

# Audit and Governance Committee

# Monday, 21 September 2020 at 6.30pm (Online meeting)

Due to Covid-19, this meeting will be held remotely and will be livestreamed here: <u>https://www.youtube.com/channel/UCdfb6ZRbYnZ1-rRliLmjUwg</u> (Copy and paste the link in your browser)

Committee Members: The Chair (Councillor Hull) and Councillors Barrett, Handley, Harbron, Lis, Mercer, Noland, Place and Wheeler.

# Independent Person: Mr G Robinson

# AGENDA

- 1. **Apologies for absence** To receive any apologies for absence.
- 2. Minutes To approve the minutes of the meeting held on 29 July 2020.
- **3. Public Participation** In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.
- 4. **Declarations of Interest** All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests.

(Note: Declarations should be in the form of:

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

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

5. Statement of Accounts 2020/21 – Report of the Chief Finance Officer (s151 Officer)

Purpose of report - To present the 2019/20 Statement of Accounts and the Audit Completion Report.

6. **Risk Register Update** – Report of the Chief Finance Officer (s151 Officer)

Purpose of report - To present the committee with details of changes made to the Council's risk registers in light of the Covid-19 pandemic.

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7. Internal Audit: Review 2019/20 – Report of the Internal Audit Manager

Purpose of report - To consider the key findings and conclusions from audit work undertaken in 2019/20 and to give an opinion on the overall adequacy and effectiveness of the Council's arrangements for risk management and governance and on its internal controls.

8. Internal Audit: Progress Update 2019/20 – Report of the Internal Audit Manager

Purpose of report: To update Committee Members on the progress made against the 2020/21 Internal Audit plan up to 16<sup>th</sup> September 2020.

- 9. Appointment to Audit and Governance Committee Verbal Update Chief Finance Officer (s151 Officer)
- **10.** Any other items which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act, 1972.
- 11. Date and Time of Next Meeting Monday, 21 December at 6.30pm

# Agenda Contact Officer:

Hannah Scales, Democratic Services and Scrutiny Officer Tel: (01756) 706235 E-mail: <u>hscales@cravendc.gov.uk</u>

# AUDIT AND GOVERNANCE COMMITTEE

# 29 July 2020

**Present** – The Chairman (Councillor Hull) and Councillors Barrett, Lis, Mercer, Noland, Place and Wheeler.

**Officers** – Chief Executive, Chief Finance Officer (s151 Officer), Solicitor to the Council and Monitoring Officer, External Audit Engagement Lead, External Audit Manager, Democratic Services Manager and Democratic Services and Scrutiny Officer.

Apologies for absence were received from Councillors Handley and Harbron and Independent Person Greg Robinson.

Start: 6.30pm

Finish: 7.15pm

**Resolved** – That the minutes of the meeting held on 29 June 2020 were approved as a correct record.

# Minutes for Report

AC.381

# Draft Internal Audit Plan 2020/21

The Chief Finance Officer introduced a report which provided the proposed Internal Audit Plan for 2020/21. The External Audit Manager presented the report and Appendix which set out the areas, functions or activities at Craven which are to be reviewed together with an estimated number of days for each. Members were informed that under the Public Sector Internal Audit Standards, the Chief Audit Executive was required to give an overall opinion on the adequacy and effectiveness of their authority's internal controls, risk management and governance arrangements.

Members were pleased to note that all key financial systems within the Council had either been awarded 'significant' or 'good' levels of assurance. With regard to the current climate, the focus for the upcoming year's audit work would be based on risks identified during Covid-19 pandemic, its effect on the Authority and the recovery process following. Members noted that a significant part of the audit plan would be allocated to work in relation to the allocation of the business support grant funds.

The draft Audit Plan set out the various audits and days allocated from the 180 available days (not including the 20 days contingency) which included Car Park Income, Payroll, Business Continuity and Disaster Recovery, Post Business Support Grant Verification, Procurement Assurance/Contract Procedure Rules, Risk Management Review, ICT Data Security, Climate Change, S106, VAT, Contingency, Duplicate payments work, follow up of previous audit recommendations and management time/Committee Meetings.

Members discussed each item on the draft Audit Plan in detail and the Audit Manager and Chief Finance Officer addressed Members questions.

**Resolved** – (1) That, the Internal Audit Plan for 2020/21 is approved.

# Update of the Statement of Accounts 2019/20

The Chief Finance Officer presented a report which updated Members on the production of the 2019/20 Statement of Accounts and the subsequent audit process. Members were informed that in April 2020 in response to the implications of Covid-19 the statutory deadlines for the certification of the 2019/20 accounts was extended and further amendments to the accounting code suspended. Members noted that for Craven District Council the statutory obligation to publish draft accounts had been changed to 30 September 2020 with the subsequent formal certification moved to 30 November 2020.

Members were pleased to note as a result of a review of processes last year the Chief Finance Officer expected the draft Accounts to be completed by 30 June 2020 and formally completed by 30 July 2020.

The Chief Executive was pleased with progress and commended the Revenue and Benefits and Finance Teams.

**Resolved** – (1) That, the progress to date of the 2019/20 Statement of Accounts is noted.

# Minutes for Decision

Chairman.

# AGENDA ITEM 5

# Audit & Governance Committee – 21<sup>st</sup> September 2020

Statement of Accounts 2019/20



Report of the Chief Finance Officer (s151 Officer)

Ward(s) affected: All

- 1. <u>Purpose of Report</u>
- 1.1 To present the 2019/20 Statement of Accounts and the Audit Completion Report.

# 2. <u>Recommendations</u>

- 2.1 Members are recommended to receive and note the current status of the Statement of Accounts for 2019/20 (attached at Appendix A).
- 2.2 Members accept Audit Completion Report, submitted by the Council's external auditors (attached as Appendix C).
- 2.3 Members confirm that the final authorisation of the Statement of Accounts 2019/20 can be delegated to the Chief Finance Officer and the Chair of the Audit & Governance Committee, upon the formal conclusion of the audit of the accounts.

# 3. <u>The Report</u>

- 3.1 The Accounts and Audit Regulations 2015 previously required Members to approve the Council's audited statutory accounts by 31 July following the financial year-end. However due to the COVID-19 pandemic, MHCLG confirmed that the statutory audit deadline will move to 30 November 2020.
- 3.2 The draft Statement of Accounts submitted to the auditor must be signed by the Council's Chief Financial Officer by 31 August.
- 3.3 The 2019-20 accounts have been produced under the requirements of International Financial Reporting Standards (IFRS) basis.
- 3.4 In line with changes implemented in the 2015 Accounts and Audit Regulations, the 2019/20 Unaudited Statement of Accounts was approved on the 30<sup>th</sup> June 2020 by the Chief Finance Officer (s151 Officer).

- 3.5 Therefore, the Council achieved the statutory deadline to approve the unaudited accounts by 31<sup>st</sup> August and for them to be made available for public inspection within the required timeframe.
- 3.6 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.
- 3.7 The following points highlight the major movements in the Statement of Accounts for 2019/20, compared with 2018/19:
  - Net Cost of Services has decreased by £0.952m to £8.311m (2018/19: £9.263m).
  - There is a Surplus on the Provision of Services of (£0.368m) (2018/19: Deficit of £1.399m).
  - Total Reserves have increased by £4.303m to £25.134m (2018/19: £20.167m).
  - The General Fund balance has remained at £995k.
  - Earmarked reserves have increased by £0.078m to £6.720m (2018/19: £6.642m).
- 3.8 It is important that the Council has sound financial, governance and resource 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.
- 3.9 Specifically, in respect of financial statements, members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny".
- 3.10 To assist councillors in this regard, an explanatory paper is attached at Appendix B. The Statement of Accounts also contains a narrative report, which highlights the key issues arising from the financial year 2019/20 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.
- 3.11 The accounts were made available for public inspection and questions to the auditor from 1st July 2020 to 14th August 2020. No queries were received by the Council.
- 3.12 The Audit and Governance Committee are now recommended to note the current version of the Statement of Accounts. Mazars, the Councils appointed auditor and the Council are still completing the final stages of the audit work and this is detailed within the Audit Completion Report, attached as Appendix C. The Completion report highlights that the audit cannot be formally concluded and an audit certificate issued until matters, beyond the

control of the Council, have been resolved. The auditors are satisfied that these matters will not have a material effect on the financial statements or their opinion.

- 3.13 Progress on the final completion and certification of the accounts will be reported to the committee in due course. If, as expected, no further issues arise, The Chief Finance Officer and Chair of the Audit & Governance Committee will sign-off the completed accounts.
- 3.14 The Annual Governance Statement (the draft copy of which was approved by this Committee at its meeting in June 2020) must be added to the published version of the audited statement of accounts. The final version of this will be included in the Final Statement of Accounts 2019/20, when it is certified.
- 3.15 The completion of the annual statement of accounts is a significant undertaking in any year but particularly this year, when the production and audit of the accounts has been completed remotely. It is pleasing to note that the agreed deadlines set were achieved and that the attached Audit Completion Report reflects improvements in the overall quality of the accounts.

