Audit & Governance Committee – 24th September 2019

Statement of Accounts 2018/19

Report of the Chief Finance Officer (s151 Officer)

Ward(s) affected: All

1. Purpose of Report

1.1 To present the 2018/19 Statement of Accounts.

2. Recommendations

2.1 Members are recommended to receive and approve the Statement of Accounts for 2018/19 (attached at Appendix A).

3. Background Information

3.1 The Accounts and Audit Regulations 2015 require Members approve the Council's audited statutory accounts by 31 July following the financial year-end.

3.2 The draft Statement of Accounts submitted to the auditor must be signed by the Council's Chief Financial Officer by 31 May. For 2018/19 they were signed by the Chief Finance Officer (s151 Officer).

3.3 The 2018-19 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 2018/19 Unaudited Statement of Accounts was approved on the 31 May 2019 by the Chief Finance Officer (s151 Officer). The Audit and Governance Committee are now recommended to approve the final version as the Auditors - Mazars have completed their audit work.

4.2 The Council achieved the statutory deadline to approve the unaudited accounts by 31st May and for them to be made available for public inspection within the required timeframe. Along with other councils, the target date to approve the certified accounts by 31st July has not been achieved this year due to a number of factors. These include adjustments to pension liability calculations as a consequence of a legal judgement that were beyond the control of both the council and auditors and several complex land and property asset revaluation adjustments. It has also been a transitional year for Finance with a change of Chief Finance Officer in the middle of the process and a number of staff taking on new responsibilities this year. However, while the changes identified by the audit exercise were complex in nature, they have been resolved satisfactorily and do not represent any significant weakness in the council's approach or ability to deliver a set of compliant accounts.

4.3 The Statement of Accounts represents the culmination of the formal financial reporting obligation placed upon the Council and the content of the Accounts as presented is largely prescribed by statutory and professional guidance.

4.4 The following points highlight the major movements in the Statement of Accounts for 2018/19, compared with 2017/18:

- Net Cost of Services has increased by £3.319m to £9.262m (2017/18: £5.943m restated).
- There is a Deficit on the Provision of Services of £1.399m (2017/18: Surplus of £1.706m restated).
- Total Reserves have decreased by £1.135m to £21.321m (2017/18: £22.456).
- The General Fund balance has remained at £995k.
- Earmarked reserves have increased by £0.876m to £7.218m (2017/18: £6.342m).

4.5 It is important that the Council has sound financial, governance and resources management arrangements in place to ensure that resources are available and used to support the Council's priorities, improve services and secure value for money for our tax payers.

4.6 Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny".

4.7 To assist councillors in this regard, an explanatory paper is attached at Appendix B. The Statement of Accounts also contains an explanatory foreword, which highlights the key issues arising from the financial year 2018/19, and considers these in the context of the council's future financial prospects. Councillors are asked to consider the Statement of Accounts in detail along with the supporting notes, and either raise issues with the Chief Finance Officer (s151 Officer) prior to the meeting so that a response can be prepared or discuss any such matters as necessary and appropriate at the meeting of the Committee.

4.8 The accounts were made available for public inspection and questions to the auditor from 3rd June until 12th July. No queries were received by the Council.

4.9 The Audit and Governance Committee are now recommended to approve the final version as Mazars the Councils appointed auditor have completed their audit work.

4.10 The Annual Governance Statement (the draft copy of which was approved by this Committee at its meeting on 25th June 2019) must be added to the published version of the audited statement of accounts.

5. Implications

5.1 Financial and Value for Money Implications
None

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

5.3 Contribution to Council Priorities
Financial resilience through appropriate procedures and practices

5.4 Risk Management
None

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

6. Consultations with Others

None

7. Access to Information : Background Documents

Annual statement of accounts 2018/19

8. Author of the Report

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9. Appendices

Appendix A – 2018/19 Statement of Accounts
Appendix B – Explanatory paper to support the accounts.

CRAVEN
IN · THE · YORKSHIRE · DALES
DISTRICT

AUDITED

STATEMENT OF ACCOUNTS

2018/2019

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

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

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

SECTION 1

NARRATIVE REPORT

& EXPLANATION TO THE FINANCIAL STATEMENTS

About the District and the Council

The Craven District

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

Craven is a rural district with a sparse population, 2016 mid-year population estimates of the district were 56,343. The District has 27,414 households (31 March 19) . Craven's largest town is Skipton with and the majority of Craven's population is concentrated in the Skipton and West Craven and South Craven areas. Craven's other towns include Settle in Mid Craven, Ingleton and Bentham in North Craven and Grassington in Wharfedale. The district also has a number of smaller scattered villages and hamlets.

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

About the Council

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

Political Structure of the Council

Craven District Council has 30 District Councillors elected in 19 Wards. The Conservative Group has overall control of the Council. The Leader of the Council was Councillor Richard Foster and Deputy Leader was Councillor John Dawson. However as a result of the May elections there will be a change to the Deputy Leader.

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

The following Committees are in place:

- Policy Committee and its sub-committees (Community Grants and Craven Spatial Planning) - exercise the Council's powers in making decisions or recommendations on all major non-regulatory matters.

- Select Committee (formerly known as the Overview and Scrutiny Committee) - assist in the development of new and review of existing policy, as well as scrutinise decisions of the Council.

- Audit and Governance Committee - plays a key role within the Council's corporate governance arrangements and seeks to improve and maintain the corporate focus on the issues arising from risk management, internal control mechanisms, internal and external audit, and financial statements.

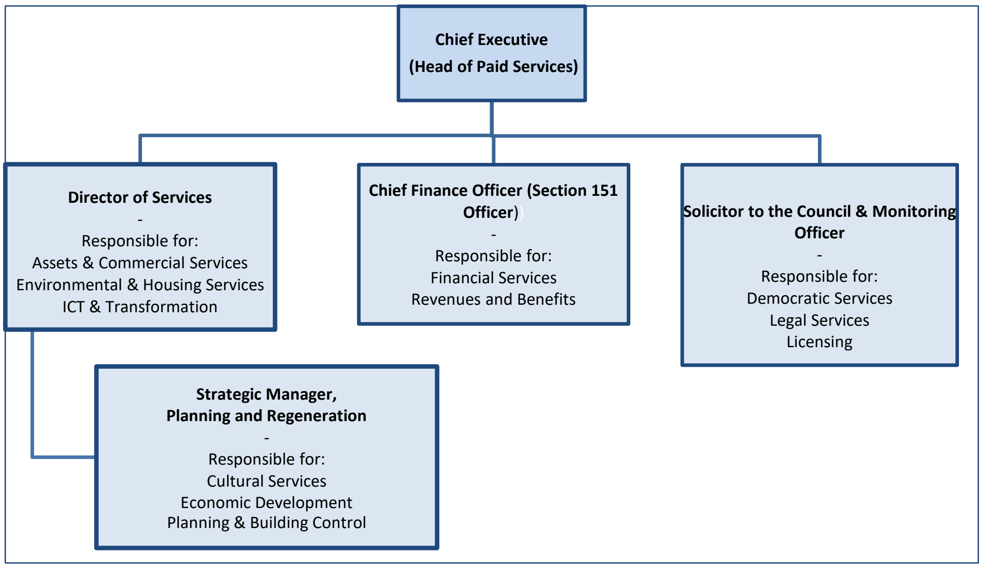
- Licensing Committee - considers all issues arising from the Licensing Act 2003 and all other licensing matters for which the Council is responsible, such as taxis (hackney carriages and private hire).

- Planning Committee - responsible for making decisions on planning applications, planning enforcement and other operational planning and building control matters, which require a decision by Councillors.

- Standards Committee - promotes and maintains high standards of conduct for District and Parish Councillors and advises Councillors on matters of conduct.

Management Structure

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



At 31 March 2019 the Council employed personnel in 215.8 full time equivalent roles (FTE), increasing slightly from 206.9 FTE (244 employees) at 31st March 2018. The Council recognises the value and importance of its staff in the delivery of services to the public. We have developed and are implementing our People Strategy to ensure we continue to have an effective, efficient and highly skilled workforce committed to delivering excellent services to our residents.

Vision, Budgets and Performance

The Council's Vision

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

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

- Enterprising Craven
- Resilient Communities
- Financial Sustainability

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

Budgets and Funding

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

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

The Council's annual net revenue expenditure budget of £6,789k for 2018/2019 was agreed by the Council in February 2019. Following additional virements and supplementary estimates during the year, the revised budget for 2018/2019 stood at £7,677k. This included expenditure on services of £5,981k. Capital expenditure totalling £3,164k was also agreed. Following slippage from 2017/18 and additional supplementary estimates which included £3,428k on the scheme to redevelop Craven Museum and Exhibition Gallery, partly funded by a Heritage Lottery Funding grant, the final programme stood at £10,053k.

The Council funds its revenue expenditure from a number of sources including Council Tax. A £5 increase in Council Tax for the 2018/19 financial year was approved (based on average band D).

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

The Council's borrowing facilities for 2018/19 were as follows;

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

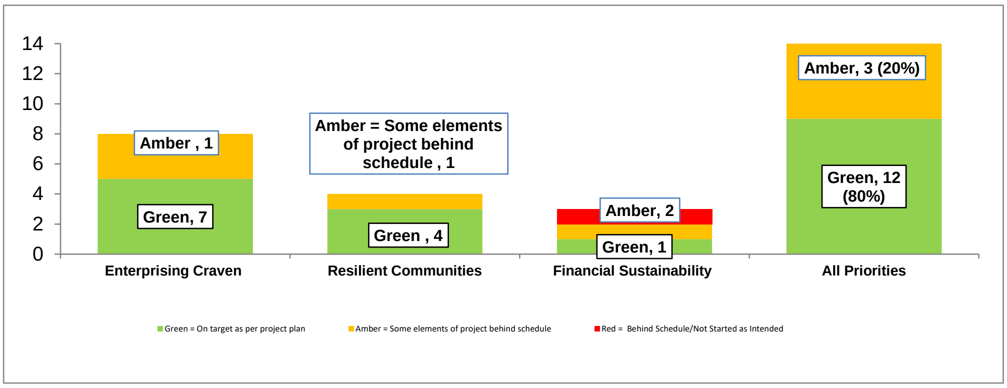
The maximum amount of external borrowing the Council can have at any one time is governed by the Prudential Code. The Prudential Code controls borrowing by reference to an Authorised Limit and Operational Boundary. The Council agreed the Prudential Indicator limits for 2018/19. There was no new borrowing, long-term or short-term, during the year.

(Financial performance against our budgets is explained further under Financial Performance 2018/2019)

Performance During 2018/2019

We have made good progress against our intended actions set out in the Council Plan with 80% judged as ' Green' and on track against intended outcomes and timescales at 31st March 2019.

We have judged ourselves as 'Amber', behind schedule on 5 of our actions. 3 of these actions relate to our Enterprising Craven Priority and our intentions for the development of 8 hectares of employment land, to improve the quality of the transport infrastructure serving the district and improve access to Craven's heritage and culture. 1 action relates to our Financial Sustainability priority, to maximise the Assets of the Council. The final 'Amber' action relates to the Resilient Communities priority and the action to reduce health and wellbeing inequalities. We have judged ourselves as 'Red' against the implementation of our income and savings plan, as we have only achieved £38k of additional savings and income for initiatives set out in our Income and Savings Plan for 2018/19 compared with our intended target of £300k. However, we are continuing to progress a number of these initiatives in the 2019/2020 financial year. We are also behind our intended schedule in relation to initiatives related to our Acquisition and Regeneration Strategy and Asset Management Plan.



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

Enterprising Craven

Enable the provision of 230 homes per year across Craven to meet the needs our current and future communities.

The draft Local Plan which sets out future land allocations for housing and employment across the District (outside the National Park) and help secure the development of more homes including affordable homes was agreed by Full Council in December 2017. Following a period of consultation Local Plan was published in March 2018 and it will be subject to examination in public by the Planning Inspector in October 2018. Following the Inspectors review of the Plan a number of amendments were suggested and these were subject to further consultation. The results of the consultation have been collated and the response is being considered. It is the aim to have the plan adopted in July 2019.

Within the Craven District planning authority we delivered 242 net additional homes (including affordable homes) during 2018/19, compared to 230 homes in 2017/18. Whilst our target was to deliver 69 affordable homes, we have only delivered 39 affordable new homes, an increase from 23 in 2017/18.The timing of new developments completing causes fluctuations in our performance.

We are continuing to implement Shared Ownership Schemes and have a target for 45 shared ownership homes by April 2020. During the year we successfully added a number of completed sites across the District. These include Hunters View in Giggleswick and Crossburn Close in Glusburn. Further developments are in the development stage at Harper Grove and North Parade.

Stimulate Business Growth

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

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

Delivery of the Skipton Employment and Housing Growth scheme is progressing. The Funding Agreement with North Yorkshire County Council on behalf of the LEP has been signed and the first grant claim submitted. Work to upgrade Engine Shed Lane/Ings Lane to adoptable standard is on-going; the focus being on securing the statutory permissions and third party consents. Application for Land Drainage Consent has been submitted - the first of three statutory approvals required. This work will be directly follow on from the improvements and developments to the Link road as mentioned above.

Improving the quality and capacity of the transport infrastructure serving the District is important in stimulating the growth of business across Craven. Skipton Railway Station has been identified by the West Yorkshire Combined Authority (WYCA) as one of the Leeds City Region's priority gateways. The Council in partnership with North Yorkshire County Council has been invited to submit costed schemes for improving local accessibility in the vicinity of the Station for inclusion in the Region's Transforming Cities Fund (TCF) bid to the Department of Transport. Four schemes are being developed including the re-design of road junctions, provision of cycle lanes and upgrade of public right of ways.

A scheme to improve a stretch of the A59 from Broughton to Skipton is also being progressed and submitted to the YNYER LEP for inclusion in the pipeline of projects for Growth Deal 4 Funding. Following a feasibility study early in 2017 by stakeholders involved in the potential creation of a railway station at Crosshills it has been concluded that whilst the scheme is not currently financially viable, improvements to the signalling at Kildwick level crossing have been recommend to reduce delays. The Council has also been working with partners to lobby for improvements to the main roads within the District including the A56,A59, A65, A6068 and A629 , the "Central Pennine Corridor", Transport for the North have consulted on options.

We continue to provide a range of support to new and existing businesses through various programmes. These include delivery of the Digital Enterprise Business Support Programme in collaboration with partners, which enables businesses to apply for funding to invest in a range of digital technologies, which is supported by funding from the Leeds City Region Enterprise Partnership, European Regional Development Fund, and Local Authorities across the region. The SME Growth Manager - providing one-to-one advice for established businesses worked with 11 businesses from a range of sectors, covering finance for new equipment, skills development, introduction of new products and services. European funding has been secured to fully fund an additional 1.5 SME Growth Managers to work across the Districts of Bradford and Craven - their role will be to focus on providing more incentive support to a key number of high-growth businesses. The funding is available for a three-year period commencing from April 2019; Bradford Metropolitan Council will be the employer.

The Ad:Venture Enterprise Programme appointed a new business advisor to provide one-to-one advice to new and pre-start businesses in Craven. They are currently working with 6 new clients, including a distillery, business services and social media businesses.

We have also continued to support delivery of The Superfast North Yorkshire project has enabled a further 45 premises in Cracoe to benefit from superfast broadband. A £20.5m contract for a third phase of Superfast North Yorkshire broadband has recently been awarded to BT. Delivery of this started in late 2018 and continue until 2021 with a number of areas of Craven set to benefit.

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

Work has continued with partners to deliver a number of other key schemes aimed at improving the economic vitality of Craven's market towns and villages. Funding from the New Homes Bonus Infrastructure Reserve has been allocated to refurbishment schemes within Cross Hills, Ingleton, and Settle aimed at encouraging more visitors and shoppers, and boosting the local economies. Settle's Chamber of Trade (CoT) has completed the process of procuring a new 'Settle' Website. Ingleton's village centre signs are currently under refurbishment and Grassington's CoT have engaged with an external organisation to gather advice for marketing and attracting visitors.

