its Income and Savings Plan linked to the ten year LTFS and three year MTFP. The Plan includes numerous initiatives to identify the required savings or additions income requires. Additional contributions have been made to the Council's Enabling Efficiency Fund which will be utilised for investment in initiatives which will bring longer term savings to the Council.

Whilst we have worked prudently to rebuild the Council's financial base, we realise that there will be many challenges ahead. The ability to plan ahead, prioritise and align resources is essential to meeting both medium and long term objectives and achieving value for money.

Review of the Council's Current Financial Position

The Balance Sheet on Page 16 shows that the net worth of the Council increased by £5.906m to £14.031m. Included in this is an increase of £2.9m in non-current assets arising from expenditure on the capital programme, offset by the impact of disposals and revaluation. Short-term investments increased by £5.5m. In addition cash and cash equivalents decreased by £3.0m reflecting the Council's proactive cash flow management, and increased investments. Short-term debtors show a decrease of £1.5m. In addition the liability related to the North Yorkshire Pension scheme decreased by £2.3m as the actuarial forecast for the deficit on the fund decreased.

At 31 March 2016 the Council's usable reserves stood at £9.731m compared to £9.238m at the end of 2014/15, an increase of £493k.

Included within this is £995k of unallocated general fund revenue reserve, £5.786m of earmarked revenue reserves increased by £171k during 2015/16. This reflects the decision to set aside to fund a range of projects including those to general future savings and develop new working practices, funding of the capital programme, as well as resource to provide for potential cost pressures resulting from refunds required through the localisation of Business Rates. As well as capital receipts reserve of £2.583m, showing a net increase of £360k.

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. For 2015/16 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.

Prior Period Adjustments

No prior period adjustments have been required to the Councils accounts.

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

SECTION 2

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has 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 13 - 81 present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2016.

Nicola Chick
FCPFA
Chief Finance Officer

Date: 27 September 2016

SECTION 3

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014	1,030	4,056	1,772	371	7,229	4,257	1,625
<u>Movement in reserves during 2014/15</u>							
Surplus or (deficit) on provision of services	1,105	0	0	0	1,105	0	1,105
Other Comprehensive Expenditure and Income	0	0	0	0	0	(4,466)	(4,466)
Total Comprehensive Expenditure and Income	1,105	0	0	0	1,105	(4,466)	(3,361)
Adjustments between accounting basis & funding basis under regulations (note 7)	454	0	451	(1)	904	(904)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	1,559	0	451	(1)	2,009	(5,370) #	(3,361)
Transfers to/from Earmarked Reserves (note 8)	(1,559)	1,559	0	0	0	0	0
Increase/Decrease (movement) in Year	0	1,559	451	(1)	2,009	(5,370)	(3,361)
Balance at 31 March 2015 carried forward	1,030	5,615	2,223	370	9,238	(1,113)	8,125
<u>Movement in reserves during 2015/16</u>							
Surplus or (deficit) on provision of services	189	0	0	0	189	0	189
Other Comprehensive Expenditure and Income	0	0	0	0	0	5,717	5,717
Total Comprehensive Expenditure and Income	189	0	0	0	189	5,717	5,906
Adjustments between accounting basis & funding basis under regulations (note 7)	(53)	0	360	(3)	304	(304)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	136	0	360	(3)	493	5,413 #	5,906
Transfers to/from Earmarked Reserves (note 8)	(171)	171	0	0	0	0	0
Increase/Decrease (movement) in Year	(35)	171	360	(3)	493	5,413	5,906
Balance at 31 March 2016 carried forward	995	5,786	2,583	367	9,731	4,300	14,031

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2014/15				2015/16			Notes
Expenditure £'000	Income £'000	Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	
1,021	(577)	444	Central Services to the Public	949	(557)	392	
2,424	(1,304)	1,120	Cultural and Related Services	2,782	(1,388)	1,394	
4,315	(2,403)	1,912	Environmental and Regulatory Services	4,318	(2,492)	1,826	
1,665	(849)	816	Planning Services	2,041	(908)	1,133	
647	(1,563)	(916)	Highways and Transport Services	589	(1,467)	(878)	
11,094	(10,345)	749	Other Housing Services	11,003	(10,231)	772	
1,426	(481)	945	Corporate and Democratic Core	1,010	(232)	778	
417	-	417	Non Distributed Costs	997	(62)	935	
23,009	(17,522)	5,487	Cost of Services	23,690	(17,338)	6,352	
		1,112	Other Operating Expenditure			1,172	9
		1,008	Financing and Investment Income & Expenditure			455	10
		(8,712)	Taxation and Non-Specific Grant Income			(8,168)	11
		(1,105)	(Surplus) or Deficit on Provision of Services			(189)	
			Other Comprehensive Income and Expenditure				
		(1,576)	(Surplus) or deficit on Revaluation of Property, Plant and Equipment Assets			(3,202)	23.1
		1,281	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			443	23.1
		4,761	Remeasurement of net defined benefit / (liability)			(2,958)	36
		4,466	Total Other Comprehensive Income and Expenditure			(5,717)	
		3,361	Total Comprehensive Income and Expenditure			(5,906)	

BALANCE SHEET

31-Mar-15 £'000		31-Mar-16		Notes
		£'000	£'000	
27,340	Property Plant & Equipment	29,300		12
605	Investment Properties	1,469		12
3,079	Heritage and Community Assets	3,079		12
182	Intangible Assets	224		15
-	Long Term Investments	-		16
8	Long Term Debtors	4		16
31,214	Total Long Term Assets		34,076	
4,508	Short Term Investments	10,020		16
-	Assets Held For Sale	-		20
42	Inventories and Work in Progress	44		17
3,138	Short Term Debtors	1,621		18
5,073	Cash and Cash Equivalents	2,082		19
12,761	Total Current Assets		13,767	
-	Cash and Cash Equivalents	-		19
(48)	Short Term Borrowing	(40)		16
(3,590)	Short Term Creditors	(3,486)		21
(435)	Provisions	(843)		39
(4,073)	Total Current Liabilities		(4,369)	
(6,004)	Long Term borrowing	(6,004)		16
(6)	Other Long Term Liabilities	(6)		
(25,767)	Defined Benefit Pension Scheme	(23,433)		36
(31,777)	Total Long Term Liabilities		(29,443)	
8,125	Net Assets		14,031	
9,238	Usable Reserves		9,731	22
(1,113)	Unusable Reserves		4,300	23
8,125	Total Reserves		14,031	

Nicola Chick
FCPFA
Chief Finance Officer

Dated: 27 September 2016

CASH FLOW STATEMENT

2014/15		2015/16	Notes
£'000		£'000	
1,105	Net surplus/(deficit) on the provision of services	189	
2,515	Adjustments to net surplus or deficit on the provision of services for non-cash movements	1,483	24
(143)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(67)	24
3,477	Net cash flows from operating activities	1,605	
(4,249)	Investing Activities	(6,333)	25
(225)	Financing Activities	1,737	26
(997)	Net Increase or (Decrease) in cash and cash equivalents	(2,991)	
6,070	Cash and cash equivalents at the beginning of the reporting period	5,073	
5,073	Cash and cash equivalents at the end of the reporting period	2,082	

SECTION 4

NOTES TO THE CORE FINANCIAL STATEMENTS

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Accounts have been prepared in accordance with the 2015/16 Code of Practice on Local Authority Accounting issued in April 2015 by the Chartered Institute of Public Finance and Accountancy (CIPFA), based on International Financial Reporting Standards and the Service Reporting Code of Practice (SERCOP) in accordance with the Accounts and Audit (England) Regulations 2015. The Accounts have been prepared under the historical cost convention modified to account for the revaluation of non-current assets.

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

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

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

1.3. Cash & Cash Equivalents

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.3.1. Cash Flow

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

1.3.2. Capital Receipts

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

1.4. Collection Fund

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

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

Council Tax

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

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

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.4. Collection Fund continued.....

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

Non-Domestic Rates (NDR)

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

1.5. Prior Period Adjustments

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

1.6. Charges to Revenue for Non-Current Assets

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

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

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

Benefits Payable During Employment

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.7. Employee Benefits

Termination Benefits

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

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.4% on long dated AA rated Corporate Bonds.

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

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

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

Service Cost Comprising:

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1.7. Employee Benefits continued.....

Remeasurements Comprising:

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

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

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

Discretionary Benefits

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

1.8. Events After the Reporting Period

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

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

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

1.9. Financial Instruments

Financial Liabilities

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.9. Financial Instruments continued.....

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

Financial Assets

The Council only has one type of significant financial asset:

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

Loans and Receivables

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

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

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

Available-for-Sale Financial Assets

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

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

- instruments with quoted market prices in active markets for identical assets - the market price.
- other instruments with fixed and determinable payments - discounted cash flow analysis.

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

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.10. Government Grants and Contributions

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

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

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

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

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

1.11. Heritage Assets

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

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

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

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

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

1.12. Intangible Assets

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.12. Intangible Assets continued

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

1.13. Inventories and Long-term Contracts

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

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

1.14. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the 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.