# 4. Financial and Value for Money Implications

4.1 None

# 5. <u>Legal implications</u>

5.1 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.

# 6. <u>Contribution to Council Priorities</u>

6.1 Financial resilience through appropriate procedures and practices

# 7. <u>Risk Management</u>

None

# 8. Equality Impact Assessment

8.1 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.

# 9. <u>Consultations with Others</u>

None

# 10. Access to Information : Background Documents

None

# 11. <u>Appendices</u>

Appendix A – 2019/20 Unaudited Statement of Accounts Appendix B – Explanatory paper to support the accounts Appendix C –Audit Completion Report

# 12. Author(s) of the Report

Richard Weigh, Chief Finance Officer (s151 Officer) James Hordern, Finance Manager (Deputy s151 Officer)

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# UNAUDITED STATEMENT OF ACCOUNTS

# 2019/2020

CRAVEN DISTRICT COUNCIL

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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



Pages

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# **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 southeast, Lancashire to the west, and Cumbria to the north-west.

Craven is a rural district with a sparse population, 2019 mid-year population estimates of the district were 57,142. The district has 27,414 households (31 March 20). Craven's largest town is Skipton and the majority of Craven's population is concentrated in the Skipton, 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 North Yorkshire.

#### About the Council

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

# Political Structure of the Council

Craven District Council has 30 district councillors elected from 19 Wards. The Conservative Group has overall control of the Council. The Leader of the Council is Councillor Richard Foster and Deputy Leader Councillor Simon Myers.

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

The following Committees are in place:

• Policy Committee and its sub-committees - exercise the Council's powers in making decisions or recommendations on all major non-regulatory matters.

• Select Committee - assists both in the development of new and reviews of existing council policies, as well as scrutinising 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).

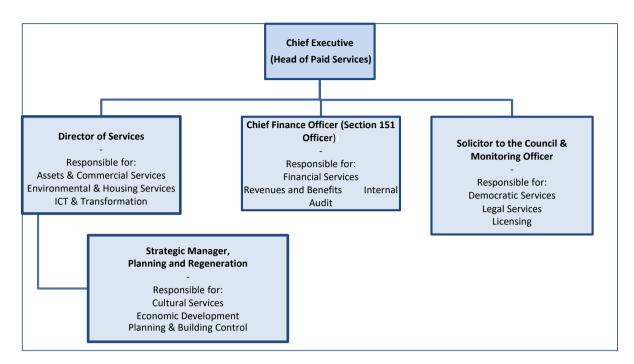
• Planning Committee - responsible for making decisions on planning applications, planning enforcement and other operational planning and building control matters, which require a decision by Councillors.

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

# **Management Structure**

# NARRATIVE REPORT

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 2020 the Council employed 207.00 full time equivalent (FTE) staff, reducing from 215.8 FTE at 31st March 2019. 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. In February 2020, the Council updated its priorities in line with the updated Craven District Council Plan – 2020 & Beyond. This built on the themes already in place but included greater emphasis on achieving carbon neutrality. The revised priorities are:

•Carbon Neutral Craven •Supporting the Wellbeing of our Communities •Attracting & Retaining Younger People •Einancial Sustainability

# **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 Medium Term Financial Plan (MTFP) covering a four-year year period. It is reviewed regularly and refreshed annually to ensure we remain on track to deliver the services we provide. The latest version of the MTFP sets out a potential budget gap of £576k in 2021/22 growing to £1.275m by 2023/24. This is based on informed estimates but will depend significantly on future government policy and national funding reviews. Toward the end of 2019/20, the country has been responding to the Covid-19 pandemic. This will have a major national – and indeed global - economic impact. It will also impact the Council's finances and affect future MTFP projections. The potential financial impacts of Covid-19 are set out in later sections of this report.

# NARRATIVE REPORT

The Council's annual net revenue expenditure budget of £6,735k for 2019/20 was agreed by the Council in February 2019. Following supplementary estimates during the year, the final budget was £6,863k. This included expenditure on services of £6,024k. Capital expenditure totalling £1,763k was also agreed. Following slippage from 2018/19 and additional supplementary estimates, the final programme stood at £8,692k.

The Council funds its revenue expenditure from a number of sources including Council Tax. A £5 increase in Council Tax for the 2019/20 financial year was approved (based on average Band D equivalent).

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

The Council's borrowing facilities for 2019/20 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 requirements of the Prudential Code and reported in the Council's annual Treasury Management Strategy Statement (TMSS). The Prudential Code controls borrowing by reference to an Authorised Limit and Operational Boundary, and these limits are reported in the TMSS. The Council agreed the Prudential Indicator limits for 2019/20 when the annual TMSS was approved. There was no new long-term borrowing during the year.

(Financial performance against our budgets is explained further under Financial Performance 2019/2020)

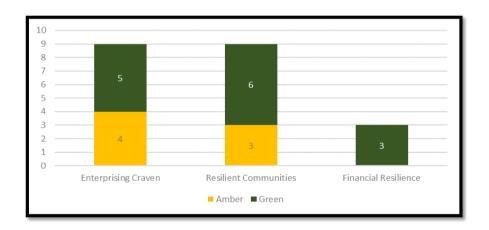
### Performance During 2019/2020

We identified twenty-one key actions linked to the Council Plan for 2019/20. The status of fourteen of these actions was judged to be 'Green', meaning that the action was successfully completed as planned within the financial year. Seven actions were judged to be 'Amber', meaning that some or all elements of the action are behind schedule and were not completed in the Financial Year but that there is a clear plan in place to achieve them. No Council Plan actions were listed as 'Red' for 2019/20.

•4 'Amber' actions relate to the priority 'Enterprising Craven'.

3 'Amber' actions relate to the priority 'Resilient Communities'.
No 'Amber actions relate to the priority 'Financial Sustainability'.

Overall, a slightly higher proportion of actions linked to our Council Plan are behind schedule in 2019/20 than were behind schedule in 2018/19 (33% in 2019/20, compared to 20% in 2018/19).



	Enterprising	Resilient	Financial	<b>T</b> _4_1
Amber	Craven	Communities	Resilience	Total 7
Green	 5	5	- 2	/ 1/

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

# **Enterprising Craven**

#### **Enterprising Craven - Actions Rated 'Amber'**

# Propose Skipton for a Tour de Yorkshire start and prepare delivery if required

Skipton was announced as start venue for both Men and Women's race on Friday 1st May 2020. An Officer was appointed to project manage delivery. £125K was secured from Business Rates Pool to cover the hosting fee. £5k funding was secured from Skipton Business Improvement District for dressing the town. An Event Management Plan was developed and had been due to be taken to the Craven Safety Advisory Group in March, however the event was postponed for the foreseeable future due to Covid-19. We are awaiting a date from the event organisers for reschedule.

# Allocate a suitable supply of land for all types of residential development and increase the supply of affordable housing

The RIBA competition for Horton in Ribblesdale is complete and we are now working with the successful architects to prepare the planning application to the Yorkshire Dales National Park Authority (YDNA). The Local Plan was formally adopted in December 2019. Schemes at Back Gate, Ingleton and Airedale Avenue, Skipton have been submitted for planning approval. Update note: As a result of the Covid-19 crisis, some further delays to the planning process may occur for both the Horton in Ribblesdale scheme and further developments. Our timescales may need to be revised.

#### Improve the quality and capacity of the transport infrastructure serving the District

The procurement project to appoint consultants to support the development of the Masterplan was delayed but has now started. A member sounding board will be convened in 2020 to support the development of the Masterplan. We have submitted a Stage 2 bid for the Transforming Cities Fund to improve walking and cycling around Skipton. We are expecting a Central Government announcement regarding options for east-west road links during 2020.

# Enhance the quality of the trading environment within the District's core retail centres

The Settle website design is underway. Work with Grassington Chamber on improved signage has also commenced. We are supporting the Yorkshire Dales Millennium Trust to prepare a Rural Development Plan for England (RDPE) funding bid for Ingleton Riverside Park to improve access, facilities and the woodland area; this will be submitted during 2020.

## **Enterprising Craven - Actions Rated 'Green'**

#### Major Council achievements supported by Communications, Customer Services and Partnerships in the period

Dementia Friendly Skipton was launched during Alzheimer's Awareness Week and the Skipton group continues to grow. The Council is registered as working towards becoming Dementia Friendly and an action plan has been produced. The role of Community Safety Hub has been reviewed and a role profile produced for the Community Safety Officer's work within the hub. The Community Safety Hub has been relaunched, with an event at the Craven Communities Together Stakeholder Group. The Hub is now co located at our Belle Vue Square offices as part of a public safety services pilot. Priorities for the group include the Nurturing Neighbourhoods project, a piece of work focusing on the Broughton Road community, and financial resilience in the Bentham community.