We are continuing to work to improve access to and enjoyment of Craven's heritage and culture through our continued implementation of our business plan to restore Skipton Town Hall as a sustainable and vibrant community venue. Investment of Capital expenditure in 2018/19 has seen some refurbishment of the Town Hall and Museum in preparation of its closure for more extensive redevelopment. This will run from January 2019 to Spring 2020. We have also been successful in a Heritage Lottery Funding grant for the major redevelopment of Craven Museum and Exhibition Gallery within Skipton Town Hall which along with additional funding from the Council will see additional investment totalling £3,800k between 2018/19 and 2021/21.

Following the success of a joint funding bid in 2017 with partners at South Lakeland District Council, and the Yorkshire Dales and Lake District National Parks, to the Great Places scheme for £1.35 million, in 2017/18 we commenced delivery of a range of cultural projects to attract and retain younger people to live and work in the area and that has continued into 2018/19. The Council is a lead partner in the initiative and has agreed match funding totalling £75,000 for three years.

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

Resilient Communities

Enable active communities and improve quality of life

A key area of focus for the Council is reducing health and well-being inequalities. Terms of Reference have been agreed for the Craven Communities Together Leadership Team comprising representatives from Airedale, Wharfedale & Craven CCG, Morecombe Bay CCG, CDC, NYCC, Bradford District Care Trust, Airedale NHS Trust, GPs and Voluntary Sector. Funding allocated from CCG for specific project to address loneliness across 4 areas of the district (Greatwood and Horse Close, Bentham and Settle plus pilot run in Sutton in Craven). Also supported bid for voluntary sector. Conference held on asset based community development approach for 5/6th November to kick start the project. Skipton DfC registered as working towards becoming Dementia Friendly and supporting Craven wide steering group. 3 scam awareness sessions delivered at community cafes by Community Safety Officer, 3 more are planned. CDC has registered that working towards becoming Dementia Friendly but this piece of work will be rolled over into 2019/20 as will report of work of Craven Communities Together as work of Loneliness and Isolation project progresses.

We have been working hard supporting community groups across the District to achieve their ambitions. We continued to deliver our Member Ward Grant scheme supporting a range of community giving to projects relating to the arts, sport, playgrounds, and other infrastructure across the District, with 63 grants ranging from £100 to £1000. Projects in 2018/19 included Crosshills & District Old Age Pensioners Association, The Craven Arts Charitable Trust, BEST Group (Bentham Environmentally Sustainable Town) and Cowling Preschool & Toddlers Fundraising to name a few.

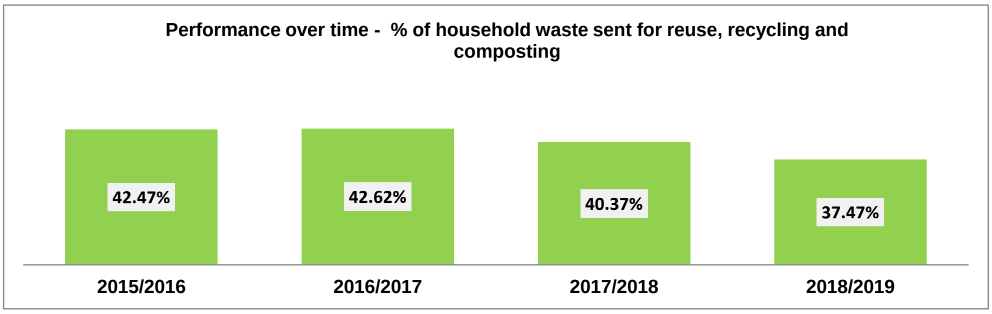
We have continued to provide support to a range of community groups across the District to help facilitate community projects. A key focus has been supporting the Friends of Aireville Park (FOAP) on the new play area within the park which launched early in 2019. A fundraising campaign was launched to fund the works above the £182k that the Council has allocated from its 2018/19 programme.

Create greener communities

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

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

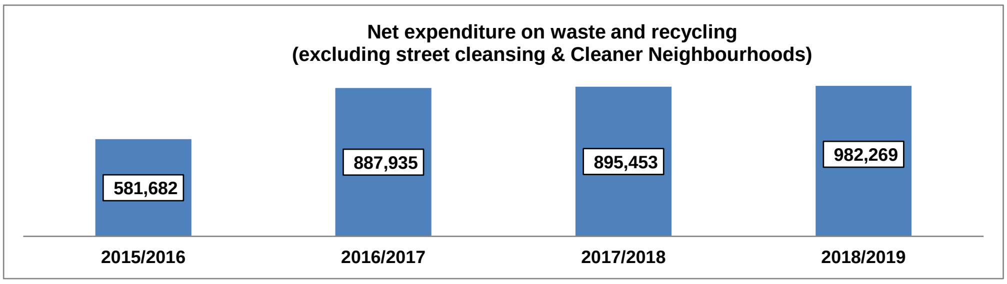
Household waste recycling has been promoted throughout the year with stickers placed on bins and information sent out in CTX communications on what can be recycled. This promotion has also seen contamination levels of recycled waste decrease to 8% in Q4. We would expect this trend to continue in 2019/20. Unfortunately there has been a decline in the Percentage of household waste sent for reuse, recycling and composting in 2018/19 - after it had remained consistent in over the last 3 years.



Focus has been also been placed on increasing the commercial recycling offer to businesses throughout the District. A review of the Council's Commercial Waste Collection Scheme has been undertaken , with an agreement for the introduction of a new charging model to be introduced from April 2019. This will result in businesses being charged for trade waste collection based on both weight of waste and volume of waste (bin size), rather than just being charge on volume of waste. This will help to improve the cost effectiveness of the services which is an important area of income generation for the Council, with income of just over £900k during 2018/19.This was above budget expectations by £75k.

In terms of overall financial spend on waste management (excluding street cleansing and Clean Neighbourhoods activity), net expenditure (costs minus income) on waste management was slightly higher than expected at £982k against budget of £910k. Whilst costs have increased in some areas of waste management, we have achieved budgets due to increased income levels. This is largely due to increases in commercial and garden waste income, showing that charging for such discretionary services is having a positive impact on the Council's overall ability to balance its budgets.

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



As part of continued improvements to waste and recycling and the need to identify further savings in Council expenditure, we have been exploring options for a joint waste authority with our North Yorkshire partners during 2017/18. The work continued in 2018/19 with sub-regional partners to develop a business case for a joint waste authority for consideration by the sub regional Chief Executive Group in the Spring of 2019. The Partnership have also had initial discussions how as a sub-region we might respond to the Governments' Resources and Waste Strategy to increase recycling

Significant work is currently being done with Parish Councils to promote the Cleaner Craven agenda with officers going out on joint patrols with members of the Parishes to identify fly tipping and dog waste hot spots. We have also developed and sent out Parish newsletters on the work we are currently undertaking and the successes we've had in year in prosecuting 2 offenders for fly tipping.

Financial Resilience

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

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

The Council's Long Term Financial Strategy (LTFS) sets out our longer term funding strategy and requirements, this is supported by our three year Medium Term Financial Plan (MTFP) Both are reviewed annually, and set out our requirements for additional savings and income needed to balance our budgets. Our Income and Savings Plan sets out the detail of how we intend to meet this target. £38k of savings has been achieved in 2018/2019 against a target of £300k for the year, which will help to contribute to the longer term savings needed.

Savings achieved in 2018/19 include £10k additional Commercial Waste Income as a result of changes to the Fees and Charges, £8k in efficiencies generated from having the Cremators replaced, £8k in savings from the refurbishment of Aireview House, £5k in External Audit Fee Savings as a consequence of PSAA negotiations and there have been other smaller savings/ increased income across a range of services.

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

(Financial performance against our budgets is explained further under Financial Performance 2018/2019)

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

During 2018/19 the tender process for the new grounds maintenance contract has been completed and should generate further savings. The redevelopment and improvement works to Aireville Park; Phases One and Two have been completed and have already benefited the aesthetics of the whole park.

We have also progressed well with initiatives for the development of shared ownership housing and have a target to deliver 45 by April 2020 . Back Gate, Ingleton - Planning application was submitted in April. Changes were required due to proximity of sports areas leading to a redesign of the site layout and number of properties. We anticipate being on site in September 2019. Low Demesne, Ingleton - Layout has had to be redesigned due to the cost of providing split level housing. Planning application should now be submitted in June with a view to being on site in September 2019. North Parade, Skipton - Submitted to planning in April. Out to tender in June, subject to planning approval. Townend Close, Glusburn - Four houses completed. Harper Grove, Sutton - Three houses due for completion in June.

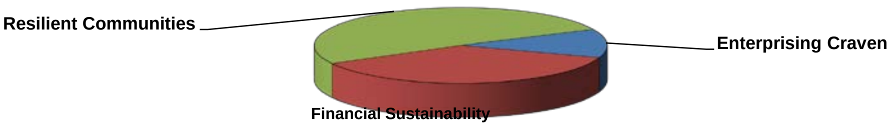
The partnership with Barnfield Investment Properties Limited, forming the Joint Venture Company known as Craven Barnfield Regeneration Limited has moved forward. It will deliver a range of major regeneration and development projects at sites across the District. Viability assessments and plans have been drawn up for a number of schemes to enable consultation and decisions to be made.

Financial Performance 2018/2019

The Council has continued to strengthen its financial position in 2017/18. The total forecasted net revenue expenditure for the Council during 2018/19 was £7,519k, this includes the net costs of services totalling £6,764k.

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

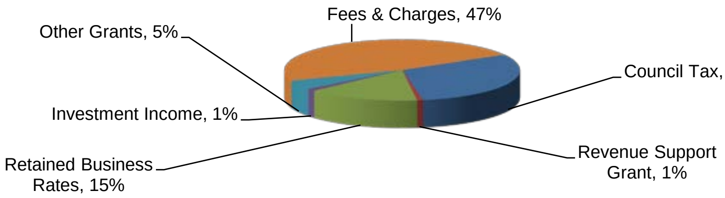
Net Cost of Services 2018/19



	Expenditure £'000	Income £'000	Net Exp. £'000
Enterprising Craven includes the costs of all Skipton Town Hall, Craven Museum & Exhibition Gallery, Art Development, Planning and Building Control, Economic Development, Tourist Information Centres and Hackney Carriage and Premises Licensing	2,447	(1,313)	1,134
Financial Sustainability includes costs of miscellaneous property, Skipton Bus Station and Council Depot sites, Belle Vue Square Offices, Corporate Senior Management Costs, costs of teams managing and maintaining the Council's property assets, other back office services of business support finance, legal, human resources, information services, and a range of other corporate costs	3,680	(280)	3,400
Resilient Communities includes the costs of a wide range of front line services delivered to the public including Craven Leisure, Public Conveniences, Car Parks, Garages, Bereavement Services, Waste and Recycling Collection, Street Cleansing, Environmental Health and Housing, Shared Ownership Housing, Elections, Democratic Services, Revenues and Benefits and Customer Services, Community Services and Communications and Partnerships	19,527	(14,799)	4,728
Adjustment for Investment Properties	-	-	-
Total Net Cost of Services	25,655	(16,392)	9,262

The chart and table below show the sources of funding to the Council, to fund our expenditure which includes the cost of services. This includes Parish Precepts paid to Parish and Town Council's totalling £1,360k.

Sources of Funding 2018/19



Sources of Income to the Council	2018/19 £'000
Revenue Support Grant	141
Retained Business Rates	2,577
Council Tax (including parishes precepts)	5,100
Investment Income	205
Non Specific Government Grants and Other Income	793
Fees & Charges	7,922
Total	**16,738**

Excluding parish precepts, in 2018/19 the Council received 9% of its net funding from Revenue Support and Other Grants, 32% from Council Tax (excluding parish precepts), 12% from Retained Business Rates, 46% from Fees and Charges, and 1% from investment income.

The Council's Capital Programme

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

The Capital Programme was agreed by the Council's Policy Committee in February 2018, at £3164k. However, as result of slippage brought forward into 2018/19, the success of Heritage Lottery Funding for the redevelopment of Craven Museum and Gallery/Skipton Town Hall and additional Council funding for the project, plus growth deal funded projects the final programme stood at £10,204k. The programme included £623k of grants under the mandatory disabled facilities grant improvements scheme, replacement of Gym equipment at Craven Leisure, replacement refuse collection vehicle, redevelopment of the Aireview House homelessness hostel, shared ownership housing and redevelopment of Skipton Town Hall.

The final programme spend for 2018/19 stands at £3,643k, the variance of £6,561k is a result of projects spanning two financial years, completing under budget, projects not able to go ahead and slippage on timescales for some projects. Required slippage will be carried forward into the 2019/20 capital programme for continuing projects. This includes the £4,300k for the redevelopment of Craven Museum Gallery/Skipton Town Hall. In addition there are £895k of growth deal and other externally funded projects in respect of the Canal and flood alleviation which will complete in 2019/20

Capital Programme

2017/18 Expenditure £'000	Areas of Capital Expenditure	2018/19 Approved Budget £'000	2018/19 Expenditure £'000
	Culture and Leisure Related		
-	Aireville Park Facilities	202	223
73	Craven Leisure (formerly Craven Pool & Fitness Centre)	225	203
4	Skipton Town Hall - Concert Hall (Arts Council England Funded Project)	0	0
406	Skipton Town Hall Redevelopment	705	1
110	Skipton Town Hall Redevelopment (Heritage Lottery Fund Scheme)	3,936	309
	Leeds Liverpool Canal Towpaths & Skipton Waterfront	545	17
	Economy, Housing and Environmental Related		
457	Aireview House Homelessness Hostel Refurbishment	293	292
42	Car Parks and Parking Machines	49	48
5	Market Town Improvements	127	64
554	Shared-ownership housing	1,187	780
55	Toilet Refurbishment - Skipton Bus Station	0	0
5	Toilet Refurbishment - Ashfield Settle	75	0
	Flood Alleviation Projects	400	32
	Waste and Recycling Related		
793	Refuse Vehicles and Associated Equipment	237	197
	Other Asset Infrastructure		
218	IT Infrastructure	265	84
25	St Andrews Church Kildwick - Wall Repairs	0	0
1	Skipton Depot	240	49
7	Waltonwrays Crematorium Improvements	1,095	839
	Grant Assistance to Residents		
280	Disabled Facilities Capital Grants & Other Home Improvement Grants	623	505
	Other		
400	Loan to Craven College	0	0
3,435	**Total Capital Expenditure**	**10,204**	**3,643**

The Council finances this expenditure from a variety of sources. An analysis of how the Capital Programme Expenditure in 2018/19 has been financed is set out on the next page.

2017/18 £'000	Capital Programme - Methods of Financing	2018/19 £'000
642	Prudential Borrowing	932
777	Capital Grants	1,466
747	Capital Receipts	678
1,269	Revenue Contribution	567
3,435	**Total Financing**	**3,643**

Review of the Council's Current Financial Position

Balance Sheet

The Council's Balance Sheet shows that the net worth of the Council increased by just under £1.0 million to £23,387k at 31 March 2019 from £22,456k at 31 March 2018.

The value of our long term non-current assets which are made up of the Council's property, equipment and vehicles used to deliver Council services, and also other assets such as investments have increased by £130k to £39,488k at 31st March 2019 compared to £39,358k at 31 March 2018.

The value of current assets decreased slightly by £609k to £15,559k at 31st March 2019 from £16,168k at 31st March 2018. The majority of which being short term investments of £11,000k which increased by £974k from £10,026k at 31 March 2018, short term debtors at £2,711k an increase of £59k from 31 March 2018, and cash and equivalents at £1,791k decreasing from £3,441k at 31 March 2018. Though was offset by a decrease in current liabilities to £5,462k from £5,932k, in the main due to a decrease in short term creditors to the Council of £360k.

The Council's long term liabilities have decreased by £940k to £26,198k at 31st March 2019 compared to £27,138k at 31st March 2018. This is due to a reduction in liabilities in the Council's share of the deficit in the North Yorkshire Pension Fund which have decreased to £20,204k at 31 March 2019 from £21,144k at 31 March 2018, due to increased gains on investment, and prepayment in 2017/18 of deficit liabilities for 2018/19 and 2019/20 which has given benefits of additional cost discount. This is a long-term position, and contribution rates are set to meet 100% of local authorities' liabilities over time, under Pension Fund Regulations. The table "Scheme History" in Note 36 sets out the Council's estimated share of the North Yorkshire County Council's Pension Fund's assets and liabilities.