1.15 Accounting for Leases

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

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

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

The Council as Lessee

Finance Leases

Property plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the 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).

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.15 Accounting for Leases continued.....

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

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

Operating Leases

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

The Council as a Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.16. Overheads and Support Services

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

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

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

1.17. Property, Plant and Equipment

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

Recognition:

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

Measurement:

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Otherwise, net current replacement cost is assessed as:

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the 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.

Componentisation:

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

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

Remaining Useful Asset Life:

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

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

Disposals and Non-Current Assets Held For Sale:

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

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

1.18. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

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

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

Contingent Liabilities

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

Contingent Assets

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

1.19. Reserves

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

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

In addition the Council maintains an unallocated General Fund Balance Reserve which may be used to fund one-off unexpected items of expenditure or for appropriations of annual surpluses or deficits.

Certain reserves are kept to manage the accounting processes for non-current assets such as the Revaluation Reserve, 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.

1.20. Revenue Expenditure Funded from Capital under Statute

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

1.21. Value Added Tax (VAT)

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.22. Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability 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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (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. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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 ISA 17 Leases it has been necessary to make judgements about the underlying economic substance of the lease agreement.

Local Government Funding

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

Investment Properties (Commercial Property)

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

Assets Held For Sale

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

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

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

Valuation and Revaluation of Property Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £71k for every year that useful lives had to be reduced.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by North Yorkshire County Council (the Pension Fund Administrators) on behalf of the Council to provide the expert advice about the assumptions that are to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1,040k. However, the assumptions interact in complex ways. During 2015/16, the Authority's actuaries advised that the net pensions liability had reduced by £821k as a result of estimates being corrected as a result of experience.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

Arrears

At 31 March 2016, the Authority had a balance of sundry debtors for £431k and housing benefit overpayments of £420k. A review of all balances suggested that an impairment of doubtful debts of £590k 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 £57k to be set aside as an allowance.

Employee Benefits Accrual

The employee benefits accrual cost was calculated for years from 2008/09 to 2015/16. There is little or no variation year on year. The amount involved is deemed not to be material and therefore no adjustment has been made to the accrual included within the accounts. The calculation will be performed and reviewed each year and should it be deemed material an adjustment to the accrual will be made in the accounts.

5. Material Items of Income & Expenditure

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 24 June 2016 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2015/16	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	804	-	-	(804)
Revaluation losses on Property, Plant and Equipment	358	-	-	(358)
Movements in the fair value of Investment Properties	(445)	-	-	445
Amortisation of intangible assets	79	-	-	(79)
Capital grants and contributions applied	(105)	-	-	105
Revenue expenditure funded from capital under statute	(170)	-	-	170
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	-	-	-	-
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(318)	-	-	318
Capital expenditure charged against the General Fund	(305)	-	-	305
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	3	-	(3)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(35)	35	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(182)	-	182
Other cash receipts	(32)	32	-	-
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		475	-	(475)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2015/16	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	3	-	-	(3)
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 36)	1,975	-	-	(1,975)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,351)	-	-	1,351
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	(38)	-	-	38
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	(476)	-	-	476
Cost of Services	(53)	360	(3)	(304)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2014/15	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	1,019	-	-	(1,019)
Revaluation losses on Property, Plant and Equipment	30	-	-	(30)
Movements in the fair value of Investment Properties	3	-	-	(3)
Amortisation of intangible assets	68	-	-	(68)
Capital grants and contributions applied		-	-	-
Revenue expenditure funded from capital under statute	130	-	-	(130)
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	(17)	120	-	(103)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(318)	-	-	318
Capital expenditure charged against the General Fund	(827)	-	-	827
Acquisition of Donated Assets	(239)			239
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(10)	-	10	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(11)	11
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	(23)	23	-	-
Use of the capital Receipts Reserve to finance new capital expenditure		(384)		384
Other cash receipts	(42)	42	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	650	-	(650)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014/15	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)	1,769	-	-	(1,769)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,420)	-	-	1,420
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	(33)			33
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	364	-	-	(364)
Cost of Services	454	451	(1)	(904)

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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-14 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-15 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-16 £'000	See Notes Below
Bishopdale Court	5	-	-	5	-	-	5	
Building Control Reserve	25	-	-	25	-	-	25	
Buildings Reserve	175	(10)	185	350	(35)	150	465	8.1
Business Rates Equalisation	960	-	550	1,510	(960)	700	1,250	8.2
Contingency	25	(25)	25	25	(25)	25	25	
Edith Stead Bequest Reserve	2	-	-	2	-	-	2	
Enabling Efficiencies Fund	461	(134)	66	393	(42)	67	418	8.3
ERDF Funds	48	-	-	48	-	-	48	8.4
Future Year Budget Support	173	-	126	299	(36)	101	364	8.5
Insurance	10	-	30	40	-	10	50	
IT Reserve	312	(66)	404	650	(54)	134	730	8.6
Local Authority Business Growth Incentive	9	-	-	9	-	-	9	
Local Plan / Planning Reserve	400	(14)	-	386	(145)	129	370	8.7
New Homes Bonus	1,036	(747)	796	1,085	(625)	798	1,258	8.8
Partial Exemption Reserve	17	-	-	17	-	-	17	
Revenue Expenditure Reserve	148	(148)	121	121	(121)	170	170	8.9
Vehicle Replacement Reserve	250	(150)	550	650	(200)	130	580	8.10
Total	4,056	(1,294)	2,853	5,615	(2,243)	2,414	5,786	

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

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

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

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

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

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

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

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

9. Other Operating Expenditure

2014/15 £'000		2015/16 £'000
1,204	Parish Precepts	1,239
-	Receipts from covenants	(32)
(40)	(Gains) / Losses on Disposal of non-Current assets	(35)
(52)	Other	-
1,112	Total	1,172

10. Financing and Investment Income and Expenditure

2014/15 £'000		2015/16 £'000
256	Interest Payable and similar charges	256
(75)	Interest Receivable and similar income	(105)
880	Net interest on the net defined benefit liability (asset)	804
(45)	Income and expenditure in relation to investment properties and changes in their fair value	(492)
(8)	Other investment income	(8)
1,008	Total	455

11. Taxation and Non-Specific Grant Income

2014/15 £'000		2015/16 £'000
(4,427)	Council Tax	(4,535)
(2,949)	Non Ring-fenced Government Grants	(2,722)
(239)	Capital Grants and other contributions	(147)
(6,926)	Retained Business Rates	(6,565)
5,829	Business Rates Tariff/(Top Up)	5,801
(8,712)	Total	(8,168)

12. Property, Plant and Equipment

12.1. Depreciation

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12.2. Property, Plant and Equipment

Movement on Fixed Assets

The 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 2015/16 have been undertaken by an external RICS valuer provided by Eddisons, Toronto Square, Toronto St, Leeds LS1 2HU.

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

2015/16	Land & Buildings	Vehicles Plant & Equipment	Surplus Assets	PPE TOTAL	Investment Property	Community & Heritage Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Tangible Assets							
Cost or Valuation at 31 March 2015	27,918	5,644	-	33,562	605	3,079	37,246
Movement in 2015/2016							
Additions	344	427	-	771	75	-	846
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(278)	-	2,685	2,407	-	-	2,407
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(921)	-	20	(901)	446	-	(455)
Derecognition - disposals	-	(468)	-	(468)	-	-	(468)
Reclassification	(457)	(116)	45	(528)	343	-	(185)
Value as at 31 March 2016	26,606	5,487	2,750	34,843	1,469	3,079	39,391
Accumulated Depreciation and Impairment							
at 31 March 2015	2,452	3,770	-	6,222	-	-	6,222
Movement in 2015/2016							
Depreciation for the Year	464	340	-	804	-	-	804
Depreciation written out to the Revaluation Reserve	(353)	-	-	(353)	-	-	(353)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	(544)	-	-	(544)	-	-	(544)
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	(468)	-	(468)	-	-	(468)
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-
Reclassification	(68)	(50)	-	(118)	-	-	(118)
Value as at 31 March 2016	1,951	3,592	-	5,543	-	-	5,543
Net Book Value							
at 31 March 2016	24,655	1,895	2,750	29,300	1,469	3,079	33,848
at 31 March 2015	25,466	1,874	-	27,340	605	3,079	31,024

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12.2. Property, Plant and Equipment continued

Movement on Fixed Assets continued

2014/15	Land & Buildings	Vehicles Plant & Equipment	Surplus Assets	PPE TOTAL	Investment Property	Community & Heritage Assets	TOTAL
	Restated £'000	£'000	£'000	£'000	Restated £'000	£'000	£'000
Tangible Assets							
Cost or Valuation at 31 March 2014	27,657	4,963	-	32,620	582	2,758	35,960
Movement in 2014/15							
Additions	549	777	-	1,326	-	-	1,326
Donations	-	-	-	-	-	239	239
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(115)	-	-	(115)	-	67	-
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(70)	-	-	(70)	23	15	(32)
Derecognition - disposals	(103)	(96)	-	(199)	-	0	(199)
Reclassifications	-	-	-	-	-	-	-
Value as at 31 March 2015	27,918	5,644	-	33,562	605	3,079	37,246
Accumulated Depreciation and Impairment							
at 31 March 2014	2,252	3,389	-	5,641	-	-	5,641
Movement in 2014/15							
Depreciation for the Year	542	477	-	1,019	-	-	1,019
Depreciation written out to the Revaluation Reserve	(150)	-	-	(150)	-	-	(150)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	(192)	-	-	(192)	-	-	(192)
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	(96)	-	(96)	-	-	(96)
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-
Value as at 31 March 2015	2,452	3,770	-	6,222	-	-	6,222
Net Book Value							
at 31 March 2015	25,466	1,874	-	27,340	605	3,079	31,024
at 31 March 2014	25,405	1,574	-	26,979	582	2,758	30,319

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12.3. Commitments Under Capital Contracts

The Council is required to disclose any significant commitments under capital contracts. These commitments relate to contractual obligations entered into but not discharged by 31 March 2016, and commitments to meet items in the proposed capital programme where contracts have not been entered into, which are not already reflected within the accounts.