#### Enable the development of eight hectares of new employment land by 2020

Craven Barnfield Regeneration Ltd have produced designs for Langcliffe Quarry and held pre-application discussion with YDNPA. A planning application will be made in 2020. Henry Boot Construction Ltd have completed works on the A629 roundabout. The expected date for the completion of the on-site road works is May 2020. Update note: As a result of the Covid-19 crisis, some further delays to planning and development processes may occur and timescales may need to be revised.

#### Ensure new and existing businesses have access to, and are able to benefit from, business support services

A second SME Growth Manager has been appointed to deliver an Information, Diagnosis and Brokerage function to established SMEs in Craven. Part of the local spoke of the LCR LEP Business Growth Service, the post is shared with Bradford Metropolitan Council and is funded through the European Regional Development Fund. One workshop and pop-up business advice café was organised (in conjunction with Bradford Metropolitan Council and the LCR LEP), engaging 11 businesses across the District. During this quarter our SME Growth Manager worked with 9 businesses, of which 7 required support to access finance for expansion projects. The Ad: Venture Business Advisor, who works with new start businesses, worked with 12 businesses covering a range of advice including website improvement, business planning and cashflow/finance.

#### Ensure all businesses and residents in Craven have access to a high-quality broadband connection by 2020

Superfast North Yorkshire has provided a further 199 premises with access to a superfast broadband connection. These premises are located in Arncliffe, Eshton, Flasby, Ickornshaw, Stainforth, Studfold (Horton-in-Ribblesdale) and areas of Cowling. Each property owner has received a letter from Superfast North Yorkshire advising them on how they can access an improved broadband service. In December 2019, Openreach contacted the Council regarding connectivity to Middleton, Cowling. The area was to be removed from the Superfast North Yorkshire programme as they were unable to confirm the owner of the private street. After pro-active involvement by the Ward Member to bring together the frontages, the landownership issues are being overcome and the premises on this private road are now likely to receive fibre to the premise connectivity.

#### Develop and implement a new Economic Development Plan

This activity has been superseded by the Local Industrial Strategy under development by the York and North Yorkshire Local Enterprise Partnership.

# **Resilient Communities**

#### **Resilient Communities - Actions Rated 'Amber'**

# Reduce waste to landfill and increase re-use and recycling

A programme of activity has been completed to encourage the increase of recycling rates.

Promotional recycling material including new information about the recycling of batteries was sent out with Council Tax information. Communications work has been completed around identification of contamination following some recycling contamination spikes. A waste audit will be undertaken May/June 2020 to enable targeted campaigns.

Unfortunately, despite this activity, rates in 2019/20 have not improved as we would like. Further activity will be planned for 2020/21 to ensure further improvement.

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	•	0	•	
	2016/17	2017/18	2018/19	2019/20



#### Promote use of electric vehicles (EV) in Craven

The charging point lease for EV charging points in the High Street car park has been agreed between the Council and a third party. North Yorkshire Councy Council (NYCC) Highways have agreed to the necessary amendments to the Parking Places Order (PPO). Installation is on hold until pandemic restrictions are lifted as the appointed sub-contractor has furloughed all staff. CDC has also committed to replacing its fleet with Low Emissions Vehicle (LEV) alternatives once they are taken out of service, and our first fully electric vehicle was purchased in 2019.

Update note: The sub-contractor's staff returned to work in April and the High Street EV Charging Point installations were completed in May.

## **Develop and implement a new Culture Plan**

It was agreed that the Culture Plan should be subject to wider consultation with partners from across Craven and the region. Following the wider consultation, the Plan has been redrafted and it will be presented to Policy Committee during 2020.

#### **Resilient Communities - Actions Rated 'Green'**

# Reduce health and wellbeing inequalities

Dementia Friendly Skipton was launched during Alzheimer's Awareness Week and the Skipton group continues to grow. The Council is registered as working towards becoming Dementia Friendly and an action plan has been produced. The role of Community Safety Hub has been reviewed and a role profile produced for the Community Safety Officer's work within the hub. The Community Safety Hub has been relaunched, with an event at the Craven Communities Together Stakeholder Group. The Hub is now co located at our Belle Vue Square offices as part of a public safety services pilot. Priorities for the group include the Nurturing Neighbourhoods project, a piece of work focusing on the Broughton Road community, and financial resilience in the Bentham community.

# Enable community groups across the District to achieve their ambitions

The official opening of the new play area in Aireville Park was held on 7th June 2019. The Great Get Together Picnic was held in Aireville Park on 23rd June 2019 and had approximately 700 attendees from all sections of community. We received great feedback and hope to hold event again. A Planning Gain annual report detailing the value of planning gain in the district was completed. Community consultation has taken place in conjunction with Friends of Aireville Park over the new Aireville Park Masterplan. We have renewed the Ward Member Grant Scheme which received over 50 applications across the District. Update: due to the Covid-19 response, most community activities will be cancelled, delayed or delivered in an alternative format in 2020/21

#### Make Craven's public spaces cleaner, safer and greener

All targets under the Cleaner Neighbourhoods Action plan were met for 2019/20. A review of the plan was undertaken for 2020/21.

Acknowledge, reward and promote best environmental practice across businesses and the voluntary sector Activities under this heading were completed with all milestones achieved. In particular, the Craven Green Apple awards were successfully awarded.

# NARRATIVE REPORT

# Improve access to and enjoyment of Craven's great heritage and culture

Construction of the Town Hall started in March 2019 and is expected to be complete in October 2020, a delay of two months following issues with the need to underpin the gable end of the Hall. Tree planting has taken place across a range of sites on our estate, with 9,000 trees planted in total. We are engaging with the Environment Agency and the White Rose Forest to identify a pipeline of new sites for tree planting. The Northern Forest Plan is now required in November 2020 and work with partners has commenced. Works on the Leeds-Liverpool canal towpath are continuing with an expected completion date of April 2020. The Canal and River Trust are exploring the opportunity to apply for further funding to complete the stretch from Kildwick to Silsden.

# Collaborate with partners to retain and attract more working age households to the District

The Royal Institute of British Architects (RIBA) design competition for Horton is complete. We are now working with the architects of the winning design to develop the final scheme for submission to Homes England and the YDNPA. The business case and planning application for Langcliffe Quarry are being developed; once developed this employment land should result in additional job opportunities in the area.

Update note: As a result of the Covid-19 crisis, some further delays to planning and development processes may occur and timescales may need to be revised.

#### Financial Resilience

2019/20 was the first year without any Revenue Support Grant (RSG) from government.

Financial Resilience - All Actions Rated 'Green'

# Ensure expenditure is prioritised, regularly reviewed and reflects resident's priorities

The CFO has agreed with the CEO and Lead Member for Finance that the LTFS publication will be merged into a single MTFP that accompanies the budget for approval in February. Budget consultation results are included in the February Policy report. Support was shown for the Council's newly identified priorities as included in the survey.

# Improve the Council's commercial acumen and generate additional income

The Savings Plan is being reviewed and challenged by CLT on a monthly basis. Income to the end of December is ahead of budget and ahead of the same point last year.

# Maximise the Council's assets for the long-term sustainability of the Council and the District

A review of small sites that could be made available for development across the Council's estate has been completed. These have now been referred to an external consultant who has been appointed to oversee delivery of this programme. Development of large schemes remains the responsibility of our joint venture partner, Craven Barnfield Regeneration. A Programme Board has been established to monitor progress against our development programme.

Update note: As a result of the Covid-19 crisis, some further delays to planning and development processes may occur and timescales may need to be revised.

The Council's Medium Term Financial Plan (MTFP) sets out our medium term funding strategy and assumptions and identifies requirements to deliver a balanced annual budget. The MTFP is regularly reviewed and updated annually. Our Income and Savings Plan sets out the detail of how we intend to meet identified targets each year and progress against the plan is reported quarterly to the Policy Committee.

(Financial performance against our budgets is explained further under Financial Performance 2019/2020)

### Financial Performance 2019/2020

The Council has continued to strengthen its financial position in 2019/20. The total forecasted net revenue expenditure for the Council during 2019/20 was £6,735k, this includes the net costs of services totalling £5,835k.

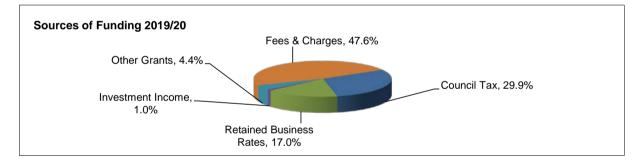
Net Cost of Services 2019/20
Resilient Communities
Enterprising Craven
Financial Sustainability

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

# NARRATIVE REPORT

	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	2,386	(1,193)	1,193
<b>Financial Sustainability</b> 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	3,474	(272)	3,202
<b>Resilient Communities</b> 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	19,480	(15,564)	3,916
Total Net Cost of Services	25,339	(17,029)	8,311

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 £1,405k.