Council Reserves

At 31st March 2019 the Council's total reserves stood at £23,387k compared to £22,456k at 31st March 2018, an increase of £931k. This includes unusable reserves of £12,868k and usable reserves of £10,519k.

Useable reserves of £10,519k, includes £995k of unallocated general fund revenue reserves and £7,218k of earmarked general fund reserves. This reflects the decision to set aside to fund a range of projects including those to generate future savings and develop new working practices, resource to provide for potential cost pressures resulting from refunds required through the localisation of Business Rates, capital receipts reserves of £2,068k to fund the capital programme, and £238k of unapplied capital grants.

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. For 2018/19 the minimum level was calculated to be £995k for General Fund. The Medium Term Financial Plan assumes increases to earmarked reserves over the next few years to ensure that future demands can be met.

Current Economic Climate

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

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

The Council's Long Term Financial Strategy (LTFS) 2019/20 to 2027/28 and the Medium Term Financial Plan (MTFP) 2019/20 to 2021/22, agreed in February 2019, show that further savings of £449k will be required in 2020/21 and £468k in 2021/22 to balance the following year's budget.

Corporate Governance and Risks

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

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

EXPLANATION OF THE FINANCIAL STATEMENTS

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

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

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

The following pages summarise the financial activities of Craven District Council in 2018/19 and comment upon the most significant matters reported in the accounts. This publication incorporates all of the financial statements and disclosure notes required by statute. The accounts have been produced in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19: Based on International Financial Reporting Standards (The Code), and the Service Expenditure Reporting of the Council.

The Council's accounts for the year 2018/19 comprise:

- **The Statement of Responsibilities for the Statement of Accounts (page 15).** Under the Code of Practice on Local Authority Accounting in the UK 2005, there is a requirement for the Council, in addition to the Chief Financial Officer, to certify its approval of the Statement of Accounts.

- **The Movement in Reserves Statement (MIRS) (page 18).** This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

- **The Comprehensive Income and Expenditure Statement (CIES) (page 19).** This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Balance Sheet (page 20).** The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **The Cash Flow Statement (page 21).** The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

- **The Notes to the Financial Statements (pages 22 to 69).** These provide additional information about the figures in the core financial statements.

Supplementary Statements Comprising:

- **The Collection Fund Account (page 70).** 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 72 to 74).** 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 75 to 79)**
- **Glossary of Terms and Index of Notes (pages 80 to 86).** Terms used throughout this document are described in detail in these pages.
- **The Annual Governance Statement (Appendix 1 Page 88).** A statement explaining how the Council maintains an effective system of internal financial control.

Structure of the Council's Accounts

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

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

The way each of these is funded is also different:

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

Non-Current Assets

In accordance with the Council's 5-year rolling programme, a number of properties (land and buildings) were revalued in 2018/19. This resulted in valuation increases and decreases. Valuations were carried out by the Council's internal RICS-registered surveyor. In addition, an impairment review of properties was undertaken and it was found that no properties needed to be downwardly revalued due to impairment.

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

Prior Period Adjustments

Prior period adjustments have been made to the Council's 2017/18 published financial statements.

There have been some amendments in relation to the correction of a imbalance MiRS (as agreed within the Audit 2017/18) to reflect the treatment of a Prepayment for the upfront pension deficit payment, in order to achieve a discount on the interest payments. This has meant a representation of the CiES and the MiRS for 2017/18. Further details of the restatement can be found in Note 41, Prior Period Adjustments.

Further Information

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

SECTION 2

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has 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 were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I hereby certify that the Statement of Accounts on pages 18 - 74 gives a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2019.

Richard Weigh
CPFA
Chief Finance Officer **Date: 24th September 2019**

Approval by Chair of Audit and Governance Committee

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

Chair of Audit and Governance Committee **Date: 24th September 2019**

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 2017	**995**	**6,596**	**2,758**	**301**	**10,650**	**4,390**	**15,040**
Movement in Reserves during 2017/18 - Restated							
Surplus or (deficit) on provision of services	1,706	0	0	0	**1,706**	**0**	**1,706**
Other Comprehensive Expenditure and Income	0	0	0	0	**0**	**5,709**	**5,709**
Total Comprehensive Expenditure and Income	**1,706**	**0**	**0**	**0**	**1,706**	**5,709**	**7,415**
Adjustments between accounting basis & funding basis under regulations (note 7)	(1,960)	0	(340)	(13)	**(2,313)**	**2,313**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(254)**	**0**	**(340)**	**(13)**	**(607)**	**8,022**	**7,415**
Transfers to/from Earmarked Reserves (note 8)	254	(254)	0	0	**0**	**0**	**0**
Movement in Year	**0**	**(254)**	**(340)**	**(13)**	**(607)**	**8,022**	**7,415**
Balance at 31 March 2018 carried forward	**995**	**6,342**	**2,418**	**288**	**10,043**	**12,413**	**22,456**
Movement in reserves during 2018/19							
Surplus or (deficit) on provision of services	(1,399)	0	0	0	**(1,399)**	**0**	**(1,399)**
Other Comprehensive Expenditure and Income	0	0	0	0	**0**	**262**	**262**
Total Comprehensive Expenditure and Income	**(1,399)**	**0**	**0**	**0**	**(1,399)**	**262**	**(1,137)**
Adjustments between accounting basis & funding basis under regulations (note 7)	2,275	0	(350)	(51)	**1,874**	**(1,874)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**877**	**0**	**(350)**	**(51)**	**476**	**(1,612)**	**(1,137)**
Transfers to/from Earmarked Reserves (note 8)	(877)	877	0	0	**0**	**0**	**0**
Movement in Year	**0**	**877**	**(350)**	**(51)**	**476**	**(1,612)**	**(1,136)**
Balance at 31 March 2019 carried forward	**995**	**7,219**	**2,068**	**238**	**10,520**	**10,801**	**21,321**

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2017/18 Restated				2018/19			
Expenditure £'000	Income £'000	Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	Notes
1,949	(1,170)	779	Enterprising Craven	2,447	(1,313)	1,134	
2,828	(188)	2,639	Financial Sustainability	3,680	(280)	3,400	
17,049	(14,525)	2,525	Resilient Communities	19,527	(14,799)	4,728	
21,826	**(15,883)**	**5,943**	**Cost of Services**	**25,654**	**(16,392)**	**9,262**	
		1,473	**Other Operating Expenditure**			1,394	9
		65	**Financing and Investment Income & Expenditure**			604	10
		(9,187)	**Taxation and Non-Specific Grant Income**			(9,862)	11
		(1,706)	**(Surplus) or Deficit on Provision of Services**			**1,399**	
			Other Comprehensive Income and Expenditure				
		(3,966)	(Surplus) or deficit on Revaluation of Property, Plant and Equipment Assets			(202)	22.1
		413	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			2,073	22.1
		(2,156)	Remeasurement of net defined benefit / (liability)			(2,133)	36
		(5,709)	**Total Other Comprehensive Income and Expenditure**			**(262)**	
		(7,415)	**Total Comprehensive Income and Expenditure**			**1,137**	

BALANCE SHEET

31-Mar-18 Restated £'000		31-Mar-19 £'000	31-Mar-19 £'000	Notes
34,590	Property Plant & Equipment	33,428		12
2,176	Investment Properties	2,207		12
1,884	Heritage and Community Assets	1,884		12
312	Intangible Assets	358		15
6	Long Term Investments	18		16
391	Long Term Debtors	201		16
39,359	**Total Long Term Assets**		**38,096**	
10,426	Short Term Investments	12,000		16
-	Assets Held For Sale	-		19
49	Inventories and Work in Progress	57		
2,652	Short Term Debtors	2,695		17
3,041	Cash and Cash Equivalents	905		18
16,168	**Total Current Assets**		**15,657**	
-	Cash and Cash Equivalents	-		18
(48)	Short Term Borrowing	(48)		16
(5,458)	Short Term Creditors	(5,098)		20
(427)	Provisions	(316)		39
(5,932)	**Total Current Liabilities**		**(5,462)**	
(5,988)	Long Term borrowing	(5,988)		16
(6)	Other Long Term Liabilities	(6)		
(21,144)	Defined Benefit Pension Scheme	(20,976)		36
(27,138)	**Total Long Term Liabilities**		**(26,970)**	
22,456	**Net Assets**		**21,321**	
10,043	**Usable Reserves**		10,520	21
12,413	**Unusable Reserves**		10,801	22
22,456	**Total Reserves**		**21,321**	

Richard Weigh
CPFA
Chief Finance Officer

Dated: 24th September 2019

CASH FLOW STATEMENT

2017/18 Restated £'000		2018/19 £'000	Notes
1,706	**Net surplus/(deficit) on the provision of services**	(1,399)	
(86)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	3,839	23
(417)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(344)	23
1,203	**Net cash flows from operating activities**	**2,097**	
(2,307)	Investing Activities	(2,695)	24
(335)	Financing Activities	(1,539)	25
(1,439)	Net Increase or (Decrease) in cash and cash equivalents	(2,137)	
4,481	Cash and cash equivalents at the beginning of the reporting period	3,042	
3,042	**Cash and cash equivalents at the end of the reporting period**	**905**	18

SECTION 4

NOTES TO THE CORE FINANCIAL STATEMENTS

INDEX OF NOTES

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 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

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

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Revenue relating to such items as Council Tax and Non Domestic Rates, is measured at the full amount receivable (net of any impairment losses) as they are non-contractual non-exchange transactions and there can be no difference between the delivery and payment dates.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the balance sheet.
- In the event that consideration has been paid in advance of the receipt of goods or services or other benefit, an authority shall recognise a debtor (i.e. payment in advance) in respect of that outflow of resources.
- Authorities shall account for revenue recognition in accordance with IFRS 15 Revenue from Contracts with Customers. The authority will recognise revenue from contracts with service recipients in accordance with the following; Identify if a Contract exists; identify any performance obligations that may exist; determine a transaction price; allocate said price to performance obligations and recognise the price once a performance obligation has been satisfied.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- In the event that consideration is received but the revenue does not meet the recognition criteria as described above, the Council recognises it as a creditor (i.e. receipt in advance) in respect of that inflow of resources.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is charged to a bad debts provision. Contributions to the provision are made by charging the service revenue accounts dependent upon the value of outstanding aged debts.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Year-end accruals and prepayments are made, as appropriate, subject to a de-minimis level of £500.

1.3. Cash & Cash Equivalents

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

1.3.1. Cash Flow

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

1.3.2. Capital Receipts

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

1. Accounting Policies continued ……

1.4. Council Tax and Non-domestic Rates (England)

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

Accounting for Council Tax and NDR

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

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or deterinable payments), the asset is written down and a charge made to 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 revised future cash flows.

1.5. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6. Charges to Revenue for Non-Current Assets

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

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

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

1.7. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

1. Accounting Policies continued ……

1.7. Employee Benefits continued……

Termination Benefits continued ……

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

Post Employment Benefits

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% on long dated AA rated Corporate

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

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

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

Service Cost Comprising:

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

Remeasurements Comprising:

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

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority 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 gfrom 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 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

1. Accounting Policies continued ……

1.8. Events After the Reporting Period continued ……

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

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

1.9. Financial Instruments

Financial Liabilities

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

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

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

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the fianncial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authotity's business model is to hold investments to collect contrcatual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not soley payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

contractual provisions of a financial instrument and are initailly 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 of the financial assets held by the authority, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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.

Expected Credit Loss Model

The authority recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss odel also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where the risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisoins of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

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

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

1.12. Intangible Assets

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

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

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

1.13. Interests in Companies and Other Entities

The Council has an interest in a company that has the nature of a joint venture arrangement, but considers it not sufficiently material to require the preparation of group accounts for 2018/19. This assessment is reviewed annually.

1.14. Inventories and Long-term Contracts

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

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

1. Accounting Policies continued ……

1.15. Investment Property

Investment properies are those that are used solely to earn rental income and/or for capital appreciation. The definition is not met if the property is used in ant way to facilitate the delivery of services or production of goods or is held for sale. The Council's property portfolio is reviewed annually to identify any additional assets which meet or cease to meet this criteria.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participants perspective. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

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

1.16. Accounting for Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

1. Accounting Policies continued ……

1.16. Accounting for Leases continued……

The Council as a Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

1.17. Overheads and Support Services

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

1.18. Property, Plant and Equipment

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

Recognition:

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

Measurement:

Assets are initially measured at cost, comprising:

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

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

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

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

1. Accounting Policies continued ……

1.18. Property, Plant and Equipment continued……

Measurement continued…….:
Assets are then carried on the Balance Sheet using the following measurement bases:

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

Otherwise, net current replacement cost is assessed as:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargable based on their historical cost being transferred each year from the Revaluation Reserve to teh Capital Adjustment Account

1. Accounting Policies continued ……

1.18. Property, Plant and Equipment continued……

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

Remaining Useful Asset Life:
The calculation of depreciation takes into consideration the expected remaining useful life of each asset.

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

Disposals and Non-Current Assets Held For Sale:

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

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

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

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

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

1.19. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the CIES when the authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

1. Accounting Policies continued ……

1.19. Provisions, Contingent Liabilities and Contingent Assets continued……

Contingent Liabilities

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

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

Contingent Assets

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

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

1.20. Reserves

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

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

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

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

1.21. Revenue Expenditure Funded from Capital under Statute

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

1.22. Value Added Tax (VAT)

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

1.23. Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The amendments that are to be adopted in the 2019/20 Code that will be applied or may need to be applied by the authority are as follows:

IAS 40 Investment Property: Transfers of Investment Property. IPSAS 16 Investment Property is based on IAS 40, and provides additional guidance for public sector bodies. Recent changes to IAS 40 have yet to be reflected in IPSAS 16, and in these cases the Code requires authorities to follow IAS 40 rather than IPSAS 16. IAS 40 details the accounting arrangements that apply where assets are reclassified as investment property or are reclassified from investment property. Where such reclassifications take place, authorities shall follow the accounting arrangements set out in paragraphs 57 to 65 of IAS 40. Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the

IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard. These minor amendments clarify that the disclosure requirements in IFRS 12 apply to interests that are classified as held for sale or discontinued operations. This will have minimal impact on the Council.

IAS 28 Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value. This is to clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Council has a Joint Venture with Barnfield Construction and for 2018/19 this is not material. The position will be reviewed on an annual basis once the JV commences it's project work.

IFRIC 22 Foreign Currency Transactions and Advance Consideration IFRIC 22 provides guidance applicable when an entity receives or pays consideration in advance in a foreign currency. The Council does not undertake transactions as a matter of routine in foreign currency and is theregore unlikely to be affected by this change except in exceptional circumstances.

IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This change does not currently affect the Council as it does not operate a subsiduary company under commercial guidelines.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation. This is a narrow-scope amendment to IFRS 9. The amendment covers two issues: 1) What financial assets may be measured at amortised cost. The amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. It is likely to have the biggest impact on banks and other financial services entities and be broadly welcomed by companies. 2) How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract". This could impact on the Council should it choose to repay any loans in adavnce of their normal maturity date.

3. Critical Accounting Judgements In Applying Accounting Policies

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

Classification of Leases

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

Arrangements Containing a Lease - Implied Leasing

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

Local Government Funding

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

Investment Properties (Commercial Property)

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

Assets Held For Sale

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

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

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

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

Valuation and Revaluation of Property Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets, and the expected period that each asset will be used for its existing purpose. The Authority will ensure that its assets are maintained to a usable standard to ensure remaining useful lives will not be shortened

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

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investent properties, the authority's in-house valuer or external valuer).

Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16 below.

The fair value of investment property is done as Level 2. The values have 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.

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 £1,270k.

Arrears

At 31 March 2019, the Authority had a balance of sundry debtors for £245k and housing benefit overpayments of £215k. A review of all balances suggested that an impairment of doubtful debts of £344k 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 £23k to be set aside as an allowance.