The Council has authorised expenditure in future years of £1,842k and the table below analyses the schemes which are approved and contracted, or approved to proceed but are not yet contracted:

	Expenditure approved and contracted at 31-Mar-16 £'000	Expenditure approved to proceed but not contracted at 31-Mar-16 £'000	Period of Investment
IT Software	7	190	1-3 years
Vehicles & Equipment	-	522	1-3 years
Home Improvement & Repair Grants	59	221	1-3 years
Craven Market Towns Development	55	-	1-3 years
Property Acquisitions	-	150	1-3 years
Improvements to Property	-	638	1-3 years
Total	121	1,721	

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 external 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:	-	1,895	-	1,895
Changes in Fair Value as at:				
31-Mar-16	9,000	-	2,750	11,750
31-Mar-15	1,624	-	-	1,624
31-Mar-14	1,165	-	-	1,165
31-Mar-13	751	-	-	751
31-Mar-12	12,115	-	-	12,115
Total Cost or Valuation	24,655	1,895	2,750	29,300

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

13. Heritage Assets

Heritage assets are included in the Balance Sheet at their insurance valuations. Revaluation occurs every five years with the last one being done in June 2014, unless an event dictates otherwise. There have been no revaluations or disposals of capitalised heritage assets in the year.

Heritage Assets

Five-Year Summary of Transactions:

	2014/15	2015/16
	£'000	£'000
Cost of Acquisitions of Heritage Assets:		
Art Works	0	0
Literary Works	0	0
Artefacts	0	0
Total Value	0	0
Value of Heritage Assets Acquired by Donation:		
Art Works	0	0
Literary Works	0	0
Artefacts	0	0
Other	239	0
Total Value	239	0
Disposals in the Period	0	0
Impairments Recognised in the Period	0	0

14. Investment Properties

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

	2014/15	2015/16
	£'000	£'000
Rental Income From Investment Property	64	76
Direct Operating expenses arising from investment property	(16)	(29)
Net Gain / (Loss)	48	47

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

14. Investment Properties continued.....

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

	2014/15 £'000	2015/16 £'000
Balance at start of the year	582	605
Additions:		
Purchases	-	-
Construction	-	75
Subsequent Expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	23	446
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	-	343
Other Changes	-	-
Balance at end of Year	605	1,469

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 1.22 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.

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.

2014/15 Software Licenses £'000		2015/16 Software Licenses £'000
1,176	Cost	
66	Historic Cost brought forward 1 April	1,242
-	Additions	54
-	Reclassifications	116
-	Disposals	-
1,242	Historic Cost carried forward 31 March	1,412
	Depreciation and Impairments	
992	Accumulated depreciation and impairment brought forward	1,060
68	Charge for year	79
-	Reclassifications	49
-	Disposals	-
1,060	Accumulated depreciation and impairment carried forward	1,188
182	Balance Sheet at 31 March	224

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

16. Financial Instrument Balances

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

	Long-Term		Current	
	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
Investments				
Loans and receivables (excl cash equivalents)	-	-	4,508	10,020
Available-for-sale financial assets	-	-	-	-
Total investments	-	-	4,508	10,020
Debtors				
Loans and receivables	8	4	830	475
Total included in Debtors	8	4	830	475
Borrowings				
Financial Liabilities at amortised cost	6,004	6,004	48	40
Total included in Borrowings	6,004	6,004	48	40
Creditors				
Financial liabilities carried at amortised cost	-	-	3,309	3,229
Total Creditors	-	-	3,309	3,229

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 from the Public Works Loan Board (PWLB) payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- 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 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
The fair values calculated using Capita's method (new borrowing rate) are as follows				
Financial Liabilities	5,988	7,706	5,988	7,882

	31 March 2015		31 March 2016	
	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	9,223	5,988	9,425

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 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Fixed term Loans and Receivables	4,500	4,508	10,000	10,033

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

17. Inventories

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

2015/16	Opening Balance £'000	Purchases In Year £'000	Usage In Year £'000	Closing Balance £'000
Vehicle Maintenance	17	321	(325)	13
Waste Collection Sacks	9	10	(9)	10
Craven Pool Catering & Vending	1	73	(73)	1
Craven Pool Other Goods	3	9	(5)	7
TIC & Museum	7	21	(22)	6
Other	5	18	(16)	7
Total	42	452	(450)	44

2014/15	Opening Balance £'000	Purchases In Year £'000	Usage In Year £'000	Closing Balance £'000
Vehicle Maintenance	23	223	(229)	17
Waste Collection Sacks	14	14	(19)	9
Craven Pool Catering & Vending	2	71	(72)	1
Craven Pool Other Goods	6	17	(20)	3
TIC & Museum	5	32	(30)	7
Other	5	8	(8)	5
Total	55	365	(378)	42

18. Short-Term Debtors

The following table shows the amounts owed to the Council for which payments have not been received by 31 March 2016. 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-15 £'000		31-Mar-16 £'000
1,668	Central Government Bodies	650
316	Other Local Authorities / Public Bodies	187
1,641	Other Entities and Individuals	1,374
3,625		2,211
(487)	Less Provision for Bad Debts	(590)
3,138	Total	1,621

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

19. Cash and Cash Equivalents

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

Balance at 31-Mar-15 £'000		Balance at 31-Mar-16 £'000
4	Cash held by the Authority	4
616	Bank Current Accounts	371
4,453	Short-term Deposits	1,707
5,073		2,082

20. Assets Held For Sale

There are no items fulfilling the criteria of Assets Held for Sale as at 31 March 2016.

21. Creditors

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

31-Mar-15 £'000		31-Mar-16 £'000
178	Central Government Bodies	134
1,443	Other Local Authorities / Public Bodies	1,554
1,969	Other Entities and Individuals	1,798
3,590	Total	3,486

22. Usable Reserves

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

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

2014/15 £'000		2015/16 £'000	Note
	Usable Reserves		
1,030	General Fund	995	22.1
5,615	Earmarked Reserves	5,786	22.2
2,223	Capital Receipts Reserve	2,583	22.3
370	Capital Grants Unapplied	367	22.4
9,238	Total	9,731	

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

22. Usable Reserves continued.....

22.1. General Fund

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

22.2. Earmarked Reserves

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

22.3. Capital Receipts Reserve

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

22.4. Capital Grants Unapplied Reserve

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

23. Unusable Reserves

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

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

2014/15 £'000		2015/16 £'000	Note
	Unusable Reserves		
	Revaluation Balances		
8,043	Revaluation Reserve	10,633	23.1
3	Available-for-Sale Financial Instruments Reserve	-	23.2
17,393	Capital Adjustment Account	17,846	23.3
-	Financial Instruments Adjustment Account	-	23.4
(25,767)	Pensions Reserve	(23,433)	23.5
475	Deferred Capital Receipts Reserve	-	23.6
(1,202)	Collection Fund Adjustment Account	(688)	23.7
(58)	Accumulated Absences Account	(58)	23.8
(1,113)	Total	4,300	

23.1. Revaluation Reserve

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable Reserves continued.....

23.1. Revaluation Reserve continued.....

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

2014/15 £'000		2015/16 £'000
7,941	Balance brought forward at 1 April	8,043
1,576	Upwards revaluation of assets	3,202
(1,281)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(443)
295	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	2,759
(193)	Difference between fair value depreciation and historical cost depreciation	(169)
-	Accumulated gains on assets sold or scrapped	-
(193)	Amount written off to the Capital Adjustment Account	(169)
8,043	Balance carried forward at 31 March	10,633

23.2. Available-for-Sale Financial Instruments Reserve

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

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

2014/15 £'000		2015/16 £'000
3	Balance brought forward at 1 April	3
-	Transfer from GF of value of investment	-
-	Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	(3)
-	Total movement on the reserve in Year	(3)
3	Balance carried forward at 31 March	-

23.3. Capital Adjustment Account

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable Reserves continued.....