Sources of Income to the Council	2019/20 £'000
Revenue Support Grant	-
Retained Business Rates	3,049
Council Tax (including parishes precepts)	5,380
Investment Income	186
Non Specific Government Grants and Other Income	797
Fees & Charges	8,565
Total	17,978

Excluding parish precepts, in 2019/20, the Council received 4.4% of its net funding from government grants, 30% from Council Tax (excluding parish precepts), 16.9% from Retained Business Rates, 47.7% 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 2019, at £ 1,763k. However, as result of slippage brought forward, additional grant funding and supplementary estimates, the final programme stood at £8,692k. The projects within the Programme are shown in the table below.

The final programme for 2019/20 stands at £3,622k, the variance of £5,070k is a result of a number of reasons, such as projects spanning two financial years, completing under budget, projects not able to progress and slippage against timescales for some projects, due to routine delays and as a result of the Covid-19 pandemic. Required slippage will be carried forward into the 2020/21 Capital Programme for continuing projects.

# **Capital Programme**

2018/19	Areas of Capital Expenditure	2019/20	2019/20
Expenditure		Approved Budget	Expenditure
£'000		£'000	£'000
	Culture and Leisure Related		
223	Aireville Park Facilities	0	14
218	Craven Leisure (formerly Craven Pool & Fitness Centre)	47	45
-	Skipton Town Hall - Concert Hall (Arts Council England Funded Project)	679	0
1	Skipton Town Hall Redevelopment	202	202
309	Skipton Town Hall Redevelopment (Heritage Lottery Fund Scheme)	1,469	1,325
	Craven District Boundary Signs	18	9
17	Leeds Liverpool Canal Towpaths & Skipton Waterfront	588	382
	Economy, Housing and Environmental Related		
292	Aireview House Homelessness Hostel Refurbishment	0	31
48	Car Parks and Parking Machines	69	40
64	Market Town/Village Improvements	63	22
780	Shared-ownership housing / Developing Council Assets	3,700	698
-	Contribution to the Developing the Natural Aire project	125	50
0	Toilet Refurbishment - Ashfield Settle	75	0
32	Flood Alleviation Projects	368	55
	Waste and Recycling Related		
197	Refuse Vehicles and Associated Equipment	152	77
	Other Asset Infrastructure		
84	IT Infrastructure	219	122
-	Langcliffe Quarry Development	47	19
49	Skipton Depot	211	18
839	Waltonwrays Crematorium Improvements	41	2
	Grant Assistance to Residents		
505	Disabled Facilities Capital Grants & Other Home Improvement Grants	619	510
3,658	Total Capital Expenditure	8,692	3,622

The Council finances this expenditure from a variety of sources. An analysis of how the Capital Programme Expenditure in 2019/20 has been financed is set out on the next page.

2018/19	Capital Programme - Methods of Financing	
£'000		£'000
932 1,466 694	Prudential Borrowing Capital Grants Capital Receipts	1,121 1,774 359
567	Revenue Contribution	368
3,658	Total Financing	3,622

# **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 over £4.9 million to £25,079k at 31 March 2020 from £20,167k at 31 March 2019.

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 £4,925k to £43,021k at 31st March 2020 compared to £38,096k at 31 March 2019.

The value of current assets decreased slightly by £290k to £14,213k at 31st March 2020 from £14,503k at 31st March 2019. The majority of which being short term investments of £8,000k which decreased by £4,000k from £12,000k at 31 March 2019, short term debtors at £1,895k an increase of £355k from 31 March 2019, and cash and equivalents at £4,282k increasing from £905k at 31 March 2019. Current liabilities increased by £726k from £5,462k at 31st March 2019 to £6,188 at 31st March 2020. this was mainly due to an increase of short term creditors of £659k.

The Council's long term liabilities have decreased by £987k to £25,983k at 31st March 2020 compared to £26,970k at 31st March 2019. 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 £19,989k at 31 March 2020 from £20,976k at 31 March 2019, 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 2020 the Council's total reserves stood at £25,079k compared to £20,167k at 31st March 2019, an increase of £4,912k. This includes unusable reserves of £14,472k and usable reserves of £10,607k.

Useable reserves of £10,607k, includes £995k of unallocated general fund revenue reserves and £6,720k 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 £2,472k to fund the Capital Programme, and £420k of unapplied capital grants.

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. The Medium Term Financial Plan assumes increases to earmarked reserves over the next few years to ensure that future demands can be met, though currently medium term assumptions are being revised in response to the emerging implications of dealing with the Covid-19 pandemic.

### Impact of Covid-19

The national response to dealing with Covid-19 is having a significant impact on the economy that is likely to be felt for some considerable time. A drastic fall in output and a significant increase in unemployment will reduce government revenues when costs to deal with the pandemic are significant. At a local level, the council's revenues in the first quarter of 2020/21 have been affected by a loss of income from numerous services but particularly from leisure and car parks and this is likely to continue to be the case throughout the year. Revenues from fees and charges will begin to recover as services and amenities reopen but the extent and financial impact are unknown with certainty.

Council Tax revenues are expected to be impacted by an increase in Council Tax Support and a general decline in collection rates. Business rates will also be affected though the impact in 2020/21 has been mitigated to some extent by the vast expansion of temporary rate relief. The impact of reductions in Council Tax and business rates will initially be accounted for through the Collection fund but could result in a significant impact in the following financial year.

The cash-flow position remains stable in the medium term, helped by government deferring the collection of rate income and paying some grants in advance for the year.

The Council has incurred additional costs in the new financial year in its response to the pandemic but these are less significant compared to the impact of income and funding losses.

Government financial support has been provided and the Council is taking steps to ensure financial stability is maintained. A review of revenue and capital budgets has been undertaken, as has a review of reserves and balances. A more informed review of the Medium Term Financial Plan will be required when there is more certainty about the degree of financial losses, the range of government financial support and mitigating measures and the position regarding planned review of business rates and national funding formulae. A range of potential impacts is continually being updated and latest estimates are that with further government support, losses are containable in 2020/21 but a reprioritisation of the council's budget may be required in future years, depending on the outcome of the factors noted above.

The wider impact of the pandemic on the value of fixed assets and liabilities, the impact on the pension fund and related assets and liabilities are presented within these accounts based on latest expert advice.

# NARRATIVE REPORT

### **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. In light of Covid-19, all risk registers have been reviewed and new risks assessed. The Council has established a specific Pandemic Response Team in order to monitor the Council's response to current events. The structure follows the Council's Pandemic Response Plan and continually reviews risks, service delivery, public health, governance, financial resilience, staffing and communication issues.

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 2019/20 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 2019/20 comprise:

- The Statement of Responsibilities for the Statement of Accounts (page 16). Under the Code of Practice on Local Authority Accounting in the UK 2005, there is a requirement for the Council, in addition to the Chief Financial Officer, to certify its approval of the Statement of Accounts.
- The Movement in Reserves Statement (MIRS) (page 19). 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 20). 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 21). 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 22). 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 23 to 75).** These provide additional information about the figures in the core financial statements.

# EXPLANATION OF THE FINANCIAL STATEMENTS

# Supplementary Statements Comprising:

- **The Collection Fund Account (page 77).** This reports the transactions of the Council as a billing authority. Amounts in respect of business rates and council tax due are shown, together with how these have been distributed to precepting authorities, the Council's General Fund and the Government.
- Notes to the Collection Fund Account (pages 78 to 80). 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 81 to 84)
- Glossary of Terms and Index of Notes (pages 85 to 91). Terms used throughout this document are described in detail in these pages.
- **The Annual Governance Statement (Appendix 1 Page 93).** 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 cashlimited 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 2019/20. 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.

#### **RICS Material Uncertainty Declaration of March 2020.**

As a consequence of the COVID-19 Pandemic, The Royal Institution of Chartered Surveyors (RICS) issued a statement more particularly designed to urge caution regarding valuations for lending purposes however it serves as a general warning as to likely forthcoming market instability and re-adjustment .The restructuring of markets and the time frame for such adjustment is presently an unknown quantity. As such the valuer, when giving his opinions ensured the valuations in his report would be for the sole purpose of providing accounting values for inclusion in the authority's annual statement of accounts.

#### **Prior Period Adjustments**

No Prior period adjustments have been made to the Council's 2018/19 published financial statements.

#### **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 Council at the reporting date and of its expenditure and income for the year ended 31 March 2019.