Employee Benefits Accrual

The employee benefits accrual cost was calculated for years from 2008/09 to 2016/17. There is little or no variation year on year. The amount involved is deemed not to be material and therefore no adjustment has been made to the accrual included within the accounts. The calculation will be performed and reviewed each year and should it be deemed material an adjustment to the accrual will be made in the accounts. The level of leave at the end of 2018/19 has not altered materially from 2016/17.

5. Material Items of Income & Expenditure

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

6. Events After The Reporting Period

The unaudited Statement of Accounts was authorised for issue on 31 May 2019 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2018/19	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,717			(1,717)
Revaluation gains/(losses) on Property, Plant and Equipment	70			(70)
Movements in the fair value of Investment Properties	148			(148)
Amortisation of intangible assets	20			(20)
Capital grants and contributions applied	(548)			548
Revenue expenditure funded from capital under statute	-			-
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	257			(257)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(245)	-		245
Capital expenditure charged against the General Fund	(532)			532
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(282)		282	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(333)	333
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	(295)	295		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(694)		694
Other cash receipts	(49)	49		-

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

2018/19	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements				-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 36)	2,869			(2,869)
Employer's pensions contributions and direct payments to pensioners payable in the year	(904)			904
less prepayment of 2018/2019 and 2019/20 employers' contributions payable	-			-
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	83			(83)
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	(34)			34
Cost of Services	**2,275**	**(350)**	**(51)**	**(1,874)**

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2017/18	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	1,409			(1,409)
Revaluation gains/(losses) on Property, Plant and Equipment	277			(277)
Movements in the fair value of Investment Properties	(527)			527
Amortisation of intangible assets	19			(19)
Capital grants and contributions applied	(471)			471
Revenue expenditure funded from capital under statute	25			(25)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	299			(299)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(319)	(10)		329
Capital expenditure charged against the General Fund	(1,264)			1,264
Movements in Donated Assets	-			-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(13)		13	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(26)	26
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(355)	355		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(747)		747
Other cash receipts	(62)	62		-

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

2017/18	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements				-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 36)	2,012			(2,012)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,577)			2,577
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(31)			31
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(382)			382
Cost of Services	**(1,960)**	**(340)**	**(13)**	**2,313**

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

8. Earmarked Reserves

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

	Balance at 31-Mar-17 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-18 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-19 £'000	See Notes Below
Bishopdale Court	5	-	-	5	-	-	5	
Building Control Reserve	25	-	-	25	-	-	25	
Buildings Reserve	501	(297)	156	360	(98)	448	710	8.1
Business Rates Equalisation	1,094	(484)	140	750	(100)	500	1,150	8.2
Contingency	25	-	75	100			100	
Edith Stead Bequest Reserve	2	-	-	2			2	
Elections	-	-	35	35	(7)		28	8.3
Enabling Efficiencies Fund	371	(91)	20	300	(19)	21	302	8.4
ERDF Funds	48	-	-	48			48	8.5
Future Year Budget Support	229	(100)	111	240	(99)	30	171	8.6
Insurance	60	-	10	70		10	80	
IT Reserve	739	(218)	39	560	(109)	60	511	8.7
Local Authority Business Growth Incentive	9	-	-	9			9	
Local Plan / Planning Reserve	676	(230)	29	475	(135)	100	440	8.8
New Homes Bonus	2,010	(662)	844	2,192	(328)	531	2,395	8.9
Partial Exemption Reserve	17	-	783	800	(200)		600	8.10
Revenue Expenditure Reserve	124	(124)	21	21	(21)	54	54	8.11
Vehicle Replacement Reserve	661	(348)	37	350	(192)	430	588	8.12
Total	6,596	(2,554)	2,300	6,342	(1,308)	2,184	7,218	

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

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

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

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

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

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

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

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

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

8.10. Partial Exemption Reserve carries funds to offset the impact on revenue services if the Council's partial exemption de-minimis threshold of 5% is exceeded meaning that VAT on purchases cannot be recovered for certain Council services.

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

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

9. Other Operating Expenditure

2017/18 £'000		2018/19 £'000
1,314	Parish Precepts	1,360
(62)	Receipts from covenants & other capital cash	(39)
277	Revaluations (Gain) / Loss Chargeable to the CIES	70
(56)	(Gains) / Losses on Disposal of non-Current assets	3
1,473	**Total**	1,394

10. Financing and Investment Income and Expenditure

2017/18 £'000		2018/19 £'000
256	Interest Payable and similar charges	256
(122)	Interest Receivable and similar income	(205)
565	Net interest on the net defined benefit liability (asset)	538
(634)	Changes in the fair value of investment properties	15
-	Other investment income	-
65	**Total**	604

11. Taxation and Non-Specific Grant Income

2017/18 £'000		2018/19 £'000
(5,019)	Council Tax	(5,131)
(2,353)	Non Ring-fenced Government Grants	(2,351)
(484)	Capital Grants and other contributions	(830)
(7,207)	Retained Business Rates	(7,424)
5,876	Business Rates Tariff/(Top Up)	5,874
(9,187)	**Total**	(9,862)

12. Property, Plant and Equipment

12.1. Depreciation

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

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

12.2. Property, Plant and Equipment, Heritage Assets & Investment Properties

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 2018/19 have been undertaken in-house by a RICS-qualified valuer.

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

2018/19	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Surplus Assets £'000	Community Assets £'000	PPE, SA & CA TOTAL £'000	Investment Property £'000	Heritage Assets £'000	TOTAL £'000
Tangible Assets								
Cost or Valuation at 31 March 2018	31,097	6,341	2,780	1,333	41,551	2,176	1,884	45,611
Movement in 2018/2019								
Additions	1,431	1,542	-	-	2,973	-	-	2,973
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(420)	-	(1,531)	-	(1,951)	-	-	(1,951)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(70)	-	-	-	(70)	(148)	-	(218)
Derecognition - disposals	(298)	(271)	-	-	(569)	-	-	(569)
Reclassification	(179)	-	-	-	(179)	179	-	-
Value as at 31 March 2019	**31,561**	**7,612**	**1,249**	**1,333**	**41,755**	**2,207**	**1,884**	**45,846**
Accumulated Depreciation and Impairment								
at 31 March 2018	3,090	3,851	20	-	6,961	-	-	6,961
Movement in 2018/2019								
Depreciation for the Year	1,418	294	5	-	1,717	-	-	1,717
Depreciation written out to the Revaluation Reserve	(80)	-	-	-	(80)	-	-	(80)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	(6)	(265)	-	-	(271)	-	-	(271)
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Value as at 31 March 2019	**4,422**	**3,881**	**25**	**-**	**8,327**	**-**	**-**	**8,327**
Net Book Value								
at 31 March 2019	**27,140**	**3,731**	**1,224**	**1,333**	**33,428**	**2,207**	**1,884**	**37,519**
at 31 March 2018	28,007	2,490	2,760	1,333	34,590	2,176	1,884	38,650

12.2. Property, Plant and Equipment, Heritage Assets & Investment Properties

Movement on Fixed Assets

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

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

2017/18	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Surplus Assets £'000	Community Assets £'000	PPE TOTAL £'000	Investment Property £'000	Heritage Assets £'000	TOTAL £'000
Tangible Assets								
Cost or Valuation at 31 March 2017	26,717	5,592	2,780	1,328	36,417	1,741	1,751	39,909
Movement in 2017/2018								
Additions	1,632	990	-	6	2,628	-	-	2,628
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	3,126	-	-	-	3,126	-	280	3,406
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(182)	-	-	-	(182)	527	(147)	198
Derecognition - disposals	(288)	(269)	-	(1)	(558)	-	-	(558)
Reclassification	92	28	-	-	120	(92)	-	28
Value as at 31 March 2018	**31,097**	**6,341**	**2,780**	**1,333**	**41,551**	**2,176**	**1,884**	**45,611**
Accumulated Depreciation and Impairment								
at 31 March 2017	2,179	3,811	15	-	6,005	-	-	6,005
Movement in 2017/2018								
Depreciation for the Year	1,115	289	5	-	1,409	-	-	1,409
Depreciation written out to the Revaluation Reserve	(148)	-	-	-	(148)	-	-	(148)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	(52)	-	-	-	(52)	-	-	(52)
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	(4)	(249)	-	-	(253)	-	-	(253)
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Value as at 31 March 2018	**3,090**	**3,851**	**20**	**-**	**6,961**	**-**	**-**	**6,961**
Net Book Value								
at 31 March 2018	**28,007**	**2,490**	**2,760**	**1,333**	**34,590**	**2,176**	**1,884**	**38,650**
at 31 March 2017	24,538	1,781	2,765	1,328	30,412	1,741	1,751	33,904

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 2019, and commitments to meet items in the proposed capital programme where contracts have not been entered into, which are not already reflected within the accounts.

The Council has committed to expenditure in future years of £2,237k, as shown in the table below;

	Expenditure approved and contracted at 31-Mar-19 £'000	Expenditure approved to proceed but not contracted at 31-Mar-19 £'000	Period of Investment
IT Software	-	75	1-3 years
Vehicles & Equipment	295	277	1-3 years
Home Improvement & Repair Grants	96	574	1-3 years
Other Grants	-	-	1-3 years
Craven Market Towns Development	-	-	1-5 years
Property Acquisitions / New Build	58	780	1-3 years
Improvements to Property	25	57	1-3 years
Total	**474**	**1,763**	

12.4. Revaluations

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

	Other Land and Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historical cost:	-	3,731	-	3,731
Current Value as at:				
31-Mar-19	4,119	-	1,219	5,338
31-Mar-18	10,000	-	-	10,000
31-Mar-17	4,604	-	-	4,604
31-Mar-16	9,000	-	5	9,005
31-Mar-15	1,624	-	-	1,624
Total Cost or Valuation	29,347	3,731	1,224	34,302

12.5. Surplus Assets

Fair Value Hierarchy

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

Valuation Techniques Used to Determine Level 2 Fair Values for Surplus Assets

The fair value for surplus properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar properties in the local authority area. 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 at Level 2 in the fair value hierarchy.

In estimating the fair value of the Council's surplus properties, the highest and best use of the properties is their current use.

13. Heritage Assets

Heritage assets are included in the Balance Sheet at their insurance valuations. Revaluation occurs every five years with the last one being done in June 2014, unless an event dictates otherwise. Revaluations in the year included those items of significant value forming part of the Roebuck Collection of artworks, and the Shakespeare First Folio. There were no disposals of capitalised heritage assets in the year.

14. Investment Properties

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

	2017/18 £'000	2018/19 £'000
Rental Income From Investment Property	109	140
Direct Operating expenses arising from investment property	(2)	(7)
Net Gain / (Loss)	**107**	**133**

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

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

	2017/18 £'000	2018/19 £'000
Balance at start of the year	1,741	2,176
Additions:		
Purchases	-	-
Construction	-	-
Subsequent Expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	527	(148)
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	(92)	179
Other Changes	-	-
Balance at end of Year	**2,176**	**2,207**

Fair Value Hierarchy

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

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

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

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

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.

2017/18 Software Licenses £'000		2018/19 Software Licenses £'000
	Cost	
1,469	Historic Cost brought forward 1 April	1,537
96	Additions	66
(28)	Reclassifications	-
-	Disposals	-
1,537	Historic Cost carried forward 31 March	1,603
	Amortisation and Impairments	
1,206	Accumulated amortisation and impairment brought forward	1,225
19	Charge for year	20
-	Reclassifications	-
-	Disposals	-
1,225	Accumulated amortisation and impairment carried forward	1,245
312	**Balance Sheet at 31 March**	**358**

16. Financial Instrument Balances

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are detailed below. The council has categorised its financial instruments, in accordance with IFRS 9, as either amortised cost, fair value through profit or loss, or fair value through other comprehensive income. Note 38 provides additional details regarding financial instruments.

Financial Assets	Non-Current Restated 31-Mar-18 £'000	Non-Current 31-Mar-19 £'000	Current Restated 31-Mar-18 £'000	Current 31-Mar-19 £'000
Investment				
Fair value through profit or loss	6	18	1,000	-
Amortised cost			10,426	12,000
Fair Value through other comprehensive income	-	-	-	-
Total Investments	**6**	**18**	**11,426**	**12,000**
Debtors				
Loans and receivables held at Amortised cost	391	201	12	97
Total Debtors	**391**	**201**	**12**	**97**
Total	**397**	**219**	**11,438**	**12,097**

Financial liabilities	Non-Current 31-Mar-18 £'000	Non-Current 31-Mar-19 £'000	Current 31-Mar-18 £'000	Current 31-Mar-19 £'000
Borrowings				
Fair value through profit or loss	-	-	-	-
Amortised cost	5,988	5,988	48	48
Creditors				
Non Statutory			2,918	3,179
Total financial liabilities	**5,988**	**5,988**	**2,966**	**3,227**
Non-financial liabilities	-	-	0	0
Total	**5,988**	**5,988**	**2,966**	**3,227**

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows: The net gain from financial assets measured at fair value through profit or loss during the year was £5K. The interest earned from financial assets held at amortised cost during 18/19 was £133k The interest earned from loans held at amortised cost amounted to £21k.

The interest expense on financial liabilities held at amortised cost during the year amounted to £256k.

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

Except for the financial assets carried at fair value, as shown in the above table, all other financial assets and liabilities held by the council are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

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

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;

The fair value of trade and other payables is taken to be the billed amount, hence the fair value will be the same as the carrying amount.

The fair values calculated using Link Asset Services' method (new borrowing rate) are as follows	31 March 2018 Carrying Amount £'000	31 March 2018 Fair Value £'000	31 March 2019 Carrying Amount £'000	31 March 2019 Fair Value £'000
Financial Liabilities held at amortised cost	5,988	8,629	5,988	8,746

The fair values calculated using PWLB's method (premature repayment rate) are as follows	31 March 2018 Carrying Amount £'000	31 March 2018 Fair Value £'000	31 March 2019 Carrying Amount £'000	31 March 2019 Fair Value £'000
Financial Liabilities held at amortised cost	5,988	10,351	5,988	10,482

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 2018 Carrying Amount £'000	31 March 2018 Fair Value £'000	31 March 2019 Carrying Amount £'000	31 March 2019 Fair Value £'000
Financial assets held at amortised cost	10,426	10,426	12,000	12,000

The fair value is the same as the carrying amount because the authority's portfolio of investments consists predominantly of fixed rate loans where the interest rate receivable is the same as the rates available for similar loans at the balance sheet date.

17. Short-Term Debtors

The following table shows the amounts owed to the Council for which payments have not been received by 31 March 2019. 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-18 £'000		31-Mar-19 £'000
425	Central Government Bodies	739
306	Other Local Authorities / Public Bodies	254
2,378	Other Entities and Individuals	1,953
3,109		**2,946**
(457)	Less Provision for Bad Debts	(348)
2,652	**Total**	**2,598**

17a. Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follow:

31-Mar-18 £'000		31-Mar-19 £'000
255	Less than three months	236
698	Three months to one year	665
712	More than one year	755
1,665		**1,656**

18. Cash and Cash Equivalents

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

Balance at 31-Mar-18 £'000		Balance at 31-Mar-19 £'000
6	Cash held by the Authority	6
1,004	Bank Current Accounts	899
2,030	Short-term Deposits	0
3,041		**905**

19. Assets Held For Sale

There are no items fulfilling the criteria of Assets Held for Sale as at 31 March 2019.