23.3. Capital Adjustment Account continued.....

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

2014/15		2015/16
£'000		£'000
16,774	Balance brought forward at 1 April	17,393
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,019)	Charges for depreciation and impairment of non-current assets	(804)
(68)	Amortisation of intangible assets	(79)
(30)	Revaluation losses on Property, Plant and Equipment	(358)
(130)	Revenue Expenditure Funded From Capital Under Statute	170
(103)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-
(1,350)		(1,071)
193	Adjusting amounts written out of the Revaluation Reserve	169
(1,157)	Net written out amount of the cost of non-current assets consumed in the year	(902)
	Capital financing applied in the year:	
384	Use of the Capital Receipts Reserve to finance new capital expenditure	182
11	Application of grants to capital financing from the Capital Grants Unapplied Account	105
318	Minimum Revenue Provision - Borrowing	318
827	Capital expenditure charged against the General Fund	305
1,540	Total capital financing applied in the year	910
(3)	Movements in the market value of Investment Properties debited or credited to the CIES	445
239	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
17,393	Balance carried forward at 31 March	17,846

23.4. Financial Instruments Adjustment Account

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable Reserves continued.....

23.4. Financial Instruments Adjustment Account

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

23.5. Pensions Reserve

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

2014/15 £'000		2015/16 £'000
(20,657)	Balance brought forward at 1 April	(25,767)
(4,761)	Remeasurements of the net defined benefit liability / (asset)	2,958
(1,769)	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,975)
1,420	Employer's pensions contributions and direct payments to pensioners payable in the year	1,351
(25,767)	Balance carried forward at 31 March	(23,433)

23.6. Deferred Capital Receipts Reserve

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

2014/15 £'000		2015/16 £'000
1,125	Balance brought forward at 1 April	475
(650)	Deferred Payments re assets sold in year transferred to the Capital Receipts Reserve	(475)
475	Balance carried forward at 31 March	-

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

23. Unusable Reserves continued.....

23.7. Collection Fund Adjustment Account

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

2014/15 £'000		2015/16 £'000
(871)	Balance brought forward at 1 April	(1,202)
(331)	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	514
(1,202)	Balance carried forward at 31 March	(688)

23.8. Accumulated Absences Account

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

2014/15 £'000		2015/16 £'000
58	Balance brought forward at 1 April	58
58	Balance carried forward at 31 March	58

24. Cash Flow Statement - Operating Activities

2014/15 £'000		2015/16 £'000
	The cash flows for operating activities include the following items:	
(75)	Interest Received	(105)
256	Interest Paid	256
181		151

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014/15 £'000		2015/16 £'000
1,105	Net Surplus / (deficit) on the provision of services	189
	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	
1,117	Depreciation, impairment and downward valuations	1,239
476	(Increase) / decrease in long term debtors	4
639	Increase / (decrease) in creditors	(425)
109	(Increase) / decrease in debtors	90
(45)	Increase / (decrease) in provisions	408
13	(Increase) / decrease in inventories	(2)
349	Movement in pension liability	624
103	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-
3	Changes in the value of Investment Properties	(445)
(239)	amounts posted from the Donated Assets Account	-
(10)	Other non-cash items charged to the net surplus or deficit on the provision of services	(10)
2,515	The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:	1,483
(143)	Proceeds from the sale of property, plant and equipment, investment property and intangibles	(67)
3,477	Net Cash Flows From Operating Activities	1,605

25. Cash Flow Statement - Investing Activities

2014/15 £'000		2015/16 £'000
(1,392)	Purchase of property, plant and equipment, investment property and intangible assets	(900)
143	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	67
(3,000)	Proceeds from short-term and long-term investments	(5,500)
(4,249)	Net Cash Flows From Investing Activities	(6,333)

26. Cash Flow Statement - Financing Activities

2014/15 £'000		2015/16 £'000
-	Cash receipts of short-term and long-term borrowing	-
-	Repayments of short-term and long-term borrowing	-
(225)	Other payments for financing activities	1,737
(225)	Net Cash Flows From Financing Activities	1,737

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Policy Committee and Council on a portfolio basis. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CIES).

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

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

Service Information for the Year Ended 31 March 2016 - reported by Portfolio	Chief Executive & Director of Services £'000	Resources £'000	Community £'000	Totals £'000
Income				
Fees, charges and other service income	353	1,790	4,272	6,415
Government grants and contributions	10,133	51	737	10,921
Total Income	10,486	1,841	5,009	17,336
Expenditure				
Employee Expenses	1,875	1,247	3,802	6,924
Other Service Expenditure	629	1,513	2,790	4,932
Transfer Payments*	9,631	-	-	9,631
Capital Financing				-
Gross Expenditure	12,135	2,760	6,592	21,487
Net Services Expenditure	1,649	919	1,583	4,151
Amounts not included in CIES but reported to management	528			528
Amounts included in CIES but not reported to management	110	537	1,026	1,673
Net Cost of Service per CIES				6,352

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

	2015/16 £'000
Net Cost of Service (above)	6,352
Parish Precepts	1,239
(Gains) / Losses on the disposal of non-current assets	(35)
Interest Payable and similar charges	256
Interest and Investment Income	(113)
Income & Expenditure in relation to Investment Properties	(492)
Pension Interest Cost and expected return on pension assets	804
Council Tax Income	(4,535)
Receipts from Covenants	(32)
Non-Domestic Rates Income	(764)
Non-ringfenced Government Grants	(2,869)
(Surplus) or Deficit on the Provision of Service	(189)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

Service Information for the Year Ended 31 March 2015 - reported by Portfolio	Chief Executive & Director of Services £'000	Resources £'000	Community £'000	Totals £'000
Income				
Fees, charges and other service income	324	1,731	4,232	6,287
Government grants and contributions	10,293	57	423	10,773
Total Income	10,617	1,788	4,655	17,060
Expenditure				
Employee Expenses	1,850	1,217	3,630	6,697
Other Service Expenditure	683	1,536	2,527	4,746
Transfer Payments*	9,759	-	-	9,759
Capital Financing	-	-	-	-
Gross Expenditure	12,292	2,753	6,157	21,202
Net Services Expenditure	1,675	965	1,502	4,142
Amounts not included in CIES but reported to management	149	(75)	0	74
Amounts included in CIES but not reported to management	128	486	657	1,271
Net Cost of Service per CIES				5,487

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

	2014/15 £'000
Net Cost of Service (above)	5,487
Parish Precepts	1,204
(Gains) / Losses on the disposal of non-current assets	(92)
Interest Payable and similar charges	256
Interest and Investment Income	(83)
Income & Expenditure in relation to Investment Properties	(45)
Pension Net interest on the net defined benefit liability	880
Council Tax Income	(4,427)
Non-Domestic Rates Income	(1,097)
Non-ringfenced Government Grants	(3,188)
(Surplus) or Deficit on the Provision of Service	(1,105)

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Amounts Reported for Resource Allocation Decisions continued

Reconciliation to Subjective Analysis

2015/16	Portfolios £'000	Amounts Not Reported to Management £'000	Amounts Not Included in CIES £'000	Net Cost of Service £'000	Corporate Amounts £'000	Net Position £'000
Income						
Fees, charges and other service income	6,415	-	492	6,907	-	6,907
Government grants and contributions	10,921	-	-	10,921	3,633	14,554
Interest and Investment Income	-	-	-	-	105	105
Income from Council Tax	-	-	-	-	4,535	4,535
Total Income	17,336	-	492	17,828	8,273	26,101
Expenditure						
Employee Expenses	6,924	-	528	7,452	-	7,452
Other Service Costs	4,932	-	-	4,932	-	4,932
Transfer Payments	9,631	-	-	9,631	-	9,631
Depreciation, amortisation and Impairment	-	1,841	-	1,841	-	1,841
Interest Payments	-	(8)	-	(8)	256	248
Precepts & Levies	-	-	-	-	1,239	1,239
Pension Defined Benefit Liability (IAS19)	-	(2,154)	-	(2,154)	-	(2,154)
Gain or Loss on Disposal of Non-current Assets	-	(35)	-	(35)	(32)	(67)
Gross Expenditure	21,487	(356)	528	21,659	1,463	23,122
(Surplus)/Deficit on the Provision of Services	4,151	(356)	36	3,831	(6,810)	(2,979)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Amounts Reported for Resource Allocation Decisions continued

Reconciliation to Subjective Analysis

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

2014/15	Portfolios £'000	Amounts Not Reported to Management £'000	Amounts Not Included in CIES £'000	Net Cost of Service £'000	Corporate Amounts £'000	Net Position £'000
Income						
Fees, charges and other service income	6,287	-	75	6,362	-	6,362
Government grants and contributions	10,773	-		10,773	4,285	15,058
Interest and Investment Income	-	-		-	75	75
Income from Council Tax	-	-		-	4,427	4,427
Total Income	17,060	-	75	17,135	8,787	25,922
Expenditure						
Employee Expenses	6,697	-	149	6,846	-	6,846
Other Service Costs	4,746	-	-	4,746	-	4,746
Transfer Payments	9,759	-		9,759	-	9,759
Depreciation, amortisation and Impairment	-	932		932	-	932
Interest Payments	-	(8)		(8)	256	248
Precepts & Levies	-	-		-	1,204	1,204
Pension Defined Benefit Liability (IAS19)	-	5,641	-	5,641	-	5,641
Gain or Loss on Disposal of Non-current Assets	-	(92)		(92)	-	(92)
Gross Expenditure	21,202	6,473	149	27,823	1,460	29,283
(Surplus)/Deficit on the Provision of Services	4,142	6,473	74	10,688	(7,327)	3,361

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

28. Members Allowances

The Accounting Code of Practice requires disclosure of the total sum paid in the year under the Members Allowances Scheme. The total amount paid to Members (Basic Allowance, Special Responsibility Allowance and travel/subsistence payments) in 2015/16 is £157,428 (compared to £158,401 in 2014/15). The table analyses these payments.