Richard Weigh CPFA Chief Finance Officer

Date:

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: J

June 2020

June 2020

# **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 2018	995	6,342	2,418	288	10,043	11,259	21,302
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)	1,698	0	(350)	(51)	1,297	(1,297)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	300	0	(350)	(51)	(101)	(1,035)	(1,137)
Transfers to/from Earmarked Reserves (note 8)	(300)	300	0	0	0	0	0
Movement in Year	0	300	(350)	(51)	(101)	(1,035)	(1,137)
Balance at 31 March 2019 carried forward	995	6,642	2,068	238	9,943	10,224	20,167
Movement in reserves during 2019/20							
Surplus or (deficit) on provision of services	368	0	0	0	368	0	368
Other Comprehensive Expenditure and Income	0	0	0	0	0	4,599	4,599
Total Comprehensive Expenditure and Income	368	0	0	0	368	4,599	4,967
Adjustments between accounting basis & funding basis under regulations (note 7)	(290)	0	404	182	296	(296)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	78	0	404	182	664	4,303	4,967
Transfers to/from Earmarked Reserves (note 8)	(78)	78	0	0	0	0	0
Movement in Year	0	78	404	182	664	4,303	4,967
Balance at 31 March 2020 carried forward	995	6,720	2,472	420	10,607	14,527	25,134

# **COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

	2018/19				2019/20		
Expenditure £'000	Income £'000	Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	Notes
2,381	(1,247)	1,135	Enterprising Craven	2,386	(1,193)	1,193	
3,599	(199)	3,400	Financial Sustainability	3,474	(272)	3,202	
19,527	(14,798)	4,729	Resilient Communities	19,480	(15,564)	3,916	
25,508	(16,244)	9,263	Cost of Services	25,339	(17,029)	8,311	
		1,394	Other Operating Expenditure			946	9
		604	Financing and Investment Income & Expenditu	ire		453	10
		(9,862)	Taxation and Non-Specific Grant Income			(10,079)	11
		1,399	(Surplus) or Deficit on Provision of 9 Services				
			Other Comprehensive Income and Expenditure				
		(202)	(Surplus) or deficit on Revaluation of Property, Plant and Equipment Assets			(2,600)	22.1
		2,073	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			440	22.1
		(2,133)	Remeasurement of net defined benefit / (liability)			(2,439)	36
		(262)	Total Other Comprehensive Income and Expenditure			(4,599)	
		1,137	Total Comprehensive Income and Expenditure			(4,967)	

# BALANCE SHEET

31-Mar-19		31-Ma	Notes	
£'000		£'000	£'000	
33,428	Property Plant & Equipment and Community Assets	36,359		12
2,207	Investment Properties	2,206		12
1,884	Heritage Assets	1,884		12
358	Intangible Assets	407		15
18	Long Term Investments	3,018		16
201	Long Term Debtors	98		16
38,096	Total Long Term Assets		43,973	
12,000	Short Term Investments	7,000		16
-	Assets Held For Sale	-		19
57	Inventories and Work in Progress	52		
1,540	Short Term Debtors	1,998		17
905	Cash and Cash Equivalents	4,282		18
14,503	Total Current Assets		13,332	
-	Cash and Cash Equivalents	-		18
(48)	Short Term Borrowing	(48)		16
(5,098)	Short Term Creditors	(5,757)		20
(316)	Provisions	(383)		39
(5,462)	Total Current Liabilities		(6,188)	
(5,988)	Long Term borrowing	(5,988)		16
(6)	Other Long Term Liabilities	(6)		
(20,976)	Defined Benefit Pension Scheme	(19,989)		36
(26,970)	Total Long Term Liabilities		(25,983)	
20,167	Net Assets		25,134	
9,943	Usable Reserves		10,607	21
10,224	Unusable Reserves		14,527	22
20,167	Total Reserves		25,134	

Richard Weigh CPFA Chief Finance Officer

Date:

June 2020

# CASH FLOW STATEMENT

2018/19		2019/20	Notes
£'000		£'000	
(1,399)	Net surplus/(deficit) on the provision of services	368	
3,839	Adjustments to net surplus or deficit on the provision of services for non- cash movements	3,491	23
(344)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(759)	23
2,097	Net cash flows from operating activities	3,101	
(2,695)	Investing Activities	(1,724)	24
(1,539)	Financing Activities	2,000	25
(2,137)	Net Increase or (Decrease) in cash and cash equivalents	3,377	
3,042	Cash and cash equivalents at the beginning of the reporting period	905	
905	Cash and cash equivalents at the end of the reporting period	4,282	18

# **SECTION 4**

# NOTES TO THE CORE FINANCIAL STATEMENTS

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# EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

# 1. Accounting Policies

# 1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the yearend of 31 March 2020. 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 2019/20, 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
- 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.

# EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

# 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 (i.e. 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 determinable 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. Accounting Policies continued .....

# 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.

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 2.3% on long dated AA rated Corporate Bonds.

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

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

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

Service Cost Comprising:

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

Remeasurements Comprising:

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

# 1. Accounting Policies continued .....

# 1.7. Employee Benefits continued......

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 from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

# **Discretionary Benefits**

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

# 1.8. Events After the Reporting Period

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

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

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

# 1.9. Financial Instruments

# **Financial Liabilities**

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable 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 financial 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 authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

## 1. Accounting Policies continued .....

## 1.9. Financial Instruments continued.....

## **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised in the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most 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 model 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 provisions 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.

## 1.10. 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. Accounting Policies continued .....

## 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 2019/20. 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 properties 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 requirements. 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 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 deminimis 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.

## 1. Accounting Policies continued .....

## 1.18. Property, Plant and Equipment continued.....

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

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

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

## 1. Accounting Policies continued .....

## 1.18. Property, Plant and Equipment continued......

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 chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account

## **Componentisation:**

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

## 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.

## 1. Accounting Policies continued .....

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

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.

## **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.

## 1. Accounting Policies continued .....

## 1.23. Fair Value Measurement continued......

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. For the 2019/20 Statement of Accounts there are a number of accounting changes that need to be reported. These relate to:

Annual Improvements to IFRS Standards 2015-2017 Cycle

Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement

These amendments are minor, and they are not expected to have a material impact on the Statement of Accounts.

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 2019/20 this is not material. The position will be reviewed on an annual basis once the JV commences it's project work.

## 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.

## RICS Material Uncertainty Declaration of March 2020.

As a consequence of the COVID-19 Pandemic, RICS issued a statement more particularly designed to urge caution regarding valuations for lending purposes however it serves as a general warning as to likely forthcoming market instability and readjustment .The restructuring of markets and the time frame for such adjustment is presently an unknown quantity. As such the valuer, when giving his opinions ensured the valuations in his report would be for the sole purpose of providing accounting values for inclusion in the authority's annual statement of accounts.

## **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 investment properties, the authority's in-house valuer or external valuer).

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.

Alongside the valuers report, and to ensure that consideration had been given to a change in valuations due to the COVID-19 impact on the market, a Property Market Report was produced. The purpose of the report was to give context around the potential impact of pandemic on valuations that would have been carried out throughout the year and to make sure that at the reporting date the potential impact was disclosed, where the fair value hierarchy is at level 2. The value of the investment properties at the reporting date was £2,206k and the valuer place a possible market adjustment of 5% on those assets under the Tenanted Commercial, industrial markets, this potentially could change the value by around £110k. This is below the threshold for materiality but disclosed based upon it's nature and potential impact.

## **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.

## COVID-19 impact

This year to mitigate the risk on changes to the asset valuations, as a result of the pandemic, the pensions valuation report was requested to reflect valuations as at the year end, rather than based on in year estimates. This was to ensure that any assumptions or valuations used by the actuary in calculating the plan assets would be more accurate. This would reduce the likelihood of a significant misstatement of the pension scheme position at the year end.

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 £1,386k.

### Arrears

At 31 March 2020, the Authority had a balance of sundry debtors for £404k and housing benefit overpayments of £163k. A review of all balances suggested that an impairment of doubtful debts of £325k 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 £37k to be set aside as an allowance.

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

## **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 2019/20 has not altered materially from 2016/17.

## Surplus Asset Revaluation

As part of The Council's current Surplus Assets there have been two assets that have been subject to a valuation in 2019/20. The valuation is based on the valuers opinion of the value of the Land and buildings that present and the potential it has for development. At the reporting date the current valuation is valid, but as the development is subject to scrutiny and potential change throughout 20202/21 and beyond there is potential for this value to change.

## 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 30th June 2020 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## COVID-19 Impact;

Due to the existence of COVID-19 being recognised within the 2019/20 financial year and that some of its impacts and some of the actions taken by Government were known by the reporting date, this is potentially an adjusting event. As stated throughout the document where possible and where the impact of the pandemic is likely to impact on the assets and liabilities at the reporting date, disclosures have be made. However as new information about the likely severity and duration of the effects of COVID-19 will continue to emerge for some time, actual impacts are somewhat unknown.