20. Creditors

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

31-Mar-18 £'000		31-Mar-19 £'000
1,030	Central Government Bodies	892
2,307	Other Local Authorities / Public Bodies	1,556
2,121	Other Entities and Individuals	2,650
5,458	**Total**	**5,098**

21. Usable Reserves

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

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

2017/18 £'000		2018/19 £'000	Note
	Usable Reserves		
995	General Fund	995	21.1
6,342	Earmarked Reserves	7,218	21.2
2,418	Capital Receipts Reserve	2,068	21.3
288	Capital Grants Unapplied	238	21.4
10,044	**Total**	**10,520**	

21.1. General Fund

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

21.2. Earmarked Reserves

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

21.3. Capital Receipts Reserve

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

21.4. Capital Grants Unapplied Reserve

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

22. Unusable Reserves

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

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

2017/18 £'000		2018/19 £'000	Note
	Unusable Reserves		
	Revaluation Balances		
13,675	Revaluation Reserve	11,246	22.1
19,860	Capital Adjustment Account	20,558	22.2
(21,144)	Pensions Reserve	(20,976)	22.3
-	Deferred Capital Receipts Reserve	-	22.4
80	Collection Fund Adjustment Account	31	22.5
(58)	Accumulated Absences Account	(58)	22.6
12,413	**Total**	**10,801**	

22.1. Revaluation Reserve

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

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

22. Unusable Reserves continued……

22.1. Revaluation Reserve continued……

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

2017/18 £'000		2018/19 £'000
10,518	**Balance brought forward at 1 April**	**13,675**
3,966	Upwards revaluation of assets	202
(413)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(2,073)
3,553	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	**(1,871)**
(291)	Difference between fair value depreciation and historical cost depreciation	(517)
(105)	Accumulated gains on assets sold or scrapped	(41)
(396)	Amount written off to the Capital Adjustment Account	**(558)**
13,675	**Balance carried forward at 31 March**	**11,246**

22.2. Capital Adjustment Account

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

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

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

2017/18 £'000		2018/19 £'000
18,128	**Balance brought forward at 1 April**	**19,860**
-	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-
(1,409)	Charges for depreciation and impairment of non-current assets	(1,717)
(19)	Amortisation of intangible assets	(20)
(276)	Revaluation losses on Property, Plant and Equipment	(70)
(25)	Revenue Expenditure Funded From Capital Under Statute	-
(299)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(257)
(2,028)		(2,064)
396	Adjusting amounts written out of the Revaluation Reserve	558
(1,632)	**Net written out amount of the cost of non-current assets consumed in the year**	**(1,506)**
	Capital financing applied in the year:	
747	Use of the Capital Receipts Reserve to finance new capital expenditure	694
471	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	548
26	Application of grants to capital financing from the Capital Grants Unapplied Account	333
329	Minimum Revenue Provision - Borrowing	245
1,264	Capital expenditure charged against the General Fund	532
2,837	**Total capital financing applied in the year**	**2,352**
527	Movements in the market value of Investment Properties debited or credited to the CIES	(148)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
19,860	**Balance carried forward at 31 March**	**20,558**

22. Unusable Reserves continued……

22.3. Pensions Reserve

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

2017/18 £'000		2018/19 £'000
(23,865)	**Balance brought forward at 1 April**	**(21,144)**
2,156	Remeasurements of the net defined benefit liability / (asset)	2,133
(2,012)	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,869)
2,577	Employer's pensions contributions and direct payments to pensioners payable in the year	904
(21,144)	**Balance carried forward at 31 March**	**(20,976)**

22.4. Deferred Capital Receipts Reserve

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

22.5. Collection Fund Adjustment Account

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

2017/18 £'000		2018/19 £'000
(333)	**Balance brought forward at 1 April**	**80**
413	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	(49)
80	**Balance carried forward at 31 March**	**31**

22.6. Accumulated Absences Account

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

2017/18 £'000		2018/19 £'000
(58)	**Balance brought forward at 1 April**	**(58)**
(58)	**Balance carried forward at 31 March**	**(58)**

23. Cash Flow Statement - Operating Activities

2017/18 £'000		2018/19 £'000
	The cash flows for operating activities include the following items:	
(122)	Interest Received	(205)
256	Interest Paid	256
134		51

2017/18 £'000		2018/19 £'000
1,706	Net Surplus / (deficit) on the provision of services	**(1,399)**
	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	
1,705	Depreciation, impairment and downward valuations	1,807
(389)	(Increase) / decrease in long term debtors	190
1,094	Increase / (decrease) in creditors	(360)
(1,332)	(Increase) / decrease in debtors	(43)
(315)	Increase / (decrease) in provisions	(111)
7	(Increase) / decrease in inventories	(8)
(565)	Movement in pension liability	1,965
299	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	257
(527)	Changes in the value of Investment Properties	148
(64)	Other non-cash items charged to the net surplus or deficit on the provision of services	(6)
(86)		3,839
	The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:	
(417)	Proceeds from the sale of property, plant and equipment, investment property and intangibles	(344)
1,203	Net Cash Flows From Operating Activities	**2,097**

24. Cash Flow Statement - Investing Activities

2017/18 £'000		2018/19 £'000
(2,724)	Purchase of property, plant and equipment, investment property and intangible assets	(3,039)
417	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	344
-	Proceeds from short-term and long-term investments	-
(2,307)	**Net Cash Flows From Investing Activities**	**(2,695)**

25. Cash Flow Statement - Financing Activities

2017/18 £'000		2018/19 £'000
-	Cash receipts of short-term and long-term borrowing	
-	Repayments of short-term and long-term borrowing	-
(335)	Other payments for financing activities	(1,539)
(335)	**Net Cash Flows From Financing Activities**	**(1,539)**

26. Expenditure and Funding Analysis

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

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
688	91	779	Enterprising Craven	746	388	1,134
2,686	(47)	2,639	Financial Sustainability	2,766	633	3,400
1,398	1,127	2,525	Resilient Communities	1,900	2,828	4,728
-	-	-	*Adjustment for Investment Properties*	-	-	-
4,772	**1,171**	**5,944**	**Net Cost of Services**	**5,413**	**3,850**	**9,262**
(4,518)	**(3,131)**	**(7,649)**	**Other Income and Expenditure**	**(6,290)**	**(1,574)**	**(7,864)**
254	**(1,960)**	**(1,706)**	**Surplus or Deficit**	**(877)**	**2,275**	**1,398**
7,591			**Opening General Fund Balance 31 March *(including Earmarked Reserves)***	**7,337**		
254			**Plus Surplus/Less Deficit on General Fund Balance in Year**	**(877)**		
7,337			**Closing General Fund Balance 31 March *(including Earmarked Reserves)***	**8,214**		

Note 26a to the EFA 18 19 - adjustments between funding and accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustments (Note 2) £'000	Other (Note 3) £'000	Total Adjustments £'000
Enterprising Craven	41	348	-	388
Financial Sustainability	75	559	-	633
Resilient Communities	1,692	1,136	-	2,828
Net Cost of Services	1,807	2,042	-	3,850
Other Income & Expenditure from the Funding	(1,546)	(77)	49	(1,574)
Difference between General Fund Surplus or	261	1,965	49	2,275

Other (Note 3) Analysis:	£ '000
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	83
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	(34)
	49

Note 26a to the EFA 17_18 - adjustments between funding and accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustments (Note 2) £'000	Other (Note 3) £'000	Total Adjustments £'000
Enterprising Craven	182	(91)	-	91
Financial Sustainability	99	(146)	-	(47)
Resilient Communities	1,424	(297)	-	1,127
Net Cost of Services	1,705	(534)	-	1,171
Other Income & Expenditure from the Funding	(2,687)	(31)	(413)	(3,131)
Difference between General Fund Surplus or	(982)	(565)	(413)	(1,960)

Other (Note 3) Analysis:	£ '000
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(31)
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(382)
	(413)

1. Adjustments for Capital Purposes

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

• Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

• Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

• Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. Net Change for Pensions Adjustments

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

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

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

3. Other Differences

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

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

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

Note 26b to the EFA 18_19 - Segmental Income & Expenditure

	Enterprising Craven £'000	Financial Sustainability £'000	Resilient Communities £'000	Other Income & Expenditure from the Funding Analysis £'000	Total £'000
Revenues from External Customers	(1,247)	(199)	(14,673)	-	(16,118)
Revenues from transactions with other operating segments of the authority	-	-	(126)	-	(126)
Interest Revenue	-	-	-	(200)	(200)
Interest Expense	-	-	-	256	256
Depreciation & Amortisation	-	-	-	1,737	1,737
	(1,247)	(199)	(14,799)	1,793	(14,451)

Note 26b to the EFA 17_18 - Segmental Income & Expenditure

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

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

	2017/18 Income from Services £ '000	2018/19 Income from Services £ '000
Enterprising Craven	(1,171)	(1,247)
Financial Sustainability	(187)	(199)
Resilient Communities	(14,525)	(14,799)
Total Income Analysed on a Segmental Basis	(15,883)	(16,245)

27. Expenditure and Income Analysed by Nature

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

	2017/18 £ '000	2018/19 £ '000
Expenditure		
Employee benefits expenses	6,687	9,938
Other services expenses	13,077	13,750
Support service recharges	-	-
Depreciation, amortisation, impairment	1,428	1,737
Interest payments	821	794
Precepts and levies	1,314	1,360
Payments to Housing Capital Receipts Pool	-	-
Gain on the disposal of assets	221	73
Total Expenditure	23,548	27,652
Income		
Fees, charges and other service income	(7,223)	(7,922)
Interest and investment income	(184)	(244)
Income from council tax, nondomestic rates, district rate income	(6,350)	(6,681)
Government grants and contributions	(11,497)	(11,406)
Total income	(25,253)	(26,253)
Surplus or Deficit on the Provision of Services	(1,705)	1,399

28. Members Allowances

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

2017/18 £'000		2018/19 £'000
160	Allowances	161
6	Expenses	5
166	**Total**	**166**

29. Officers' Remuneration

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

Post Title	Salary (including fees & allowance) £	Returning Officer Fees	Bonuses £	Benefits in Kind (car allowance)	Total Remuneration excluding pension contributions £	Pension Contribution £	Total Remuneration including pension contributions £
2018/19							
Chief Executive	100,825	2,578	4,600	-	108,003	19,116	127,119
Director of Services	79,208	-	-	-	79,208	14,020	93,228
Chief Finance Officer (Section 151 Officer)	56,360	-	-	-	56,360	9,976	66,335
Solicitor to the Council (Monitoring Officer)	57,154	-	-	-	57,154	10,116	67,270
Strategic Manager - Planning and Regeneration	55,974	-	-	-	55,974	9,907	65,881
2017/18							
Chief Executive	98,848	7,823	5,000	-	111,671	19,655	131,326
Director of Services	78,038	-	-	-	78,038	13,813	91,851
Chief Finance Officer (Section 151 Officer)	52,846	-	-	-	52,846	9,354	62,200
Solicitor to the Council (Monitoring Officer)	52,373	-	-	-	52,373	9,270	61,643
Strategic Manager - Planning and Regeneration	55,147	-	-	-	55,147	9,761	64,908

Note 1 - Chief Executive Pension Contributions includes payments in relation to Returning Officer Fees for elections totalling £456.31 in 2018/19.

29. continued ………………

The authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2017/18 Total	Remuneration Band £		£	2018/19 Total
0	50,000	to	54,999	1
0	55,000	to	59,999	0
0	60,000	to	64,999	0
0	65,000	to	69,999	0
0	70,000	to	74,999	0
0	75,000	to	79,999	0
0	80,000	to	84,999	0

Termination Benefits

One exit package was approved in 2018/19 at a cost of £20,463.

Exit package cost band (including special payments) £		£	Number of compulsory redundancies 2017/18	2018/19	Number of other departures agreed 2017/18	2018/19	Total number of exit packages by cost band 2017/18	2018/19	Total cost of exit packages in each band 2017/18 £	2018/19 £
0	-	20,000	1	-	1	-	2	-	14,264	-
20,001	-	40,000	-	1	-	1	-	1	-	20,463
40,001	-	60,000	-	-	-	-	-	-	-	-
60,001	-	80,000	-	-	-	-	-	-	-	-
80,001	-	100,000	-	-	-	-	-	-	-	-
Total			1	1	1	1	2	1	14,264	20,463

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:

2017/18 £'000		2018/19 £'000
46	Fees payable to Mazars with regard to external audit services	39
-	carried out by the appointed auditor for the year.	-
12	Fees payable to Mazars with regards to V.A.T advice	9
7	Fees payable to Mazars for the certification of grant claims and returns for the year	9
65	**Total**	**57**

31. Grant Income

An analysis of Government and Other Grants Included in the CIES for 2018/19 is shown below:

2017/18 £'000		2018/19 £'000
	Credited to Taxation and Non-specific Grant Income	
353	Revenue Support Grant	141
	Non-Service Related Government Grants	
820	New Homes Bonus	513
926	NNDR - Small Business Rate Relief, Retail Relief and Other S. 31 Grants	1,409
21	Transitional Grants	-
8	Transparency code set up	8
225	Rural Services Support Grant	280
2,353	**Total Revenue Grants**	2,351
	Capital Grants	830
	Credited to Services	
	Other Government Grants:-	
7,805	DWP Grant for HB	6,878
526	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	577
471	Homes England grants	-
104	Housing Benefits Admin & Other Benefit Reforms Grants	97
118	NNDR Collection	116
2	Local Council Tax New Burdens	
45	Local Council Tax Support Admin Subsidy	43
53	Business Rates Reconciliation Grant	-
-	Weight management grant	57
7	Individual Electoral Registration	
16	FERIS	
7	Welfare Reform	
10	LADS (Data Sharing)	11
9	Arts Council	
-	National Community Cleanup Grant	10
	Improvement and Development Agency Grant	19
	Brexit Preperation Grant	17
16	Apprentice Levy Grant	
127	Homelessness (Prevention/rough sleeping)	100
	Aireville Park Grants	97
	Custom build & Brownfield Sites Grant	95
89	New Burdens	64
	Non-government Grants:	
140	HLF	331
11,898	**Total**	**11,693**

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-18 £'000	31-Mar-19 £'000	31-Mar-18 £'000	31-Mar-19 £'000
Grants Receipts in Advance (Capital Grants)				
Disabled Facilities Grant	-	-	436	547
Section 106, Planning Gain	-	-	101	56
Total	**-**	**-**	**537**	**603**

	Long-Term		Current	
	31-Mar-18 £'000	31-Mar-19 £'000	31-Mar-18 £'000	31-Mar-19 £'000
Grants Receipts in Advance (Revenue Grants)				
Local Services Grant	-	-	157	152
Total	**-**	**-**	**157**	**152**

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 2019 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 2018/19, there were services provided by the Council, to organisations of which Members had a declared interest. The agreements are in place with no bias, and no discounts or benefits were afforded to these organisations. The material transactions are included below.

Officers

During the year 2018/19 one Officer declared an interest of acting as a director of Skipton Business Improvement District as a representative of Craven District Council. One officer is a director of Craven Barnfield Regeneration Ltd. Another Officer is chair of the District Council Network and a board member of Equity Housing Group Ltd.

32. Related Party Transactions continued……

Other Public Bodies

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

Craven District Council Councillors who were also North Yorkshire County Councillors are as follows; Cllr Barret, Cllr Heseltine, Cllr Ireton, Cllr Mulligan, Cllr Solloway and Cllr Welch. In the year Craven District Council received of £1.15m in income and had £547k of expenditure relating to North Yorkshire County Council.

Cllr Dawson, Cllr Harbron, Cllr Heseltine, Cllr Jacquin, Cllr Madely and Cllr Whitaker are all members of Skipton Town Council. Transactions relating to Skipton Town Council were £55k in income and expenditure of £487k of which £485k related to parish precept payments.

Cllr Brown is a Governor at Craven College from which we received income of £5k and had expenditure of £3k. Craven Council gave the college a loan £400K in 2017/19, of which £301K remains outstanding.

Cllr Lis is a director of the Yorkshire Dales National Park Authority (YDNPA), the Yorkshire Millennium Trust and National Parks UK LTD. Cllrs Foster & Cllr Heseltine both also have an interest in YDNPA. Transactions relating to the YDNPA were £7.5k in income and £4k in expenditure.

Cllr Foster is a member of the Local Government North Yorkshire & York with which the Council had expenditure of £1K, and also a member of the District Councils Network with which the concil had expenditure of 1K.

Cllr Brown, Cllr Mason, Cllr Shuttleworth and Cllr Sutcliffe are all board members of Airedale Drainage Board with which Craven Council had expenditure of £6k .

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

Cllr Heseltine, Cllr Jacquin and Cllr Lis all sit on the committee for Yorkshire Housing Group Ltd from which we received income of £9k and had £6K of expenditure.