2014/15 £'000		2015/16 £'000
147	Allowances	151
11	Expenses	6
158	Total	157

29. Officers' Remuneration

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

Post Title	Salary (including fees & allowances) £	Bonuses £	Benefits in Kind (car allowance) £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total Remuneration including pension contributions £
2015/16						
Chief Executive	96,900	5,000	113	102,013	14,266	116,279
Director of Services	76,500	-	20	76,520	10,710	87,230
Corporate Head Business Support	63,021	-	38	63,059	8,823	71,882
Strategic Manager - Financial Services (Section 151 Officer)	47,545	-	6	47,551	6,656	54,207
Solicitor to the Council (Monitoring Officer)	48,307	-	9	48,316	6,833	55,149
Strategic Manager - Planning and Regeneration	54,060	-	115	54,175	7,568	61,743
2014/15						
Chief Executive	95,475	5,000	131	100,606	14,067	114,673
Director of Services	75,375	-	56	75,431	10,553	85,984
Corporate Head Financial Management Section 151 - Note 1	13,455	-	-	13,455	1,884	15,339
Corporate Head Business	62,094	-	9	62,103	8,693	70,796
Strategic Manager Financial Services (Section 151 Officer) - Note 2	21,521	-	1	21,522	3,013	24,535
Solicitor to the Council (Monitoring Officer)	46,572	-	2	46,574	6,520	53,094
Strategic Manager - Planning and Regeneration	52,009	-	194	52,203	7,281	59,484

Note 1 - The Corporate Head Financial Management left the Authority on 8th August 2014

Note 2 - The Strategic Manager Financial Services (Section 151 Officer) appointed 13th October 2014

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

29. continued

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

2014/15 Total	Remuneration Band			2015/16 Total
	£	to	£	
1	50,000	to	54,999	1
0	55,000	to	59,999	0
1	60,000	to	64,999	1
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	1

Termination Benefits

10 exit packages were approved in 2015/16 at a cost of £100,646. (1 in 2014/15 costing £50,000).

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	
			2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£		£						£	£	
0	-	20,000	-	2	-	7	-	9	-	65,593
20,001	-	40,000	-	-	-	1	-	1	-	35,052
40,001	-	60,000	-	-	1	-	1	-	50,000	-
60,001	-	80,000	-	-	-	-	-	-	-	-
80,001	-	100,000	-	-	-	-	-	-	-	-
Total			-	2	1	8	1	10	50,000	100,645

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

30. External Audit Costs

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

2014/15 £'000		2015/16 £'000
61	Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year.	46
13	Fees payable to Mazars for the certification of grant claims and returns for the year	7
-	Fees payable in respect of other services provided by Mazars during the year	-
74	Total	53

31. Grant Income

An analysis of Government and Other Grants Included in the CIES for 2015/16 is shown below:

2014/15 £'000		2015/16 £'000
1,555	<u>Credited to Taxation and Non-specific Grant Income</u> Revenue Support Grant	1,147
796	Non-Service Related Government Grants New Homes Bonus	798
641	NNDR - Small Business Rate Relief, Retail Relief and Other S. 31 Grants	742
35	Council Tax Freeze Grant	35
7	Rural Services Support Grant	-
3,034	Total	2,722
	<u>Credited to Services</u>	
	Other Government Grants:-	
9,639	DWP Grant for HB	9,519
9	Community Right To Challenge	-
8	Assets of Community Value	-
198	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	239
234	Housing Benefits Admin & Other Benefit Reforms Grants	188
119	NNDR Collection	121
59	Local Council Tax New Burdens	13
50	Local Council Tax Support Admin Subsidy	46
12	Business Rates New Burdens Admin Costs	-
5	DANP (Neighbourhood Plans)	5
6	Transparency Code Set up	-
-	FERIS	5
-	Welfare Reform	6
-	LADS (Data Sharing)	7
-	Right to Move	3
-	New Burdens	54
13,373	Total	12,928

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

31. Grant Income continued....

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

	Long-Term		Current	
	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000
Grants Receipts in Advance (Revenue Grants)				
Local Services Grant	-	-	196	154
Total	-	-	196	154

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 2016 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 2015/16, there were services provided by the Council, to organisations of which Members had a declared interest. The agreements are in place with no bias, and no discounts or benefits were afforded to these organisations. The material transactions are included below.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

32. Related Party Transactions continued.....

Officers

During the year 2015/16 one Officer declared an interest of acting as a director of Skipton Business Improvement District as a representative of Craven District Council. No other Council Officers declared any transactions with any organisation in which they have an interest.

Other Public Bodies

The Council collects Council Tax to fund its own revenue requirements and to distribute to other precepting authorities. These being North Yorkshire County Council, 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 had £598k in receivables, they also had £493k in payables, all relating to North Yorkshire County Council.

Cllr Robert Heseltine and Cllr Kerwin-Davey are members of Skipton and Craven Action for Disability with receivables of £24k and nil payments. Cllr Kerwin-Davey is a director at Craven Voluntary Action and Craven Asset Management Ltd, neither companies had any transactions with Craven District Council.

Cllr Quinn is a member of the North Yorkshire Police and Crime Panel which had nil receivables and £2k in payables.

Cllr Harbron, Cllr Jaquin, Cllr Heseltine, Cllr Madeley and Cllr Dawson are members of the Skipton Town Council. Transactions relating to Skipton Town Council were £27k in receipts and £1k in regard to payments other than that of the precepts payable.

Cllr Lis is a director of the Yorkshire Dales National Park Authority (YDNPA) the Yorkshire Dales Millennium Trust and the Yorkshire Energy Partnership. Transactions relating to the YDNPA were receivables of £14k and payables of £19k. For the Yorkshire Energy partnership receivables were £1k and there were nil payables. There were no transactions for Yorkshire Dales Millennium Trust.

Three Members of the Council declared an interest in grants paid to community or charitable organisations in 2015/16 as set out in the following table which also shows comparable figures for 2014/15

2014/15 Restated £'000	Organisation	2015/16 £'000
21	Citizens Advice Bureau	-
-	Burton Regeneration Group	10
-	Age UK North Craven	3
21	Total	13

Cllr Green is a director at Greens of Skipton Ltd which had nil receivables or payables

Cllr Staveley is a director at Settle and District Conservative Club House Company Ltd which had no transactions with Craven District Council

Cllr Thompson is a trustee and treasurer of Burton Regeneration Group which had nil receivables and £10k payables.

Cllr Hull is a member of the following committees; Settle Victoria Hall, Settle Swimming Pool, Settle Carlisle Railway Development Company and the Airedale Foundation Trust. Settle Victoria Hall had Receivables of £2k and payables of £2k, Settle Swimming pool had receivables of £11k and nil payables. There were no transactions for the Settle Carlisle Railway Development Company or for Airedale Foundation Trust. Cllr Hull is a member of Age Concern UK. Age UK North Craven had receivables of £1k and payables of £3k.

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

The Council does not administer any pension fund.

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

32. Related Party Transactions continued.....

The table below summarise 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.

2014/15 Transactions £'000	2014/15 Balance Owed £'000		2015/16 Transactions £'000	2015/16 Balance Owed £'000
1,204	-	Parish Precepts	1,239	-
1,420	-	North Yorkshire Pension Fund (Employer Contributions)	1,351	-
-	-	North Yorkshire waste disposal services	-	-
2,624	-	Total Payments	2,590	-

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.

2014/15 £'000		2015/16 £'000	2015/16 £'000
5,548	Opening Capital Financing Requirement		5,533
	Capital investment		
1,326	Property Plant & Equipment	846	
66	Intangible assets	54	
328	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grants	249	
11	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Loans	180	
1,731	Total Capital Investment		1,329
	Sources of finance		
(394)	Capital receipts		(182)
(207)	Government grants and other contributions		(388)
(827)	Sums Set Aside from Revenue		(485)
(318)	MRP / Loans Fund Principal		(275)
5,533	Closing Capital Financing Requirement		5,532
	Explanation of movements in year		
-	Increase in underlying need to borrow (unsupported by government financial assistance)		274
-	MRP / Loans Fund Principal		(275)
(15)	Increase / (decrease) in Capital Financing Requirement		(1)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

34. Leases

Authority as a Lessee

Finance Leases

The Council's offices at Belle Vue square are held on a 999 year finance lease which was fully paid in 2011/12. The value is 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 2015/16.