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

2019/20	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	1,322			(1,322)
Revaluation gains/(losses) on Property, Plant and Equipment	60			(60)
Movements in the fair value of Investment Properties	1			(1)
Amortisation of intangible assets	38			(38)
Capital grants and contributions applied	(1,826)			1,826
Revenue expenditure funded from capital under statute	1,140			(1,140)
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	241			(241)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(88)			88
Capital expenditure charged against the General Fund	(368)			368
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(760)		760	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(578)	578
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	(759)	759		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(359)		359
Other cash receipts		4		(4)

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

2019/20	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
A disedure and a minimum in the Deferred Comited December 2.				
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)	2,392			(2,392)
Employer's pensions contributions and direct payments to pensioners payable in the year	(940)			940
less prepayment of 2018/2019 employers' contributions payable	(577)			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	57			(57)
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	(222)			222
Cost of Services	(290)	404	182	(296)

## 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	(1,132)			1,132
Revenue expenditure funded from capital under statute	619			(619)
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	(567)			567
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
Adiante and a minimum in the Deferred Constal Descints Description				
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 employers' contributions payable	(577)			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	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	1,698	(350)	(51)	(1,297)

## 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-18 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-19 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-20 £'000	See Notes Below
Bishopdale Court	5	-	-	5			5	
Building Control Reserve	25	-	-	25		-	25	
Buildings Reserve	360	(98)	198	460	(62)	52	450	8.1
Business Rates Equalisation	750	(100)	500	1,150			1,150	8.2
Contingency	100	. ,		100	-		100	
Edith Stead Bequest Reserve	2			2			2	
Elections	35	(7)		28	(7)		21	8.3
Enabling Efficiencies Fund	300	(19)	21	302	(32)		270	8.4
ERDF Funds	48	. ,		48	. ,		48	8.5
Future Year Budget Support	240	(99)	30	171	(77)	146	240	8.6
Insurance	70	. ,	10	80	. ,	10	90	
IT Reserve	560	(109)	60	511	(122)	30	419	8.7
Local Authority Business Growth Incentive	9			9			9	
Local Plan / Planning Reserve	475	(135)	100	440			440	8.8
New Homes Bonus	2,192	(328)	455	2,319	(257)	444	2,506	8.9
Partial Exemption Reserve	800	(200)		600			600	8.10
Revenue Expenditure Reserve	21	(21)	54	54	-	-	54	8.11
Vehicle Replacement Reserve	350	(192)	180	338	(77)	30	291	8.12
Total	6,342	(1,308)	1,608	6,642	(634)	712	6,720	1

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

2018/19		2019/20
£'000		£'000
1,360	Parish Precepts	1,405
(39)	Receipts from covenants & other capital cash	(0)
70	Revaluations (Gain) / Loss Chargeable to the CIES	60
3	(Gains) / Losses on Disposal of non-Current assets	(519)
1,394	Total	946

## 10. Financing and Investment Income and Expenditure

2018/19		2019/20
£'000		£'000
256	Interest Payable and similar charges	256
(205)	Interest Receivable and similar income	(186)
538	Net interest on the net defined benefit liability (asset)	492
15	Changes in the fair value of investment properties	(108)
-	Other investment income	-
604	Total	453

## 11. Taxation and Non-Specific Grant Income

2018/19 £'000		2019/20 £'000
(2,351) (830) (7,424)	Council Tax Non Ring-fenced Government Grants Capital Grants and other contributions Retained Business Rates Business Rates Tariff/(Top Up)	(5,324) (2,715) (686) (9,221) 7,868
(9,862)	Total	(10,079)

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

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cm         F000         F000         F000         F000         F000         F000         F000         F000           bast or Valuation 13 March 2019 $31,561$ $7,612$ $1,249$ $1,333$ $41,755$ $2,207$ $1,884$ $45,846$ bast or Valuation 13 March 2019 $2,198$ $198$ $  2,396$ $  2,396$ decreases or complised in the Revaluation Increases/ decreases recomplised in the Revaluation Reserve $2,280$ $ 900$ $(440)$ $1,929$ $  1,329$ decreases recomplised in the Revaluation Reserve $2,280$ $  2,000$ $(61)$ $ (244)$ $  (244)$ $                               -$	2019/20	Land & Buildings	Vehicles Plant & Equipment	Surplus Assets	Community Assets	PPE, SA & CA TOTAL	Investment Property	Heritage Assets	TOTAL
Obsit or Valuation 3 31 March 2019         31,561         7,612         1,249         1,333         41,755         2,207         1,884         45,846           Inversent in 2018/2019         2,198         198         -         -         2,396         -         -         2,396           Ornations         2,198         198         -         -         2,396         -         -         2,396           Interessels/ decreases/ decrecon/ decreases/ decreases/ decreases/ decreases/ decreco	2013/20	£'000		£'000	£'000	£'000	£'000	£'000	£'000
1 31 March 2019         31,661         7,612         1,249         1,333         41,755         2,207         1,884         45,866           Inversent in 2016/2019 diditions         2,198         198         -         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         2,396         -         -         1,329         -         -         1,329         -         -         1,329         -         -         1,329         -         -         1,329         -         -         -         1,329         -         -         1,321         -         -         1,321         -         -         -         1,322         -         1,321         -         1,322         -         1,322         -         1,322         -	Tangible Assets								
Novement in 2018/2019 dditions binations bi	Cost or Valuation								
dditions breakings         2,198         198         -         -         2,396         -         -         2,396           terelaulinin increases/ decreases) recognised in the (Surplus)/Deficit on the rovision of Services         2,280         -         90         (440)         1,929         -         -         1,929           terelaulinin recases/ decreases) recognised in the (Surplus)/Deficit on the rovision of Services         (40)         -         -         (20)         (60)         (11)         -         (61)           tereases) recognised in the (Surplus)/Deficit on the rovision of Services         (44)         -         -         -         -         -         (244)         -         -         (244)         -         -         -         -         -         -         -         (244)         -	at 31 March 2019	31,561	7,612	1,249	1,333	41,755	2,207	1,884	45,846
Internations         Image: Section of the section of the revealuation increases / tecorases) recognised in the Revaluation increases / tecorases recognised in the Star Star Star Star Star Star Star Star	Movement in 2018/2019								
texaluation increases/ berrease)         2,280         -         90         (440)         1,929         -         -         1,929           terrases)         terrases)         terrases)         -         90         (440)         1,929         -         -         1,929           terrases)         terrases)         terrases)         -         -         -         -         1,929         -         -         1,929           terrases increases/         (40)         - <td>Additions</td> <td>2,198</td> <td>198</td> <td>-</td> <td>-</td> <td>2,396</td> <td>-</td> <td>-</td> <td>2,396</td>	Additions	2,198	198	-	-	2,396	-	-	2,396
decreases/ texelulation increases/ becorpaised in recomplised in terreases/ recognised in terreases/ recomplised in the Revaluation terreases/ recomplised in terreases/ recomplised in terreases/ recomplised in the Revaluation disposale terreases/ recomplised in terreases/ recomplised in the Sumplise/ terreases/ recomplised in the Sumplise/ terreases/ recomplised in the Sumplise/ terreases/ recomplised in terreases/ recomplised in the Sumplise/ terreases/ recomplised in the Sumplise/ terreases/ terreases/ 		-	-	-	-	-	-	-	-
Per Revaluation Reserve resultation recognised in the (Surplus)/Deficit on the troision of Services         2,280         -         90         (440)         1,929         -         -         1,929           decreases) recognised in the (Surplus)/Deficit on the troision of Services         (40)         -         -         (20)         (60)         (1)         -         (61)           berecognition - disposals         (244)         -									
tevaluation increases/ torvision of Services         (40)         -         -         (20)         (60)         (1)         -         (61)           tereacognition of Services         (24)         -         -         (24)         -         (24)           tereacognition of Services         (244)         -         -         (244)         -         -         (244)           tereacognition - disposals         (244)         -         -         -         -         -         (244)           tereacognition - disposals         (244)         -         -         -         -         -         -         -         (244)           tereacognition - disposals         (244)         -		2 280	-	90	(440)	1 929	-	-	1 929
decreases) recognised in te (Surplus)/Deficit on the rovision of Services         (40)         -         -         (20)         (60)         (1)         -         (61)           ierce-agnition - disposals         (244)         -         -         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         -         (244)         -	Revaluation increases/	2,200			(110)	1,020			1,020
trovision of Services berecognition - disposals clause as at 31 March 2020         (40) (244)         -         -         (20) (244)         (60) (244)         (1) -         -         (61) (244)           alue as at 31 March 2020         35,755         7,810         1,339         873         45,776         2,206         1,884         49,866           cccumulated Depreciation and Impairment t 31 March 2019         4,422         3,881         25         -         8,327         -         -         8,327           tovement in 2019/2020 repercication for the Year eperceication for the Year eperceication Reserve mpairment losses/(reversals) cacognised in the Revaluation teserve         981         341         -         -         1,322         -         1,322           tovement in 2019/2020 reperceication written out to re Revaluation teserve         981         341         -         -         1,322         -         1,322           teserve         981         341         -         -         1,322         -         1,322           teserve         981         341         -         -         1,322         -         -         1,322           teserve         981         341         -         -         -         -         -         -         -         -	(decreases) recognised in								
Derecognition - disposais take as at 31 March 2020         (244)         -         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         (244)         -         -         (244)         -         -         (244)         -         -         (244)         -         -         (244)         -         -         (244)         -         -         (244)         -         -         (244)         -         -         (244)         -         -         (244)         -         -         (244)         -         -         -         (244)         -         -         -         (244)         -         -         -         (244)         -         -         -         (240)         -         -         (242)         -         (241)         Mark and	the (Surplus)/Deficit on the								
teclassification         Image: second s	Provision of Services	( )	-	-	(20)	· · ·	(1)	-	( )
Nature as at 31 March 2020         35,755         7,810         1,339         873         45,776         2,206         1,884         49,866           nd Impairment 1 31 March 2019         4,422         3,881         25         -         8,327         -         -         8,327           tovement in 2019/2020 Pepreciation written out to re Revaluation Reserve mpairment losses/(reversals) coognised in the Revaluation teserve         981         341         -         -         1,322         -         -         1,322           to re Revaluation reserve         (230)         -         -         -         (230)         -         (230)           teserve         (230)         -         -         -         (230)         -         -         (230)           teserve         (230)         -         -         -         (230)         -         -         (230)           scognised in the Revaluation reserves         -	Derecognition - disposals	(244)	-	-	-	(244)	-	-	(244)
Accumulated Depreciation nd Impairment t 31 March 20194,4223,88125-8,327tovement in 2019/2020 Depreciation for the Year pepreciation witten out to ne Revaluation Reserve mpairment losses/(reversals) accognised in the Revaluation teserve9813411,3228,327tovement in 2019/2020 pepreciation witten out to ne Revaluation teserve9813411,3221,322tovement in 2019/2020 pepreciation witten out to ne Revaluation teserve9813411,3221,322to re Revaluation teserve(230)(230)(230)to re Surgius/Deficit on the rovision of Services accognised in the (Surplus/) Deficit on the rovision of tervices <td>Reclassification</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td>	Reclassification	-	-	-	-	-	-	-	-
nd Impairment 1 31 March 20194,4223,88125.8,3278,327tovement in 2019/2020 leperciation of the Year peperciation writen out to ne Revaluation Reserve9813411,322<	Value as at 31 March 2020	35,755	7,810	1,339	873	45,776	2,206	1,884	49,866
t 31 March 20194,4223,88125-8,3278,327horement in 2019/2020 bepreciation for the Year pepreciation written ou to ne Revaluation teserve9813411,3221,322horement in 2019/2020 bepreciation written ou to reserve9813411,3221,322horement in 2019/2020 bepreciation written ou to reserve9813411,3221,322horement in Sees/(reversals) resorties(230)(230)(230)acomised in the Revaluation reserve(230)(230)acomised in the Revaluation reserve(230)(230)acomised in the Revaluation reserves(230)acomised in the Revaluation reservesacomised in the Surplus// referitor on the rovision of revision of <br< td=""><td>Accumulated Depreciation and Impairment</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></br<>	Accumulated Depreciation and Impairment								
bepreciation for the Year bepreciation written out to he Revaluation Reserve mpairment losses/(reversals) accopnised in the Revaluation Reserve9813411,3221,322accopnised in the Revaluation Reserve(230)(230)accopnised in the Revaluation Reserve(230)(230)accopnised in the Revaluation Reserve </td <td>at 31 March 2019</td> <td>4,422</td> <td>3,881</td> <td>25</td> <td>-</td> <td>8,327</td> <td>-</td> <td>-</td> <td>8,327</td>	at 31 March 2019	4,422	3,881	25	-	8,327	-	-	8,327
Depreciation written out to the Revaluation Reserve mpairment losses/(reversals) accognised in the Revaluation Reserve         (230)         -         -         -	Movement in 2019/2020								
ne Revaluation Reserve       (230)       .	Depreciation for the Year	981	341	-	-	1,322	-	-	1,322
mpairment losses/(reversals) ecognised in the Revaluation Reserveelservepereciation written out to ne (Surplus)/Deficit on the rrovision of Services	•	(000)				(000)			(000)
coognised in the Revaluation teservePepreciation written out to he (Surplus)/Deficit on the trovision of Services <t< td=""><td></td><td>(230)</td><td>-</td><td>-</td><td>-</td><td>(230)</td><td>-</td><td>-</td><td>(230)</td></t<>		(230)	-	-	-	(230)	-	-	(230)
teserve <td>• • • •</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	• • • •								
Depreciation written out to he (Surplus)/Deficit on the trovision of Services <td>5</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td>	5	-	-	-	-	-	-	-	-
he (Surplus)/Deficit on the provision of Services mpairment losses/(reversals) ecognised in the (Surplus)/ Deficit on the Provision of dervices									
Provision of Services mpairment losses/(reversals) ecognised in the (Surplus)/ beficit on the Provision of services	the (Surplus)/Deficit on the								
ecognised in the (Surplus)/ Deficit on the Provision of dervices2erecognition - disposals Depreciation and Impairment Reclassification </td <td>Provision of Services</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td>	Provision of Services	-	-	-	-	-	-	-	-
Deficit on the Provision of Services       -	Impairment losses/(reversals)								
Services         -<	<b>v</b>								
Derecognition - disposals         (3)         -         -         - <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></t<>									
Other movements in Depreciation and Impairment Reclassification		- (3)	-	-	-	- (3)	-	-	- (3)
Depreciation and Impairment Reclassification         - <td>•</td> <td>(3)</td> <td>-</td> <td>-</td> <td>_</td> <td>(3)</td> <td>-</td> <td>_</td> <td>(3)</td>	•	(3)	-	-	_	(3)	-	_	(3)
Reclassification         -		-	-	-	-	-	-		-
Iet Book Value         30,585         3,588         1,314         873         36,359         2,206         1,884         40,449	Reclassification	-	-	-	-	-	-	-	-
t 31 March 2020 30,585 3,588 1,314 873 36,359 2,206 1,884 40,449	Value as at 31 March 2019	5,170	4,222	25	-	9,417	-	-	9,417
	Net Book Value								
t 31 March 2019 27,140 3,731 1,224 1,333 33,428 2,207 1,884 37,519	at 31 March 2020	30,585	3,588	1,314	873	36,359	2,206	1,884	40,449
	at 31 March 2019	27,140	3,731	1,224	1,333	33,428	2,207	1,884	37,519

## EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

# 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.

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2018/19	Land & Buildings	Vehicles Plant & Equipment	Surplus Assets	Community Assets	PPE, SA & CA TOTAL	Investment Property	Heritage Assets	TOTAL
2010/13	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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								0.070
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/	(1=0)		(1,001)		(1,001)			(1,001)
(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	(00)				(00)			(00)
the Revaluation Reserve Impairment losses/(reversals)	(80)	-	-	-	(80)	-	-	(80)
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		0 704	4 00 4	4 000		a aa <del>a</del>	4 00 4	07 540
	27,140	3,731	1,224	1,333	33,428	2,207	1,884	37,519

# 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. F valued on a rolling programme basis except for investment properties which are valued annually at the balance have been undertaken in-house by a RICS-qualified valuer. Properties owned by the Council are sheet date. Valuations for 2018/19

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

## 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 2020, 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 £4,496k, as shown in the table below;

	Expenditure approved and contracted at 31-Mar-20 £'000	Expenditure approved to proceed but not contracted at 31-Mar-20 £'000	Period of Investment
IT Software Vehicles & Equipment	- 22	52 342	1-3 years 1-3 years
Home Improvement & Repair Grants	35	683	1-3 years
Other Grants	3	-	1-3 years
Craven Market Towns Development	-	-	1-5 years
Property Acquisitions / New Build	-	3,315	1-3 years
Improvements to Property	288	104	1-3 years
Total	348	4,496	

## 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.

	Land and Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Surplus Assets £'000	Community Assets £'000	Investment Property £'000	Heritage Assets £'000	Total £'000
Carried at historical cost:		3,587		-	-	-	3,587
Valued at fair value as at:							
31-Mar-20	12,108	-	90	854	2,204	-	15,256
01-Apr-19	1,765	-	1,219	-	-	-	2,984
01-Apr-18	4,315	-	-	-	-	1,514	5,829
01-Apr-17	4,262	-		19	-	370	4,651
31-Mar-16	8,082	-	5	-	-	-	8,087
Total Cost or							
Valuation	30,532	3,587	1,314	873	2,204	1,884	40,394

## 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 should usually occur every five years with the last full scale valuation in 2014. There have been interim insurance valuations in 2017/18 which have adjusted the amounts held in the Asset Register for the Roebuck Collection of Artwork and the Shakespeare First Folio. There was due to be a full revaluation of Heritage Assets in 2019/20, however due to the Capital Works at the Town Hall and Museum and the majority of the Assets being in storage or inaccessible this has been postponed until in the development works are complete. this was likely to be 2020/21 however with the capital works being delayed due to the Coronavirus Pandemic in 2020, this is yet to be confirmed. 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.

	2018/19	2019/20
	£'000	£'000
Rental Income From Investment Property	140	117
Direct Operating expenses arising from investment property	(7)	(8)
Net Gain / (Loss)	133	109

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.