Cllr Moorby has an interest in Hartley Educational Foundation of which Craven Council had £6K of expenditure.

Cllr Mulligan is a director of Craven Barnfield Regeneration, of which we received income of £1K and expenditure of £12K.

Cllr Heseltine has an interest in Skipton in Bloom of which Craven Council had expenditure of £1K.

Each councillor had a ward member district grant allowing them to give up to £1,000 to a support a community project within their ward. A total of £29541. was given out as ward grant, the details of which can be found on the councils website.

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

The Council does not administer any pension fund.

In partnership with Barnfield Investment Properties Ltd, the Council during 2017/18 has established a joint venture company to be known as Craven Barnfield Regeneration Partnership Ltd. This partnership continued in 2018/19, the details of this are given in note 40.

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

2017/18 Transactions £'000	2017/18 Balance Owed £'000		2018/19 Transactions £'000	2018/19 Balance Owed £'000
1,314	-	Parish Precepts	1,360	-
2,577	-	North Yorkshire Pension Fund (Employer Contributions)	904	-
-	-	North Yorkshire waste disposal services	-	-
3,891	**-**	**Total Payments**	**2,264**	**-**

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.

2017/18 £'000		2018/19 £'000	2018/19 £'000
5,463	**Opening Capital Financing Requirement**		**5,775**
	Capital investment		
2,628	Property Plant & Equipment	2,973	
96	Intangible assets	66	
305	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - non CDC Assets, grants & repair assistance loans	619	
400	Loans to Other Organisations	-	
3,429	**Total Capital Investment**		**3,658**
	Sources of finance		
(747)	Capital receipts		(694)
(777)	Government grants and other contributions		(1,501)
(1,264)	Sums Set Aside from Revenue		(532)
(329)	MRP / Loans Fund Principal		(245)
5,775	**Closing Capital Financing Requirement**		**6,462**
	Explanation of movements in year		
641	Increase in underlying need to borrow (unsupported by government financial assistance)		932
(329)	MRP / Loans Fund Principal		(245)
312	**Increase / (decrease) in Capital Financing Requirement**		**687**

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 £1,417 and no parking income is derived. The council also leases several vending machines, the cost of which came to £5,511 duirng 18/19. The expenditure was charged to the Comprehensive Income & Expenditure Statement in 2018/19.

Authority as a Lessor

Finance Leases

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

Operating Leases

The Council acts as a lessor for a number of properties including industrial units, shops, offices and dwellings. The income received from these tenants during the year was £174k (£109k in 2017/18).

Minimum, undiscounted lease payments that are non-cancellable to be received on an annual basis for the next 5 years, and a total of amounts beyond 5 years, are:

Within one year £'000	Between one and five years £'000	Greater than five years £'000
164	486	3,635

The rentals receivable doesn't 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 2018/19 the Council has recognised no impairment losses charged to the Surplus/Deficit of the Provision of Services, as was the case during 2017/18.

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

Funding and Governance Arrangements

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

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

Principal Risks to the Authority of the Scheme

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

Transactions Relating to Retirement Benefits

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

2017/18 £'000	North Yorkshire Pension Fund	2018/19 £'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
1,447	current service cost	1,559
-	past service costs	772
-	past service costs (gains)	-
-	past service costs	-
-	administration expenses	-
-	settlement and curtailments	-
	Financing and Investment Income and Expenditure:	
565	net interest on the net defined benefit liability (asset)	538
2,012	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**2,869**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
388	Remeasurements (experience (gain)/loss on liabilities)	131
(63)	Remeasurements (experience (gain)/loss on financial assumptions)	3,734
-	Remeasurements (experience (gain)/loss on demographic assumptions)	(2,966)
(2,481)	Remeasurements (experience gain on assets)	(3,032)
(144)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	**736**
	Movement in Reserves Statement	
2,012	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	2,869
	Actual Amount charged against the General Fund Balance for pensions in the year:	
(2,577)	employers' contributions payable to the scheme	(904)

36. Defined Benefit Pension Schemes continued……

Transactions Relating to Retirement Benefits continued…..

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

Assets and Liabilities in Relation to Post-employment Benefits

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

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

	Funded		Unfunded	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
1April b/fwd	**69,397**	**71,062**	**286**	**240**
Current Service Cost	1,447	1,559	-	-
Interest on Pension Liabilities	1,712	1,820	7	6
Member contributions	304	319	-	-
Past Service Cost/(gain)	-	772	-	-
Remeasurements (experience (gain)/loss on liabilities)	424	130	(36)	1
Remeasurements (experience (gain)/loss on financial assumptions)	(64)	3,729	1	5
Remeasurements (experience (gain)/loss on demographic assumptions)	-	(2,957)	-	(9)
Curtailments	-	-	-	-
Benefits Paid	(2,158)	(2,443)	(18)	(17)
31 March c/fwd	**71,062**	**73,991**	**240**	**226**

Reconciliation of fair value of the scheme assets:

	Funded		Unfunded	
	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000
1 April b/fwd	45,818	50,158	-	-
Interest on plan assets	1,154	1,288	-	-
Remeasurements (assets)	2,481	3,032	-	-
Administration expenses	-	-	-	-
Employer Contributions	2,559	887	18	17
Member Contributions	304	319	-	-
Benefits/transfers paid	(2,158)	(2,443)	(18)	(17)
31 March c'fwd	**50,158**	**53,241**	**-**	**-**

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 £4,320k (2017/18 £3,635k).

Scheme History

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Present Value of Liabilities	(64,526)	(61,970)	(69,683)	(71,302)	(74,217)
Fair Value of Assets	38,759	38,537	45,818	50,158	53,241
Surplus / (Deficit) in the Scheme	**(25,767)**	**(23,433)**	**(23,865)**	**(21,144)**	**(20,976)**

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment (retirement) benefits. The total liability of £20m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the 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 2019/20 is £0.935m (2018/19 £0.874m). During 2017/18 the Council made a prepayment of deficit liabilities for 2018/19 and 2019/20 which has given benefits of additional cost discount.

36. Retirement Benefits continued ……

Basis for Estimating Assets and Liabilities

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

The main assumptions used in their calculations have been:

	2017/18	2018/19
Rate of CPI inflation	2.1%	2.2%
Rate of increase in salaries	3.35%	3.45%
Rate of increase in pensions	2.1%	2.2%
Discount Rate	2.6%	2.4%
Longevity at 65 for current pensioners (in years):		
Men	22.9	22.2
Women	26.4	25.3
Longevity at 65 for future pensioners (in years):		
Men	25.1	23.9
Women	28.7	27.2

	31-Mar-18		31-Mar-19	
	£'000	%	£'000	%
Split of Assets between Investment Categories:				
Equities (Quoted)	32,502	64.8%	30,028	56.4%
Government Bonds (Quoted)	8,276	16.5%	10,116	19.0%
Corporate Bonds (Quoted)	-	0.0%	-	0.0%
Property (Quoted)	4,013	8.0%	4,472	8.4%
Cash (Quoted)	100	0.2%	2,609	4.9%
Other (Quoted)	5,267	10.5%	2,236	4.2%
Other (Unquoted)	-	0.0%	3,780	7.1%
Total	**50,158**	**100.00%**	**53,241**	**100.00%**

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

	Impact on the Defined Benefit Obligation in the scheme Increase in assumption £'000
Longevity increase of 0.1 year	2,353
Rate of inflation increase by 0.1%	1,078
Rate of increase in salaries increase 0.1%	226
Rate for discounting scheme liabilities increase by 0.1%	(1,283)

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 (56% of scheme assets), with investments also in bonds (19% of scheme assets), property (8% of scheme assets) and other alternatives, the proportions being not materially dissimilar to the comparative year. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

Impact on the Council's Cash Flows

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

The council anticipates to pay £0.935m expected contributions to the scheme in 2019/20.

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

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

37. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2019.

Municipal Mutual Insurance
The Scheme of Arrangement was enacted in 2012/13. The Council received notification in April 2018 of the outstanding Levy payable at a rate of 25% on Established Scheme Liabilities over £50,000, the impact of which is not material and not included within the accounts. The impact upon the Council as a scheme creditor beyond this is not clear and the consequential impact on future funding for unknown claims incurred but not reported between 1974 and 1992. Whilst the council has considered the financial impact in producing its Statement of Final Accounts there is a risk that the Council's financial liability could increase from this level.

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

Planning Appeals
The Council is currently involved in planning application appeal. The appeal is based on a planning decision in the 2018/19 financial year. It is not possible to accurately quantify the financial liability arising.

Surplus Asset Revaluation
As part of The Council's current Surplus Assets there has been one asset that has been subject to a valuation in 2018/19. The valuation is based on a development appraisal of the piece of land based on a housing development proposed by the Council's Joint Venture arrangement. At the reporting date the current valuation is valid, but as the development appraisal is subject to scrutiny and potential change throughout 2019/20 as the scheme changes there is potential for this value to change. There is no quantifiable value that can be attributed at this stage.

38. Nature and Extent of Risks Arising From Financial Instruments

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

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

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

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

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

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

The authority manages its credit risk by restricting deposits to a maximum of £1m with any counterparty which does not meet a minimum standard of creditworthiness, spreading the investment portfolio as widely as possible, and investing with credit-rated counterparties or those with sufficient asset-backed capital.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £1.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum would be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

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

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

Collateral – during the reporting period the Council held collateral as security in the form of a legal charge placed against the property of a long-term debtor.

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 2019 £'000 (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions at 31 Mar 2019 % (C)	Estimated maximum exposure to default and uncollect-ability 31 Mar 2019 £'000 (A x C)	Estimated maximum exposure default and uncollect-ability 31 Mar 2018 £'000
Deposits with banks and financial institutions	12,000	0.012	0.012	1	2
Customers:					
- Government & Local Authorities	990	0	0	0	0
- Other	203	0.6	0.6	1	1
				3	3

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

At 31-Mar-18 £'000		At 31-Mar-19 £'000
-	Up to 1 month	136
77	1-2 months	10
46	2-3 months	5
17	3-6 months	14
79	over 6 months	38
219		203

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-18 £'000		At 31-Mar-19 £'000
-	Less than one year	-
-	Between one and two years	-
500	Between two and five years	1,000
5,488	More than five years	4,988
5,988		5,988

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

Market Risk

Interest Rate Risk

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

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

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

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

Interest Rate Risk continued……

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

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

At 31-Mar-18 £'000		At 31-Mar-19 £'000
-	Increase in interest payable on variable rate borrowings	-
117	Increase in interest receivable on variable rate investments	135
-	Increase in government grant receivable for financing costs	-
117	Impact on Surplus of Deficit on the Provision of Services	135
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on Other Comprehensive Income & Expenditure	-
(1,410)	Increase/(Decrease) in fair value of fixed rate borrowings (no impact on Consolidated Income and Expenditure Statement)	1,409

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

Price risk

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

The Council does not invest in the equity share market.

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

Foreign exchange risk

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

39. Provisions

2017/18 £'000	**Business Rates**	Business Rates £'000	Other £'000	2018/19 TOTAL £'000
742	**Balance brought forward at 1 April**	408	19	**427**
(315)	Increase/(decrease) in provision in year	(111)	-	**(111)**
427	**Balance carried forward at 31 March**	**297**	**19**	**316**

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 2019.

Local Land Charges

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

40. Joint Venture Arrangements

In partnership with Barnfield Investment Properties Ltd, the Council during 2017/18 established a joint venture company to be known as Craven Barnfield Regeneration Partnership Ltd. Whilst it is considered to be a jointly controlled entity it is not regarded in the financial year ended 31 March 2019 as so financially material to the Council to require the preparation of Group Accounts for 2018/19. This position is subject to an annual review in response to any changes in the scale of activity of the Council and Craven Barnfield Regeneration Partnership entity.

Craven Barnfield Regeneration Partnership Ltd (Company No. 10855480)

Craven Barnfield Regeneration Partnership (CBRP) was incorporated in July 2017 but was not actively trading at 31 March 2019. The overriding aim of the Joint Venture is to improve the economic, social and environmental well-being of Craven District. This aim will be achieved by:-

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

The Council holds 3000 shares, Barnfield 7000. It requires Barnfield for each project to transfer an amount of cash into a joint venture account equivalent to the land value x 2.33 and the Council to commit the land, (an investment ratio of 30:70).

The Board shall consist of six personnel, three representatives nominated each by the Council and Barnfield. The Council will be represented by two officers and a Member, and in 2018/198 this was the Lead Member for Financial Resilience.

Company Secretarial services were provided by the Council in 2018/19 and the Council's Accountancy Services Manager is the Company Secretary.

41. Changes In Accounting Policies, Accounting Treatment And Presentation

Restatement of Accounts

Under IAS8 Councils are required to disclose changes made to the previous years Statement of Accounts in relation to changes in accounting policy and material prior period adjustments. The following tables explain the differences between the amounts presented in the 2016/17 financial statements and the equivalent amounts presented in the 2017/18 financial statements. None of these changes have affected the general fund balances held by the Council.

Prior Period Adjustments

Prior period adjustments have been made to the Council's 2017/18 published financial statements in relation to the correction of a imbalance MiRS (as agreed within the Audit 2017/18) to reflect the treatment of the Prepayment for the upfront pension deficit payment, in order to achieve a discount on the interest payments. This has meant a representation of the CiES and the MiRS for 2017/18.

Cash and Cash Equivalents have also been restated. £400k has been reclassified as Short Term Investments and it now in the restated figure in note 16.

Restated Comprehensive Income and Expenditure Account

Cost of Services have been re-stated due to the understatement of the Net Cost of Services. This understatement was as a result of a Post Audit Adjustment, to include the prepayment of the Pension Deficit solely in 2017/18. The payment had been included in the Balance sheet as a Prepayment (Debtor) and so did not need to be included in the CIES also. The proportion relating to 2017/18 was included in the Cost of Services. This adjustment has resulted in a £1,154k change to the Cost of Services.

Other Adjustments required have been the transfer of the Pension Costs and Depreciation/Revaluation costs from Other Operating Expenditure into the Costs of Services. There has also been a requirement to remove the adjustment for Investment Properties and include these also in the Net Cost of Services.

CIES for the Year End 31/03/2018	As stated 2017/18 £'000	Adjustments needed to 2017/18 £'000	As Restated 2017/18 £'000	Revised CIES for the Year End 31/03/2018
Enterprising Craven	922	(143)	779	Enterprising Craven
Financial Sustainability	2,814	(176)	2,638	Financial Sustainability
Resilient Communities	1,826	699	2,525	Resilient Communities
Adjustment for Investment Properties	107	(107)	-	*Adjustment for Investment Properties*
Cost of Services	**5,669**	**273**	**5,942**	**Cost of Services**
Other Operating Expenditure	2,901	(1,428)	1,473	**Other Operating Expenditure**
Financing and Investment Income & Expenditure	65	-	65	**Financing and Investment Income & Expenditure**
Taxation and Non-Specific Grant Income	(9,187)	-	(9,187)	**Taxation and Non-Specific Grant Income**
(Surplus) or Deficit on Provision of Services	**(552)**	**(1,155)**	**(1,707)**	**(Surplus) or Deficit on Provision of Services**

Restated Movement in Reserves Statement

The MiRS that was published as part of the 2017/18 had a imbalance as a result of the Pension Prepayment inclusion. As a result of the restated CIES above the Surplus has increased by £1,154k. However this has not had an impact on the Net Increase/Decrease before Transfers to Earmarked Reserves as the MiRS had a entry for the £1,154k. This is shown and corrected below;

	GF Balance £000	Other Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017 carried forward	995	9,655	4,390	15,040
Movement in reserves during 2017/18				-
Surplus or (deficit) on provision of services	1,706	-	-	1,706
Other Comprehensive Expenditure and Income	-	-	5,709	5,709
Total Comprehensive Expenditure and Income	1,706	-	5,709	7,415
Adjustments between accounting basis & funding basis	(1,960)	(353)	2,313	-
Net Increase/Decrease before Transfers to Earmarked	(254)	(353)	8,022	7,415
Transfers to/from Earmarked Reserves (note 8)	254	(254)		-
Movement in Year	-	(607)	8,022	7,415
Balance at 31 March 2018 carried forward	995	9,048	12,413	22,456

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.