31-Mar-15 £'000		31-Mar-16 £'000
-	Minimum lease payments	1
-		1

Authority as a Lessor

Finance Leases

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

Operating Leases

The Council acts as a lessor for a number of properties including industrial units, shops and offices. The income received from these tenants during the year was £75k (£73k in 2014/15).

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

2016/2017 £'000	2017/2018 £'000	2018/2019 £'000	2019/2020 £'000	2020/2021 £'000	Remaining Years £'000
77	85	70	57	67	684

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

34. Leases continued.....

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

35. Impairment Losses

During 2015/16 the Council has recognised no impairment losses, as was the case during 2014/15.

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

The North Yorkshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Fund Committee of North Yorkshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Committee with advice from the Corporate Director – Strategic Resources and the Fund's Investment Consultant and Independent Adviser.

Discretionary Post-retirement Benefits

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

Transactions Relating to Retirement Benefits continued

2014/15 £'000	North Yorkshire Pension Fund	2015/16 £'000
	Comprehensive Income and Expenditure Statement	
	<i>Net Cost of Services:</i>	
889	current service cost	1,149
-	past service costs	22
-	past service costs (gains)	-
-	past service costs	-
-	administration expenses	-
-	settlement and curtailments	-
	<i>Financing and Investment Income and Expenditure:</i>	
880	net interest on the net defined benefit liability (asset)	804
1,769	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,975
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
-	Remeasurements (experience (gain)/loss on liabilities)	(821)
8,590	Remeasurements (experience (gain)/loss on financial assumptions)	(3,323)
-	Remeasurements (experience (gain)/loss on demographic assumptions)	-
(3,829)	Remeasurements (experience gain on assets)	1,186
6,530	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(983)
	Movement in Reserves Statement	
1,769	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	1,975
	Actual Amount charged against the General Fund Balance for pensions in the year:	
(1,420)	employers' contributions payable to the scheme	(1,351)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

Assets and Liabilities in Relation to Post-employment Benefits

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

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

	Funded		Unfunded	
	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000
1 April b/fwd	54,221	64,244	263	282
Current Service Cost	889	1,149	-	-
Interest on Pension Liabilities	2,345	2,031	12	9
Member contributions	288	292	-	-
Past Service Cost/(gain)	-	22	-	-
Remeasurements (experience (gain)/loss on liabilities)	-	(816)	-	(5)
Remeasurements (experience (gain)/loss on financial assumptions)	8,566	(3,308)	24	(15)
Remeasurements (experience (gain)/loss on demographic assumptions)	-	-	-	-
Curtailments	-	-	-	-
Benefits Paid	(2,065)	(1,898)	(17)	(17)
31 March c/fwd	64,244	61,716	282	254

Reconciliation of fair value of the scheme assets:

	Funded		Unfunded	
	2014/15	2015/16	2014/15	2015/16
	£'000	£'000	£'000	£'000
1 April b/fwd	33,827	38,759	-	-
Interest on plan assets	1,495	1,236	-	-
Remeasurements (assets)	3,829	(1,186)	-	-
Administration expenses	(18)	-	-	-
Employer Contributions	1,403	1,334	17	17
Member Contributions	288	292	-	-
Benefits/transfers paid	(2,065)	(1,898)	(17)	(17)
31 March c/fwd	38,759	38,537	-	-

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 £50k (2014/15 £5,324k).

Scheme History

	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	49,387	57,033	54,484	64,526	61,970
Fair Value of Assets	23,870	27,527	33,827	38,759	38,537
Surplus / (Deficit) in the Scheme	(25,517)	(29,506)	(20,657)	(25,767)	(23,433)

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment (retirement) benefits. The total liability of £23m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

36. Retirement Benefits continued

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2015/16 is £1.383m (2014/15 £1.343m).

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 2013.

The main assumptions used in their calculations have been:

	2014/15	2015/16
Rate of CPI inflation	2.0%	1.8%
Rate of increase in salaries	3.50%	3.30%
Rate of increase in pensions	2.0%	1.8%
Discount Rate	3.2%	3.4%
Longevity at 65 for current pensioners (in years):		
Men	23.1	23.3
Women	25.6	25.8
Longevity at 65 for future pensioners (in years):		
Men	25.4	25.6
Women	28.0	28.1

	31-Mar-15		31-Mar-16	
	£'000	%	£'000	%
Split of Assets between Investment Categories:				
Equities (Quoted)	23,257	60.0%	23,970	62.2%
Government Bonds (Quoted)	6,550	16.9%	5,434	14.1%
Corporate Bonds (Quoted)	2,635	6.8%	2,081	5.4%
Property (Quoted)	2,519	6.5%	2,813	7.3%
Cash (Quoted)	465	1.2%	308	0.8%
Other (Quoted)	3,333	8.6%	3,931	10.2%
Total	38,759	100.00%	38,537	100.00%

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

36. Retirement Benefits continued

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	1,548
Rate of inflation increase by 0.1%	847
Rate of increase in salaries increase 0.1%	209
Rate for discounting scheme liabilities increase by 0.1%	(1,040)

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 (60% of scheme assets) and fixed income (24%) with investments also in property and 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 27 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales and the other main existing public services schemes may not provide benefits in relation to service after 31 March 2014. The act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The council anticipates to pay £1.383m expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for the scheme members is 20 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 2016 .

Local Land Charges

Craven District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. Whilst some of the costs of the claim have been estimated and provided for in the accounts, the actual value of the costs is not known, and could be considerably more than the value allowed in the accounts. 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 as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

37. Contingent Liabilities continued.....

Municipal Mutual Insurance

The Scheme of Arrangement was enacted in 2012/13. The Council received notification on 18th March 2016 that the levy will increase from 15% to 25% - an additional 10% or £1k 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.

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
- 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.

Credit Risk

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

The authority manages its credit risk by restricting deposits to a maximum of £1m with any one counterparty, spreading the investment portfolio as widely as possible, and investing with credit-rated counterparties 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 2016 that this was likely to crystallise.

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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 2016 £'000 (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions at 31 Mar 2016 % (C)	Estimated maximum exposure to default and uncollect- ability 31 Mar 2016 £'000 (A x C)	Estimated maximum exposure default and uncollect- ability 31 Mar 2015 £'000
Deposits with banks and financial institutions	10,000	0	0	0	0
Customers:					
- Government & Local Authorities	815	0	0	0	0
- Other	261	0.6	0.6	2	2
				2	2

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

At 31-Mar-15 £'000		At 31-Mar-16 £'000
203	Up to 1 month	6
13	1-2 months	206
11	2-3 months	39
51	3-6 months	10
-	over 6 months	-
278		261

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-15 £'000		At 31-Mar-16 £'000
-	Less than one year	-
-	Between one and two years	-
-	Between two and five years	-
5,988	More than five years	5,988
5,988		5,988

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

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

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 has been particularly challenging and a mix of short term and longer term deposits have been made to enable any increases in interest rates to be maximised.

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 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

At 31-Mar-15 £'000		At 31-Mar-16 £'000
-	Increase in interest payable on variable rate borrowings	-
185	Increase in interest receivable on variable rate investments	156
-	Increase in government grant receivable for financing costs	-
185	Impact on Surplus of Deficit on the Provision of Services	156
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on Other Comprehensive Income & Expenditure	-
(1,237)	Increase/(Decrease) in fair value of fixed rate borrowings (no impact on Consolidated Income and Expenditure Statement)	(1,260)

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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

39. Provisions

2014/15 £'000	Business Rates	Business Rates £'000	Other £'000	2015/16 TOTAL £'000
480	Balance brought forward at 1 April	369	66	435
(45)	Increase/(decrease) in provision in year	455	(47)	408
435	Balance carried forward at 31 March	824	19	843

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 2016.

Local Land Charges

Craven District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £4,140 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £31,330 plus interest and costs. These elements have been settled in the year. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. This element of the provision remains at £19,000.