2017/18 £'000		2018/19 NNDR £'000	2018/19 Council Tax £'000	2018/19 Total £'000	Notes
	Income				
38,307	Council Tax	-	40,170	40,170	
17,736	Non Domestic Ratepayers	18,822	-	18,822	4
(263)	Transitional Protection Payments	(363)	-	(363)	
55,780	**Total Income**	**18,459**	**40,170**	**58,629**	
	Expenditure				
37,543	Demands on Collection Fund	-	39,940	39,940	5
750	Payments of previous surplus	-	750	750	
(1,209)	Receipt of previous deficit	(50)	-	(50)	
	Business Rates:				
9,137	- Payment to Government	9,262	-	9,262	4
1,645	- Payment to NYCC	1,667	-	1,667	4
183	- Payment to NYFRS	185	-	185	4
7,309	- Payment to Craven DC	7,410	-	7,410	4
118	- Costs of Collection Allowance (to CDC)	116	-	116	
-	- Interest on Overpayments	-	-	-	
130	Bad and Doubtful Debts - Write Offs	58	85	143	5
89	Contribution to Provision for bad and Doubtful Debts	2	26	28	5
(724)	Appeals - Write Offs	(277)	-	(277)	5
-	Contribution to Provision for Appeals	-	-	-	5
54,971	**Total Expenditure**	**18,374**	**40,801**	**59,175**	
(809)	**(Surplus) / Deficit for the year**	**(86)**	**631**	**546**	
	COLLECTION FUND BALANCE				
(456)	**Balance Brought Forward**	292	(1,557)	(1,265)	6
(809)	(Surplus) / Deficit for the year	(86)	631	546	6
(1,265)	**Balance Carried Forward**	**207**	**(926)**	**(719)**	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 1April 1991 values. Individual charges are calculated by estimating the amount of income required to fund the demands on the collection fund for the forthcoming year and dividing this by the Council Tax base. The numbers of properties making up the tax base are shown in the table below. A number of adjustments are then made to reflect discounts, reliefs and exemptions that apply to properties in each band. The numbers of properties after the above adjustments are then converted into the Band D equivalent using the proportions shown in the table.

	Council Tax Setting				
Band	Total No Of Dwellings	Discounts Exemptions Allowances	Revised No. of Dwellings	Ratio	Band D equivalent dwellings
-A	9	(1)	8	5/9	4.40
A	4,177	(553)	3,624	6/9	2,416.10
B	6,100	(587)	5,513	7/9	4,287.90
C	5,877	(445)	5,433	8/9	4,828.90
D	4,249	(264)	3,985	9/9	3,985.00
E	3,203	(165)	3,038	11/9	3,712.80
F	2,000	(87)	1,913	13/9	2,763.20
G	1,267	(47)	1,220	15/9	2,032.90
H	95	(4)	91	18/9	181.50
Total	**26,977**	**(2,153)**	**24,824**		**24,212.70**
Net effect of premiums and discounts					(1,757.86)
COUNCIL TAX BASE (Band D Equivalent)					**22,454.84**

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 (£1,718.08 in 2018/19) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Taxbase shown above. The Council Tax for dwellings in other Valuation Bands is the appropriate Proportion of the Band D tax.

The basic amount for a band D property in 2018/19 of £1,718.08 is broken down as follows:

2017/18 £		2018/19 £
162.21	Craven District Council	167.21
1,189.50	North Yorkshire County Council	1,248.85
221.32	Police and Crime Commissioner North Yorkshire	232.82
67.19	North Yorkshire Fire & Rescue Authority	69.20
1,640.22		**1,718.08**

4. Income from Business Ratepayers

NNDR is organised on a national basis. The Government specifies an amount for businesses with a rateable value below £51,000 of 48.0p in 2018/19, (46.6p in 2017/18) and 49.3p in 2018/19 (47.9p 2017/18) for businesses with a rateable value above £51,000, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The total non-domestic rateable value at 31st March 2019 was £50.076m (31st March 2018 £50.223m).

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.

4. Income from Business Ratepayers continued……

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

The business rates shares payable for 2018/19 were estimated before the start of the financial year as £9.262m to Central Government, £1.667m to NYCC, £185k to NYFRS and £7.410m to Craven Council. These sums have been paid in 2018/19 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 2018/19 to the value of £5.773m (£5.638m in 2017/18).

The total income from business rate payers collected in 2018/19 was £18.822m (£17.736m in 2017/18). This sum includes £363k of transitional protection relief for ratepayers (£263k in 2018/18) 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 £1.322m. 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 2018/19.

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 2019. 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 2019 has been calculated at £743k (£1,020k at 31 March 2018).

The amounts collected are analysed below:

2017/18 £'000		2018/19 £'000
23,180	Gross Amount Due	24,621
(4,532)	Charitable Relief etc.	(5,137)
(263)	Transitional Protection Payments / (Relief)	(363)
(912)	Other Reliefs: Empty and Part Occupation Relief etc.	(662)
17,473		**18,459**

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:

2017/18 £'000		2018/19 £'000
3,584	Craven District Council	3,755
26,279	North Yorkshire County Council	28,043
4,890	Police and Crime Commissioner North Yorkshire	5,228
1,484	North Yorkshire Fire & Rescue Authority	1,554
1,306	Parishes	1,360
37,543	**Total**	**39,940**

5. Demands on the Collection Fund continued……

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 2019.

2017/18 £'000		2018/19 £'000
	Council Tax Bad & Doubtful Debts	
84	Write-offs during the year	85
(160)	Contributions to provisions during the year	(111)
(76)	**Net (increase)/decrease in provision in year**	**(26)**
(456)	Balance at 1 April	(532)
(532)	**Balance at 31 March**	**(558)**
	NNDR Bad & Doubtful Debts	
46	Write-offs during the year	58
(60)	Contributions to provisions during the year	(60)
(14)	**Net (increase)/decrease in provision in year**	**(2)**
(139)	Balance at 1 April	(153)
(153)	**Balance at 31 March**	**(155)**
	NNDR Appeals	
724	Write-offs during the year	277
-	Contributions to provisions during the year	-
724	**Net (increase)/decrease in provision in year**	**277**
(1,744)	Balance at 1 April	(1,020)
(1,020)	**Balance at 31 March**	**(743)**

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 16 January of the year-end balance. For 2018/19 there was a distribution of £750k surplus on Council Tax based on this calculation and a claw-back of £50k deficit on NNDR.

Council Tax:
There was an in-year deficit of £631k on the Collection Fund in 2018/19, the effect of which was to decrease the balance on the Account at 31 March 2019 to £926k.

NNDR:
There was an in-year surplus of £86k on the Collection Fund in 2018/19, the effect of which was to reduce the deficit on the Account at 31 March 2019 to £207k.

The balance at 31 March 2019 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

2017/18 Council Tax £'000	2017/18 NNDR £'000		2018/19 Council Tax £'000	2018/19 NNDR £'000
201	(117)	Craven District Council (including parishes)	118	(83)
1,092	(26)	North Yorkshire County Council	650	(19)
203	-	Police and Crime Commissioner North Yorkshire	122	-
61	(3)	North Yorkshire Fire & Rescue Authority	36	(2)
-	(146)	Central Government	-	(103)
1,557	**(292)**	**Total**	**926**	**(207)**

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 2019 as required by the 2018/19 Code of Practice on Local Authority Accounting.

SECTION 6

INDEPENDENT AUDITOR'S REPORT

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

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Ms Karen Murray For and on behalf of Mazars LLP
One St Peters Square,
Manchester
M2 3DE
31 July 2019

SECTION 7

GLOSSARY OF TERMS

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Expenditure charged to Revenue Account (CERA)
A method of financing capital expenditure in the accounting period rather than over a number of years.

GLOSSARY OF TERMS

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

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

Capital Grant
Grant provided for the purpose of capital expenditure on projects.

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

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

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

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

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

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

Code of Practice on Local Authority Accounting
The Code has been written by CIPFA to assist local government in ensuring that it's Statements of Account comply with IFRS and local government accounting regulations.

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

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

Comprehensive Income and Expenditure Account
The income and expenditure account combines the income and expenditure relating to all the Council's functions.

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

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

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

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

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

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

Current Liabilities
Amounts that will become due during the next accounting period.

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

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

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

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

Deferred Discounts & Premiums on Early Repayment of Debt
Amounts due to or from the Council arising from the early repayment of debt.

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

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

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

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

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

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

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

Fees and Charges
Income arising from the provision of services.

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

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

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

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

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

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

GLOSSARY OF TERMS

Government Grants

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

Housing Capital Receipts Pool

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

Housing - Other Services

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

Impairment

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

Infrastructure Asset

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

Intangible Non-Current Asset

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

Interest Cost

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

International Financial Reporting Standards (IFRS)

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

Investment

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

Joint Venture (JV)

A commercial enterprise undertaken jointly by two or more parties, which otherwise retain their distinct identities. Ownership of the JV is shared as are returns, risks and governance.

Leasing

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

Liability

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

Minimum Revenue Provision (MRP)

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

Monitoring Officer

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

Movement in Reserves

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Non-Current Assets

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

Non Distributed Costs

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

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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.

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

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
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.

GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

Temporary Borrowing/Investment
Money borrowed or invested for an initial period of less than one year.

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

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

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

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

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Craven District Council

Annual Governance Statement 2018/19

Contents

1.1 Scope and Purpose of the Governance Framework

Craven District Council is responsible for conducting its business in accordance with the law, and for ensuring that public money is used efficiently and properly accounted for.

The Council is responsible for putting in place governance arrangements to ensure it exercises its duties and functions with proper regard to legislation and guidance. These arrangements include financial controls, risk management, audit and performance management.

The Council's Governance Framework describes the systems, processes cultures and values, by which the Council is directed and controlled.

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 and a description of our governance arrangements can be obtained from the Council's website at https://www.cravendc.gov.uk/the-council/corporate-governance/

or by writing to:

Financial Services, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ.

This Statement describes how Craven District Council has complied with this Code and meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015, which require the Council to prepare an Annual Governance Statement.

This statement gives assurances on compliance with Craven District Council's governance framework for the year ending 31 March 2019 and up to the date of approval of the Statement of Accounts for 2018/2019.

1.2 Annual Review of Effectiveness

Craven District Council must conduct, at least annually, a review of the effectiveness of its governance framework.

The Council has reviewed the effectiveness of its governance mechanisms as outlined in the Local Code of Governance.

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

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

The review of effectiveness is informed by the work of the Corporate Leadership Team (CLT) who have responsibility for developing and maintaining the governance environment, the Internal Audit Services Manager's annual report. The report considers recommendations made by external auditors as well as feedback from other review agencies and inspectorates including the LGA Peer Review process.

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

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

1.3 Specific Assurances

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

Chief Finance Officer, Section 151 Officer: The CIPFA statement on the role of the Chief Finance Officer requires them to provide assurance on financial decision making, financial accounting and reporting, internal control, and risk management. These assurances have been considered through the review of our governance arrangements. The Council's arrangements conform to CIPFA requirements. The Council's Chief Finance Officer at the time of compiling accounts for the 2018/19 financial year retires from the council on 3rd July 2019. A new Chief Finance Officer with substantial experience of acting as a Local Authority Section 151 Officer will start with the council on 4th July 2019 to ensure continuity. The final accounts will be signed off by the new Chief Finance Officer once in post.

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

Audit Services Manager: The 2018/19 financial year was the first year of a new 3 year shared service arrangement between Craven District Council and Harrogate Borough Council. This follows the completion of a successful 3-year arrangement with Harrogate Borough Council which ran from 2015/16 to 2017/18. There were 12 audit reports completed during 2018/19. 8 of these indicated a 'substantial' level of assurance, 3 a 'good' level of assurance and 3 a 'partial' level of assurance. Progress against all Internal Audit recommendations is routinely monitored and reported to the Audit & Governance Committee. The Audit Services Manager's overall opinion is that, based on the audit work undertaken during 2018/19, the council's framework of governance, risk management and internal control is satisfactory and operating effectively in practice.

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 governance, accounting and internal audit matters. There were no significant issues arising from the 2018/19 Audit.

1.4 Local Government Ombudsman

The Local Government Ombudsman Annual Review letter was published in July 2018. The report considered 9 complaints referred to the Ombudsman in for the year ended 31 March 2018. One of the 9 complaints was upheld. 4 were referred back to the Council for local resolution and 1 was closed after initial enquiries.

The letter is published online at https://www.lgo.org.uk/documents/councilperformance/2018/craven%20district%20council.pdf

The Review letter for the year ended 31 March 2019 is expected in July 2019.

1.5 Performance against the Local Code of Corporate Governance

The Council considers that its governance arrangements continue to be fit for purpose and compliant with our Local Code of Corporate Governance. In undertaking our review of effectiveness we have assessed our performance against the detailed arrangements set out in the code.

The Council has assessed and confirms that arrangements detailed within the Local Code are in place and no significant weaknesses to our governance arrangements have been identified. However, in doing so we have identified a number of areas for improvement to form part of our Governance Improvement Plan.

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

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

2. Review of Actions from the Annual Governance Plan, 2018/19

Action to Improve Governance Arrangements	Update
GS 18/19/01 **Constitution** Undertake a light touch review of the Constitution	A light-touch review of the council's constitution was completed in July 2018, and an updated version was uploaded to the council website. The constitution can be accessed at https://www.cravendc.gov.uk/media/7280/constitution_2018-july-ch-revisions.pdf The Constitution was reviewed and adopted by Full Council at its August meeting. This action was **completed**.
GS 18/19/02 **Nolan principles** Further develop and embed understanding of the Nolan Principles and the linkages between them and the Council's Officer Code of Conduct and Core Values amongst Officers at all levels throughout the Council	A 'Principles of Public Life' flyer has been designed. This was distributed in the annual reminder for the Officer's Code of Conduct in April 2019, and will be continue to be included in the annual reminder for the Officers' Code of Conduct in future. This action was **completed**.
GS 18/19/03 **Consultation and Engagement** Work to further develop understanding of and embed the North Yorkshire Joint Principles for Consultation across all services	The council successfully completed a comprehensive budget consultation exercise, with an improved rate of return. The 'North Yorkshire Joint Principles for Consultation' have not been widely adopted across North Yorkshire, and the council will review its approach to consultation in 2019/20. This action was **partially completed**.
GS 18/19/04 **Member Engagement** Enhance approaches to Member engagement through improvements to the Contact Your Councillor section of the Council's website and Member reporting on their work with Outside Bodies	We've introduced a new item on full Council agendas that provides an opportunity for Outside Body representatives to report back on initiatives, key work undertaken etc. This has included, for example, an update at the December Council meeting about the work of the Yorkshire Dales Leader Programme in relation to funding for local schemes. Members will continue to provide updates. This action was **completed**.

GS 18/19/05
Economic, Social and Environmental Impacts

Improve our approach to ensure greater consideration of wider economic, social and environmental impacts of policy decisions in our decision making processes

Due to conflicting priorities a review of the economic, social and environmental impacts of policy decisions has been rescheduled for 2019/20 financial year. This will allow our approach to understanding the economic, social and environmental impacts of policy decisions to be reviewed alongside the 'beyond 2020' planning exercise, ensuring that the potential impacts of our long-term decisions are fully considered at an early stage.

This action was **not completed but is planned for 2019/20**.

GS 18/19/06
Project management

Improve our approach to project management to ensure that the range of improvement projects implemented across Council services are done so effectively to maximise outcomes and make best use of resources

A Project Centre has been established on our Intranet providing guidance in terms of the 'Craven Project Methodology' through a project management toolkit, also provided are standard templates for the management and control of projects across the organisation. Additionally, the Transformation Team provide guidance and support where required on key projects.

This action was **completed**.

GS 18/19/07
Procurement

Review procurement to ensure arrangements continue to be fit for purpose, secure value for money, and contribute the achievement of added value (social value) within the community including publication of an updated Procurement Strategy, improved use of E-Tendering, staff training and development, and improved supplier engagement and contract management

An approach to ensuring the continuous improvement of procurement support has been identified, and an improved service agreement with Procure North Yorkshire is currently under negotiation. The e-tendering system (Proactis Procontract/Yortender) is widely used and training is available to all staff with budget responsibility.

Improving social value and supplier engagement will be included in the revised procurement strategy, which will be put in place once the new support service contract is agreed.

This action was **partially completed and further action is planned for 2019/20**.

GS 18/19/08
Arrangements to secure value for money

Review and update of the Council's Value for Money Framework

Due to staffing changes in the Finance team, this review did not happen during 2018/19 and will be rescheduled to take place in 2019/20.

This action was **not started**.

GS 18/19/09
Officer induction

Review and improve the effectiveness of the Council's approach to Officer Induction

The Officer Induction was reviewed during 2018. The induction programme is now subject to ongoing review; we encourage Officers to actively contribute to its development. Recent changes include improved arrangements for Finance and Performance in the Managers' induction.

This action was **completed**.

GS 18/19/10
Member training

Review and improve the Council's approach to training for new Members

This year we've introduced mandatory training for Members of Planning and Licensing Committee. We've already run two successful sessions. Further training will be introduced in the coming year.

This action was **completed.**

GS 18/19/11
Risk Management

Implement the revised corporate approach to risk management to ensure arrangements are fully embedded within the culture of the organisation, are fit for purpose and identified risks effectively addressed.

Risk management training has been provided for Managers to enable alignment of risks with the Council Plan. Risk management working group established of officers and members. Update of risk registers undertaken to align risks with Council plan priorities. Training for members on governance and risk management arranged. Risk appetite for the Council to be jointly developed by Senior Managers and Member representatives from the Audit & Governance Committee. Further training for Members will take place on 10th June 2019. Note that although planned activity for 2018/19 was completed, further action to improve Risk Management is planned for 2018/19.

This action was **completed.**

GS 18/19/12
Counter Fraud and Corruption

Further strengthen Counter Fraud and Corruption Arrangements to drive a strong anti fraud and corruption culture from corporate to operational level

Briefings for staff to ensure that fraud awareness / detection and prevention remains a focus. Role within Revenues and Benefits Service being developed to focus on Fraud within the service and also across the Council. Risk based approach to internal audit service reviews developed and weaknesses in service procedures being identified and recommendations for improvement made.

This action was **completed.**

GS 18/19/13
Internal Audit

Undertake an assurance mapping exercise to further integrate the role of Internal Audit within the Council's 'assurance framework '

Internal audit assurance mapping exercise limited work due to staff changes. Internal audit work moved to more risk based audit review process from the traditional audit reviews and service audit reviews selected as appropriate. Internal Audit service procured specialist software to assist with reporting structure.

This action was **partially completed.**

GS 18/19/14
Data Protection

Implement our action plan to ensure compliance with the requirements of the new General Data Protection Regulations

New Data Protection guidance was issued to Members and to Officers in October 2018, covering all aspects of the change in regulation.

The council has a comprehensive approach to managing Data Protection risks which is described in our Information Management and Governance Strategy. A brief guide can be found at: http://cdcintranet.cravendc.gov.uk/media/1430/at-a-glance-img-strategy-guide.pdf

Our Data Protection requirements are now reviewed on an ongoing basis and activity forms a part of a quarterly update to the Council Leadership Team.

This action was **completed.**

GS 18/19/15
Partnership Governance

Ensure appropriate governance arrangements are instigated for and effectively embedded in Council performance review and monitoring arrangements existing and new partnership arrangements, including the Great Places Partnership with South Lakeland District Council and the Council's Joint Venture Regeneration Scheme

The Council's Joint Venture Partnership is governed by a Joint Venture Agreement with performance review undertaken by the JV Board. The JV Board comprises Council Members and Council Officers. The JV Company delivers to the Business Plan approved by the Council. The Council's Policy Committee is required to approve all projects prior to any development proceeding. Internal Audit will be requested to review projects at an appropriate time.

This action was **completed.**

GS 18/19/16
Data Transparency

Raise awareness of requirements for data publication under Data Transparency Guidelines, improve ownership across services of services and look to opportunities for improvement to data publication arising from the implementation of the new website

Data Transparency is a key principle of our Digital Strategy. A brief guide can be found at: http://cdcintranet.cravendc.gov.uk/media/1426/at-a-glance-digital-strategy-guide.pdf

The new CDC website was launched in January 2018 and contains an improved range of public information.

We are regularly reviewing and identifying opportunities for greater transparency on an ongoing basis (for example, the comprehensive information that we are publishing relating to our progress on the Local Plan).

Our activity on Data Transparency is part of a quarterly update to the Council Leadership Team.

This action was **completed.**

3. Review of Effectiveness for 2018/19

This section of the report describes our self-assessment of our effectiveness in applying the principles we have identified in the Local Code of Governance over the past financial year.

3.1 Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Overall Assessment: We are achieving this principle

The Council's ethical values and the legal requirements of our work are clearly communicated and regularly reinforced.

The Council's constitution is reviewed and updated annually. A light touch review was completed and agreed by Council in July 2018. The Nolan Principles have been actively promoted to Members and Officers, and this activity is now part of the Council's routine 'annual reminder' activity for all staff.

3.2 Principle B – Ensuring openness and comprehensive stakeholder engagement

Overall Assessment: We are largely achieving this principle, but with some minor areas for targeted improvement

The Council has engaged successfully with a range of stakeholders to deliver key projects. This includes, for example, our successful engagement with Friends of Aireville Park and our partnership projects with local NHS organisations. The Great Place: Lakes and Dales project has included a wide range of activity to increase our engagement with young people in the area.

The 2018/19 budget consultation exercise achieved our highest ever response rate. We believe that there is an opportunity to increase the response rate for young people in next year's consultation.

Improvement Action 1: Ensure that the response rate for the budget consultation exercise remains high, and that the number of responses from young people is increased.

3.3 Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

Overall Assessment: We are partially achieving this principle

Some improvement is required to ensure that we achieve this principle in 2019/20

The Council has a clear vision which provides a strong basis for strategy, planning and decision-making. The required resources and intended outputs of projects and service activities are clearly defined.

The Council does not always clearly define the longer-term outcomes that it expects to achieve for residents as a result of its activity.

Statement of Accounts 2018/19 – 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 2018/19: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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	2017/18 £000's restated	2018/19 £000's	Variance £000's	Comment
(Surplus) / Deficit on Provision of Services	(1,706)	1,399	3,105	Net Cost of Service increased by £3.294k. Offset by £79k decrease in other operating Expenditure and a £539k increase in Financing and Investment Income & Expenditure. Taxation and Non-specific grant income increased by £675k.
Other Comprehensive (Income) & Expenditure	(5,709)	(262)	(5,447)	£3.764m downwards revaluation of current assets. £2.360m on Impairment losses on NCA charged to the Revaluation Reserve..
Balance on Reserves at 31 March	22,457	21,321	(1,136)	Decrease in the Unusable Reserves of £1.6m – made up of - decrease in the Revaluation Reserve £2.4m and an increase to the Capital Adjustment Account £0.698m. Movement in the Pension Reserve £0.168m. A reduction in the Usable Reserves – made up of - Reduction in the Capital Receipts reserve £0.350m and an increase in the Earmarked reserves £0.876m

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 £9,262k).
- 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 £11,261k).

- Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to £1,399k).
- Surplus or Deficit on revaluation of Non-Current Assets and impairments £1,871k
- Remeasurement of net defined benefit/ (liability) (pension fund) (£2,133k).
- Bringing the overall total of Comprehensive Income and Expenditure to £1,137k.

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 2017/18 and 2018/19:

Description	2017/18 £000's restated	2018/19 £000's	Variance £000's	Comment
Enterprising Craven	759	1,134	365	£348k Pension costs due to in year costs and additional costs as a result of the Legal Judgement that has been outstanding Nationally.
Financial Sustainability	2,552	3,400	848	£559k Pension costs due to in year costs and additional costs as a result of the Legal Judgement that has been outstanding Nationally.
Resilient Communities	2,525	4,729	2,204	£1,136k Pension costs due to in year costs and additional costs as a result of the Legal Judgement that has been outstanding Nationally. £300k increase in depreciation costs.
Taxation and Non-Specific Grant Income	(9,187)	(9,862)	(675)	Capital Grants and other contributions increased by £346k. Council Tax by £112k and Retained Business rates increased by £217k.
Financing and Investment Income & Expenditure	65	604	539	Investment income increased by £(83)k and changes in Investment Properties Fair Value £649k.
(Surplus) or Deficit on revaluation of non-current assets	(3,966)	(202)	3,764	Upwards revaluation of Assets in 18/19 - £202k

Impairment Losses on Non-Current assets charged to the Revaluation Reserve	413	2,073	1,660	£1.7m downwards revaluation of current assets.

5.3 Councillors will note that the restated Comprehensive Income and Expenditure of the Council has moved from a surplus of £7.415m at the end of 2017/18 to a deficit of £1.137m at the end of 2018/19 – the variances identified above make up the majority of this movement.

6. Balance Sheet

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

6.2 Councillors may wish to note the following explanations for key variances when compared to 2017/18.

Description	2017/18 £000's Restated	2018/19 £000's	Variance £000's	Comment
Property Plant & Equipment.	33,257	33,428	171	Additions in year £2.973m, revaluations down £(1.951)m, depreciation £(1.737m)
Long Term Debtors	391	299	(92)	Loan to Craven College
Short Term Investments	10,426	12,000	1,574	Reclassification of Call accounts to investment from Cash Equivalents
Cash and Cash Equivalents	3,041	505	(2,536)	Reclassification of Call accounts from Cash Equivalents to investments
Short Term Creditors	(5,458)	(5,098)	360	Central Government bodies decrease by £138k, Other Public bodies and LA's increase by £751k and Other entities and individuals increase by

				£642k.
Other Long Term Liabilities	(21,150)	(20,982)	168	Pension Reserve movements in the liability
Usable Reserves	10,043	10,520	477	Reduction in Capital Receipts reserve of £350k offset by an increase to Earmarked Reserves of £876k.
Unusable Reserves	12,413	10,501	(1,612)	Decrease in the Unusable Reserves of £1.6m – made up of - decrease in the Revaluation Reserve £2.4m and an increase to the Capital Adjustment Account £0.698m. Movement in the Pension Reserve £0.168m

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 2017/18

Description	2017/18 £000's Restated	2018/19 £000's	Variance £000's	Comment
Net surplus or (deficit) on the provision of services	(1,706)	1,399	3,105	See Section 4.1
Movement in Pension Liability	(565)	1,965	2,530	
Investing Activities	(2,307)	(2,695)	(388)	Additions of PPE and some sale proceeds from PPE/Investment Properties & Intangible

				Assets.
Financing Activities	(335)	(1,539)	(1,204)	Reclassification of Call accounts and increased External borrowing for Capital Financing
Cash & cash equivalents	3,042	505	(2,537)	See Section 6.2

8. Statement of Accounting Policies

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

9. Explanatory Notes to the Statement of Accounts

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

Improvement Action 2: *Ensure that project, partnership and service delivery plans clearly define the longer-term outcomes that we expect to achieve for residents.*

The council does take into account financial, legal, risk and equality impact of all decisions. There remains a need to embed the assessment of economic, social and environmental impacts into decision-making processes.

Improvement Action 3: *Review our approach to assessing the economic, social and environmental impact of decision-making. Ensure that meaningful consideration of these impacts is embedded in our processes.*

3.4 Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Overall Assessment: We are partially achieving this principle

Some improvement is required in key areas to ensure that we achieve this principle in 2019/20

The council continues to achieve many aspects of this principle including ensuring clear Lead Member responsibility for priorities, sound financial planning, comprehensive monitoring arrangements and regular contingency planning.

We improved our approach to project management during 2018/19, including introducing a Programme Office and developing a Project Management Toolkit. We now consider that staff have access to the tools and support necessary to manage projects effectively from initiation to completion.

There is a need to review the Council's arrangements for procurement support to ensure that colleagues are able to comply with our Contract Procedure Rules. The Council does not have an up-to-date Procurement Strategy or Procurement Forward Plan; these should be revised immediately following the renewal of our procurement support arrangements.

Improvement Action 4: *Ensure that an appropriate procurement support arrangement is in place.*

Improvement Action 5: *Agree and implement an updated Procurement Strategy and Procurement Forward Plan.*

3.5 Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it

Overall Assessment: We are largely achieving this principle, but with some minor areas for targeted improvement

The council continues to achieve many aspects of this principle. Leadership roles are clearly defined, there are transparent lines of delegated decision-making and an effective performance review process is in place. The Council's Apprenticeship scheme is a strength.

A revised induction programme is in place and this is subject to ongoing review. New training for Members has been introduced, with further training planned for 2019/20.

There have been recent improvements in arrangements to ensure the Health & Safety of our workforce, including a new strategy and a newly contracted Health & Safety Advisor. We must ensure that these recent improvements are embedded.

Improvement Action 6:	*Review progress on Health & Safety actions to ensure that identified improvements are fully embedded both in our defined processes and in practice.*

3.6 Principle F – Managing risks and performance through robust internal control and strong public financial management

Overall Assessment:	We are partially achieving this principle Some improvement is required in key areas to ensure that we achieve this principle in 2019/20

The Council's approach to Risk Management was strengthened in 2018/19. A clear, defined approach to Risk Management was rolled out to all staff with further Member training planned for June 2019.

The Council has a clearly defined Performance Management Framework. Some elements of the framework require review to ensure that our performance management activity supports effective and constructive challenge and debate. We should ensure that projects and contracts are covered by our Performance Management activity, as well as ensuring that risk is regularly considered.

All required policies are now in place to ensure safe and effective data management. Our compliance with these policies is monitored on an ongoing basis and reported quarterly to the Council's Leadership Team.

Improvement Action 7:	*Ensure that the roll-out of our Risk Management approach is successfully completed, via member training and the development of a risk appetite statement.*
Improvement Action 8:	*Revise the Performance Management Framework to ensure that regular performance meetings cover service delivery, projects and contracts and guarantee regular consideration of risk.*

3.7 Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

Overall Assessment:	We are largely achieving this principle, but with some minor areas for targeted improvement

The Council's approach to transparency is supported by clear policies and regular consideration is given to the style and volume of both reporting and data presented to the public and other stakeholders. The Council is compliant with the Local Government Transparency Code.

We have continued our strong and compliant Internal Audit shared service with Harrogate Borough Council. Our financial controls are well-established and effective. External Audit services are provided by Mazars.

Partnership governance arrangements are clearly defined. More work is still required to ensure that we are able to monitor the shared impact of partnership activity.

Improvement Action 9: *Embed the review of partnership impact within the Council's performance review and monitoring arrangements.*

4. Summary of improvement actions for 2019/20

Principle	Actions
Ensuring openness and comprehensive stakeholder engagement	1. Ensure that the response rate for the budget consultation exercise remains high, and that the number of responses from young people is increased
Defining outcomes in terms of sustainable economic, social and environmental benefits	2. Ensure that all project, partnership and service delivery plans clearly define the longer-term outcomes that we expect to achieve for residents. 3. Review our approach to assessing the economic, social and environmental impact of decision-making. Ensure that meaningful consideration of these impacts is embedded in our processes.
Determining the interventions necessary to optimise the achievement of the intended outcomes	4. Ensure that an appropriate procurement support arrangement is in place. 5. Agree and implement an updated Procurement Strategy and Procurement Forward Plan.
Developing the entity's capacity, including the capability of its leadership and the individuals within it	6. Review progress on Health & Safety actions to ensure that identified improvements are fully embedded both in our defined processes and in practice.
Managing risks and performance through robust internal control and strong public financial management	7. Ensure that the roll-out of our Risk Management approach is successfully completed, via member training and the development of a risk appetite statement. 8. Revise the Performance Management Framework to ensure that regular performance meetings cover service delivery, projects and contracts and guarantee regular consideration of risk.
Implementing good practices in transparency, reporting and audit to deliver effective accountability	9. Embed the review of partnership impact within the Council's performance review and monitoring arrangements.

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