SECTION 5

SUPPLEMENTARY FINANCIAL STATEMENT

Collection Fund and Notes

THE COLLECTION FUND

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

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

2014/15 £'000		2015/16			Notes
		NNDR £'000	Council Tax £'000	Total £'000	
	Income				
33,714	Council Tax	-	34,799	34,799	
-	Council Tax Benefits	-	-	-	
17,207	Non Domestic Ratepayers	17,689	-	17,689	4
57	Transitional Protection Payments	37	-	37	
50,978	Total Income	17,726	34,799	52,525	
	Expenditure				
32,958	Demands on Collection Fund	-	33,864	33,864	5
300	Payments of previous surplus	-	475	475	
-	Receipt of previous deficit	(2,400)	-	(2,400)	
	Business Rates:				
9113	- Payment to Government	8,812	-	8,812	4
1640	- Payment to NYCC	1,586	-	1,586	4
182	- Payment to NYFRS	176	-	176	4
7290	- Payment to Craven DC	7,050	-	7,050	4
	- Costs of Collection Allowance (to				
119	CDC)	121	-	121	
1	- Interest on Overpayments	3	-	3	
188	Bad and Doubtful Debts - Write Offs	130	67	197	5
46	Contribution to Provision for bad and				
	Doubtful Debts	(82)	17	(65)	5
(1,777)	Appeals - Write Offs	(540)	-	(540)	5
1,500	Contribution to Provision for Appeals	1,679	-	1,679	5
51,560	Total Expenditure	16,535	34,423	50,958	
582	(Surplus) / Deficit for the year	(1,191)	(376)	(1,567)	
	COLLECTION FUND BALANCE				
1,515	Balance Brought Forward	3,310	(1,213)	2,097	6
582	(Surplus) / Deficit for the year	(1,191)	(376)	(1,567)	6
2,097	Balance Carried Forward	2,119	(1,589)	530	6

NOTES TO THE COLLECTION FUND

1. General

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

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

2. Council Tax

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

Band	Council Tax Setting				
	Total No Of Dwellings	Discounts Exemptions Allowances	Revised No. of Dwellings	Ratio	Band D equivalent dwellings
-A	8	(1)	7	5/9	3.90
A	4,100	(606)	3,494	6/9	2,329.20
B	5,951	(640)	5,311	7/9	4,130.80
C	5,737	(507)	5,230	8/9	4,648.90
D	4,112	(294)	3,818	9/9	3,818.00
E	3,090	(174)	2,916	11/9	3,564.30
F	1,965	(95)	1,870	13/9	2,700.40
G	1,277	(53)	1,224	15/9	2,039.60
H	95	(5)	90	18/9	180.00
Total	26,335	(2,375)	23,960		23,415.10
Net effect of premiums and discounts					(2,048.28)
COUNCIL TAX BASE (Band D Equivalent)					21,366.82

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 (£1,529.55 in 2015/16) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Taxbase shown above. The Council Tax for dwellings in other Valuation Bands is the appropriate Proportion of the Band D tax.

NOTES TO THE COLLECTION FUND

3. Council Tax Income continued.....

The basic amount for a band D property in 2015/16 of £1,529.55 is broken down as follows:

2014/15 £		2015/16 £
152.21	Craven District Council	152.21
1,078.52	North Yorkshire County Council	1,099.98
208.62	Police and Crime Commissioner North Yorkshire	212.77
63.33	North Yorkshire Fire & Rescue Authority	64.59
1,502.68		1,529.55

4. Income from Business Ratepayers

NNDR is organised on a national basis. The Government specifies an amount, 49.3p in 2015/16, (48.2p in 2014/15) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The total non-domestic rateable value at 31st March 2016 was £47.754m (31st March 2015 £47.264m).

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

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

The business rates shares payable for 2015/16 were estimated before the start of the financial year as £8.812m to Central Government, £1.586m to NYCC, £176k to NYFRS and £7.050m to Craven Council. These sums have been paid in 2015/16 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 2015/16 to the value of £5.827m (£5.718 in 2014/15).

The total income from business rate payers collected in 2015/16 was £17.726m (£17.264m in 2014/15). This sum includes £37k (£57k in 2014/15) of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme.

In addition to the top up, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. For Craven the value of safety net figure is £1.247m. 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 2015/16.

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 2016. 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 2016 has been calculated at £2,061k (£922k at 31 March 2015).

NOTES TO THE COLLECTION FUND

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

The amounts collected are analysed below:

2014/15 £'000		2015/16 £'000
21,873	Gross Amount Due	23,038
(3,931)	Charitable Relief etc.	(4,495)
57	Transitional Protection Payments	37
(735)	Other Reliefs: Empty and Part Occupation Relief etc.	(854)
17,264		17,726

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:

2014/15 £'000		2015/16 £'000
3,224	Craven District Council	3,252
22,843	North Yorkshire County Council	23,503
4,419	Police and Crime Commissioner North Yorkshire	4,546
1,341	North Yorkshire Fire & Rescue Authority	1,380
1,131	Parishes	1,183
32,958	Total	33,864

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 2016.

2014/15 £'000		2015/16 £'000
	<u>Council Tax Bad & Doubtful Debts</u>	
90	Write-offs during the year	67
(128)	Contributions to provisions during the year	(84)
(38)	Net (increase)/decrease in provision in year	(17)
(392)	Balance at 1 April	(430)
(430)	Balance at 31 March	(447)
	<u>NNDR Bad & Doubtful Debts</u>	
98	Write-offs during the year	130
(106)	Contributions to provisions during the year	(48)
(8)	Net (increase)/decrease in provision in year	82
(208)	Balance at 1 April	(216)
(216)	Balance at 31 March	(134)
	<u>NNDR Appeals</u>	
1,777	Write-offs during the year	540
(1,500)	Contributions to provisions during the year	(1,679)
277	Net (increase)/decrease in provision in year	(1,139)
(1,199)	Balance at 1 April	(922)
(922)	Balance at 31 March	(2,061)

NOTES TO THE COLLECTION FUND

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

The year-end surplus or deficit on the Collection Fund is to be shared between billing and precepting authorities on the basis of estimates made on 15 January of the year-end balance. For 2015/16 there was a distribution of £475k surplus on Council Tax based on this calculation and a claw-back of £2,400k deficit on NNDR.

Council Tax:

There was an in-year surplus of £376k on the Collection Fund in 2015/16, the effect of which was to increase the balance on the Account at 31 March 2016 to £1,589k.

NNDR:

There was an in-year surplus of £1,191k on the Collection Fund in 2015/16, the effect of which was to reduce the deficit on the Account at 31 March 2016 to £(2,119)k.

The balance at 31 March 2016 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

2014/15 Council Tax £'000	2014/15 NNDR £'000		2015/16 Council Tax £'000	2015/16 NNDR £'000
121	(1,324)	Craven District Council (including parishes)	159	(848)
874	(298)	North Yorkshire County Council	1,144	(191)
170	-	Police and Crime Commissioner North Yorkshire	222	-
48	(33)	North Yorkshire Fire & Rescue Authority	64	(21)
-	(1,655)	Central Government		(1,059)
1,213	(3,310)	Total	1,589	(2,119)

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 2016 as required by the 2015/16 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 Authority financial statements

We have audited the financial statements of Craven District Council for the year ended 31 March 2016 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 and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Craven District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.

Respective responsibilities of the *Chief Finance Officer* and auditor

As explained more fully in the Statement of the *Chief Finance Officer's* Responsibilities, 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Narrative Statement and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

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

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

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, we are satisfied that, in all significant respects, Craven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Cameron Waddell
For and on behalf of Mazars LLP
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS
September 2016

SECTION 7

GLOSSARY OF TERMS AND INDEX OF NOTES

GLOSSARY OF TERMS

Accounting Concepts

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

Accounting Period

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

Accounting Policies

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

Accounts

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

Accruals

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

Actuarial Gains and Losses:

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

Actuary

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

Administrative Buildings

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

Agency Services

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

Amortisation

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

Asset

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

Assets Under Construction

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

Audit

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

Balances

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

Balance Sheet

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

Business Improvement District Schemes(BIDS)

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

GLOSSARY OF TERMS

Billing Authorities

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

Capital Adjustment Account

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

Capital Charge

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

Capital Expenditure

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

Capital Expenditure charged to Revenue Account (CERA)

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

Capital Financing

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

Capital Financing Requirement

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

Capital Grant

Grant provided for the purpose of capital expenditure on projects.

Capital Programme

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

Capital Receipts

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

Cash Equivalents

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

Cash Flow Statement

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

Central Services to the Public

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

Charging Authority

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

CIPFA

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

Code of Practice on Local Authority Accounting

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

Collection Fund

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

Community Assets

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

GLOSSARY OF TERMS

Comprehensive Income and Expenditure Account

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

Consistency

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

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

Council Tax

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

Creditors

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

Cultural and Related Services

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

Current Assets

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

Current Liabilities

Amounts that will become due during the next accounting period.

Current Service Cost

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

Curtailement

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

Debtors

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

Deferred Credits

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

GLOSSARY OF TERMS

Deferred Discounts & Premiums on Early Repayment of Debt

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

Deferred Liabilities

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

Defined Benefit Pension Scheme

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

Depreciation

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

Emoluments

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

Environmental and Regulatory Services

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

Exceptional Items

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

Exchange Transactions

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

Expected Return in Pension Assets

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

Fees and Charges

Income arising from the provision of services.

Finance Leases

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

Financial Instruments and the Financial Instruments Adjustment Account (FIAA)

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

Financial Reporting Standards (FRSs)

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

Financial Year

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

GLOSSARY OF TERMS

General Fund

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

Going Concern

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

Government Grants

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

Highways and Transport Services

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

Housing Capital Receipts Pool

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

Housing - Other Services

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

Impairment

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

Infrastructure Asset

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

Intangible Non-Current Asset

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

Interest Cost

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

International Financial Reporting Standards (IFRS)

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

Investment

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

Leasing

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

Liability

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

Minimum Revenue Provision (MRP)

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

GLOSSARY OF TERMS

Monitoring Officer

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

Movement in Reserves

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Non-Current Assets

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

Non Distributed Costs

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

Non-Exchange Transactions

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

Non-Operational Assets

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

Operational Assets

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

Past Service Cost

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

Planning Services

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

Post Balance Sheet Events

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

Precept

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

Precepting Authority

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

Prior Year Adjustments

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

GLOSSARY OF TERMS

Provisions

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

Prudence

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

Prudential Indicators

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

Public Works Loans Board (PWLB)

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

Realisable Value

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

Related Party

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

Reserves

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

Residual Value

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

Retirement Benefits

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

Revaluation Reserve

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

Revenue Account

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

Revenue Expenditure Funded from Capital Under Statute

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

Revenue Support Grant

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

Scheme Liabilities

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

S106 Agreements

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

Section 151 Officer (S151)

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

GLOSSARY OF TERMS

Settlement

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

Service Reporting Code of Practice (SeRCOP)

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

Soft Loans

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

Statement of Recommended Practice (SORP)

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

Statement of Standard Accounting Practice (SSAP's)

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

Inventories

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

Support Services

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

Tangible Non-Current Assets

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

Temporary Borrowing/Investment

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

Unapportionable Central Overheads

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

Unsupported (Prudential) Borrowing

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

Useful Life

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

Vested Rights

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

Work in Progress

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

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Statement of Accounts 2015/16 – 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 2015/16: 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	2014/15 £000's	2015/16 £000's	Variance £000's	Comment
(Surplus) / Deficit on Provision of Services	(1,105)	(189)	916	Net Cost of Service increased by £865k. £544k decrease in Taxation and Non-Specific Grant Income. Offset by £550k decrease in Financing and Investment Income and Expenditure.
Other Comprehensive (Income) & Expenditure	4,466	(5,717)	10,183	£7.7m gain on Remeasurement of Net Defined Benefit/ Liability (Pension liability) due to changes in Actuarial assumptions. £2.5m gain on revaluations of non-current assets.
Balance on Reserves at 31 March	8,125	14,031	5,906	Earmarked reserves increased by £171k, Capital Receipts Reserve increased by £360k. Unusable Reserves increased by £5.4m due to a £2.3m decrease in Pensions Reserve liability, £2.6m increase in the Revaluation Reserve and a £0.5m reduction in the Collection Fund Adjustment Account.

5. Comprehensive Income and Expenditure Statement

5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (council tax).

- Expenditure and income directly related to the services provided by the Council (Net total £6,352k).
- Expenditure and income not directly attributable to services but to the Council as a whole (When added to the Net Cost of Services above this totals £7,979k).
- Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to (£189k).
- Surplus or deficit on revaluation of Non-Current Assets £3,202k. (Bringing the overall total of Comprehensive Income and Expenditure to £5,906k).

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 2014/15 and 2015/16:

Description	2014/15 £000's	2015/16 £000's	Variance £000's	Comment
Cultural and Related Services	1,120	1,394	274	£180k increase in Cultural and Heritage net expenditure as a result of an increase in expenditure on Skipton Town Hall due to a downward asset revaluation and £100k increase in Recreation and Sport net expenditure on the craven pool and fitness centre.
Planning Services	816	1,133	317	£240k increase in Local Development Framework net costs, £70k increase in Community Development net costs.
Non distributed costs	417	935	518	Pension costs increased by £270k. Other Services increased by £250k due to the re-analysis of costs charged to Services.
Financing and Investment	1,008	455	(553)	£450k increase in net income from changes in

Income & Expenditure				fair value of Investment Properties, £80k reduction in pension interest costs.
(Surplus) or Deficit on revaluation of non-current assets	(295)	(2,759)	2,464	Upward revaluation of non-current assets in 2015/16
Remeasurement of net defined benefit/ liability.	4,761	(2,958)	7,719	Movement in the pension benefit/ liability, due to changes in Actuarial assumptions.

5.3 Councillors will note that the Comprehensive Income and Expenditure of the Council has moved from a deficit of £3.361m at the end of 2014/15 to a surplus of £5.906m at the end of 2015/16 – the variances identified above make up the majority of this movement.

6. **Balance Sheet**

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

6.2 Councillors may wish to note the following explanations for key variances when compared with 2014/15.

Description	2014/15 £000's	2015/16 £000's	Variance £000's	Comment
Property Plant & Equipment.	27,340	29,300	1,960	£0.8m expenditure on additions and £1.4m upward revaluations
Short Term Investments	4,508	10,020	5,512	Increase in short-term Investments £5.5m - offset by reduction in short-term cash deposits (see comment below)
Short Term Debtors	3,138	1,621	(1,517)	£1m decrease in Central Government Bodies debtors (mostly Business Rates Collection Fund balances), £0.1m decrease in Public Sector debtors and £0.4m decrease in Other Debtors

Cash and Cash Equivalents	5,073	2,082	(2,991)	£2.7m decrease in short-term deposits. £0.2m decrease in Bank Current a/c position.
Other Long Term Liabilities	25,773	23,439	(2,334)	£2.5m decrease in pension's liability (scheme liabilities decreased by £2.5m offset by scheme assets decreasing by £0.2m).
Usable Reserves	9,238	9,731	493	£171k increase in Earmarked reserves, £360k increase in Capital Receipts Reserve. £35k reduction in the General Fund
Unusable Reserves	(1,113)	4,300	5,413	£2.3m decrease in Pensions Reserve liability, £2.6m increase in the Revaluation Reserve

7. Cash Flow Statement

- 7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.
- 7.2 Councillors may wish to note the following explanations for key variances when compared with 2014/15.

Description	2014/15 £000's	2015/16 £000's	Variance £000's	Comment
Net surplus or (deficit) on the provision of services	1,105	189	(916)	See MIRS comment (above)
Investing Activities	(4,249)	(6,333)	(2,084)	£80k decrease in proceeds from sale of PPE. £490k decrease in PPE expenditure. £2.5m increase in short term Investments.

Cash & cash equivalents	5,073	2,082	(2,991)	See Balance Sheet comments for Cash and Bank Overdraft
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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.

**Audit and Governance Committee
27th September 2016**



Statement of Accounts 2015/16

Report of the Strategic Manager - Financial Services (s151 Officer)

Ward(s) affected: All

1. Purpose of Report

1.1 To present the 2015/16 Statement of Accounts.

2. Recommendations

2.1 Members are recommended to receive and approve the Statement of Accounts for 2015/16 (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 30 September following the financial year-end.

3.2 With effect from 1 April 2015 the draft Statement of Accounts submitted to the auditor only needs to be signed by the Council's Chief Financial Officer by 30 June. For 2015/16 they were signed by the Strategic Manager - Financial Services (s151 Officer).

3.3 The 2015-16 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 2015/16 Unaudited Statement of Accounts was approved on the 24th June 2016 by the Strategic Manager - Financial Services (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 The Statement of Accounts represents the culmination of the formal financial

reporting obligation placed upon the Council and the content of the Accounts as presented is largely prescribed by statutory and professional guidance.

- 4.3 The following points highlight the major movements in the Statement of Accounts for 2015/16, compared with 2014/15:
- Net Cost of Services has increased by £0.865m to £6.352m (2014/15: £5.487m).
 - There is a Surplus on the Provision of Services of £0.189m (2014/15: £1.105m).
 - Total Reserves have increased by £5.906m to £14.031m (2014/15: £8.125m).
 - The General Fund balance has reduced by £35k to £995k (2014/15: £1,030k).
 - Earmarked reserves have increased by £0.171m to £5.786m (2014/15: £5.615m).
- 4.4 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.
- 4.5 Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny".
- 4.6 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 2015/16, 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 Strategic Manager - Financial Services (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.
- 4.7 The accounts were made available for public inspection from 1st July until 11th August and the auditor was available from 1st July until 11th August to answer queries regarding the accounts. No queries were received by the Council.
- 4.8 The Audit and Governance Committee are now recommended to approve the final version as the Audit Commission have completed their audit work.
- 4.9 The Annual Governance Statement (the draft copy of which was approved by this Committee at its meeting on 21st June 2016) will be added to the published version of the audited statement of accounts.

5. Implications

5.1 Financial and Value for Money Implications

None

5.2 Legal implications

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

5.3 Contribution to Council Priorities

Financial resilience through appropriate procedures and practices

5.4 Risk Management

None

5.5 Equality Impact Assessment

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

6. Consultations with Others

None

7. Access to Information : Background Documents

Annual statement of accounts 2015/16

8. Author of the Report

James Anderson, Senior Accountant
Telephone: 01756 706202
E-mail: JAnderson@cravenc.gov.uk

9. Appendices

Appendix A – 2015/16 Statement of Accounts
Appendix B – Explanatory paper to support the accounts.