	2018/19	2019/20
	£'000	£'000
Balance at start of the year	2,176	2,207
Additions:		
Purchases	-	-
Construction	-	-
Subsequent Expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	(148)	(1)
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	179	-
Other Changes	-	-
Balance at end of Year	2,207	2,206

## 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).

## 14. Investment Properties continued......

## 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.

However due to the Global Pandemic relating to Coronavirus (COVID-19) it is likely that the market activity in the investment property and rental markets will be impacted upon. The valuer has provided the value of the investment properties based upon the known market conditions at the date of valuation, however he has also issued a RICS material Uncertainty Declaration notice. This gives indications regarding the potential market adjustment as a result of the Countries lockdown and it's impact on the national and local economy.

## 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.

2018/19 Software Licenses £'000		2019/20 Software Licenses £'000
1,537 66 -	Cost Historic Cost brought forward 1 April Additions Reclassifications Disposals	1,603 87 - -
1,603	Historic Cost carried forward 31 March	1,690
1,225 20 - -	Amortisation and Impairments Accumulated amortisation and impairment brought forward Charge for year Reclassifications Disposals	1,245 38 - -
1,245	Accumulated amortisation and impairment carried forward	1,283
358	Balance Sheet at 31 March	407

## 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. Consequently the council now recognises and measures financial assets as either fair value profit and loss, fair value through other comprehensive income or amortised cost. Note 38 provides additional details regarding financial instruments.

	Non-	Current	Curr	ent
	Restated		Restated	
Financial Assets	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20
	£'000	£'000	£'000	£'000
Investment				
Fair value through profit or loss	18	18	0	-
Amortised cost	-	3,000	12,000	7,000
Fair Value through other comprehensive income	-	-	-	-
Total Investments	18	3,018	12,000	7,000
Debtors				
Amortised cost	201	98	465	976
Total Debtors	201	98	465	976
Total Financial Instruments	219	3,116	12,465	7,976
Non-financial instrument balances	-	-	1,076	1,228
Total	219	3,116	13,541	9,204

	Non-C	Non-Current		ent
Financial liabilities	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20
	£'000	£'000	£'000	£'000
Borrowings				
Fair value through profit or loss	-	-	-	-
Amortised cost	5,988	5,988	48	48
Creditors				
Amortised cost	-	-	1,564	1,307
Total financial liabilities	5,988	5,988	1,612	1,355
Non-financial liabilities	-	-	3,535	4,450
Total	5,988	5,988	5,147	5,805

## 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 interest earned from financial assets held at amortised cost during 19/20 was £161k The interest earned from loans held at amortised cost amounted to £16k.

The interest expense on financial liabilities held at amortised cost during the year amounted to £255k.

## 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;

## 16. Financial Instrument Balances continued......

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.

	31 March 2019		31 March 2020	
The fair values calculated using Link Asset Services'	Carrying	Fair	Carrying	Fair
method (new borrowing rate) are as follows	Amount	Value	Amount	Value
	£'000	£'000	£'000	£'000
Financial Liabilities held at amortised cost	5,988	8,746	5,988	8,339
	31 Marc	h 2019	31 March	n 2020
The fair values calculated using PWLB's method (premature	31 Marcl Carrying	h 2019 Fair	31 March Carrying	n 2020 Fair
The fair values calculated using PWLB's method (premature repayment rate) are as follows				
<b>o</b> (1	Carrying	Fair	Carrying	Fair

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 2019		31 March 2020	
	Carrying Fair		Carrying	Fair
	Amount	Value	Amount	Value
	£'000	£'000	£'000	£'000
Financial assets held at amortised cost	12,000	12,000	10,000	10,000

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 similar to 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 2020. 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-19 £'000		31-Mar-20 £'000
739 351 799	Central Government Bodies Other Local Authorities / Public Bodies Other Entities and Individuals	1,250 491 582
1,889		2,323
(348)	Less Provision for Bad Debts	(325)
1,540	Total	1,998

## 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-19 £'000		31-Mar-20 £'000
665	Less than three months Three months to one year More than one year	212 580 941
1,656		1,733

## 18. Cash and Cash Equivalents

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

Balance at 31-Mar-19 £'000		Balance at 31-Mar-20 £'000
6 899 0	Cash held by the Authority Bank Current Accounts Short-term Deposits	7 4,275 0
905		4,282

## 19. Assets Held For Sale

There are no items fulfilling the criteria of Assets Held for Sale as at 31 March 2020.

## 20. Creditors

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

31-Mar-19 £'000		31-Mar-20 £'000
892 1,556 2,650	Central Government Bodies Other Local Authorities / Public Bodies Other Entities and Individuals	2,216 884 2,657
5,098	Total	5,757

## 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.

2018/19 £'000		2019/20 £'000	Note
	Usable Reserves		
995	General Fund	995	21.1
6,642	Earmarked Reserves	6,720	21.2
2,068	Capital Receipts Reserve	2,472	21.3
238	Capital Grants Unapplied	420	21.4
9,943	Total	10,607	

## 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. Usable Reserves continued......

## 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.

2018/19		2019/20	Note
£'000		£'000	
	Unusable Reserves		
	Revaluation Balances		
11,246	Revaluation Reserve	12,710	22.1
20,558	Capital Adjustment Account	21,667	22.2
(21,553)	Pensions Reserve	(19,989)	22.3
-	Deferred Capital Receipts Reserve	-	22.4
31	Collection Fund Adjustment Account	197	22.5
(58)	Accumulated Absences Account	(58)	22.6
10,224	Total	14,527	

## 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.

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.

2018/19 £'000		2019/20 £'000
13,675	Balance brought forward at 1 April	11,246
202	Upwards revaluation of assets	2,600
(2,073)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(440)
(1,871)	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	2,160
(517) (41)	Difference between fair value depreciation and historical cost depreciation Accumulated gains on assets sold or scrapped	(696) -
(558)	Amount written off to the Capital Adjustment Account	(696)
11,246	Balance carried forward at 31 March	12,710

## 22. Unusable Reserves continued......

## 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

2018/19		2019/20
£'000		£'000
19,860	Balance brought forward at 1 April	20,558
-	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	-
(1,717)	Charges for depreciation and impairment of non-current assets	(1,322)
(20)	Amortisation of intangible assets	(38)
(70)	Revaluation losses on Property, Plant and Equipment Revenue Expenditure Funded From Capital Under Statute	(60)
(619)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on	(1,140)
(257)	disposal to the CIES	(241)
(2,683)		(2,801)
558	Adjusting amounts written out of the Revaluation Reserve	696
(2,125)	Net written out amount of the cost of non-current assets consumed in the year	(2,105)
	Capital financing applied in the year:	
694	Use of the Capital Receipts Reserve to finance new capital expenditure	359
4 400	Capital grants and contributions credited to the Comprehensive Income and Expenditure	1 000
1,132	Statement that have been applied to capital financing	1,826
333	Application of grants to capital financing from the Capital Grants Unapplied Account	578
245	Minimum Revenue Provision - Borrowing	84
567	Capital expenditure charged against the General Fund	368
2,971	Total capital financing applied in the year	3,216
(148)	Movements in the market value of Investment Properties debited or credited to the CIES	(1)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
20,558	Balance carried forward at 31 March	21,667

## 22. Unusable Reserves continued......

## 22.3. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for postemployment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for postemployment 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.

2018/19		2019/20
£'000		£'000
(22,298)	Balance brought forward at 1 April	(21,553)
2,133	Remeasurements of the net defined benefit liability / (asset)	2,439
(2,869)	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	(2,392)
904	Employer's pensions contributions and direct payments to pensioners payable in the year	940
577	Adjustment for the Pension Deficit Prepayment	577
(21,553)	Balance carried forward at 31 March	(19,989)

## 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.

2018/19 £'000		2019/20 £'000
80	Balance brought forward at 1 April	31
(49)	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	166
31	Balance carried forward at 31 March	197

## 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.

2018/19 £'000		2019/20 £'000
(58)	Balance brought forward at 1 April	(58)
(58)	Balance carried forward at 31 March	(58)

## 23. Cash Flow Statement - Operating Activities

2018/19 £'000		2019/20 £'000
	The cash flows for operating activities include the following items:	
(205)	Interest Received	(186)
256	Interest Paid	256
51		70

2018/19		2019/20	
£'000		£'000	
(1,399)	Net Surplus / (deficit) on the provision of services		
	The surplus or deficit on the provision of services has been adjusted for the following non- cash movements:		
1,807	Depreciation, impairment and downward valuations	1,420	
190	(Increase) / decrease in long term debtors	103	
(360)	Increase / (decrease) in creditors	659	
(43)	(Increase) / decrease in debtors	(457)	
(111)	Increase / (decrease) in provisions	67	
(8)	(Increase) / decrease in inventories	5	
1,965	Movement in pension liability	1,452	
257	Carrying amount of non-current assets and non-current assets held for sale, sold or de- recognised	241	
148	Changes in the value of Investment Properties	1	
(6)	Other non-cash items charged to the net surplus or deficit on the provision of services	-	
3,839		3,491	
	The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:		
(344)	Proceeds from the sale of property, plant and equipment, investment property and intangibles	(759)	
2,097	Net Cash Flows From Operating Activities	3,101	

## 24. Cash Flow Statement - Investing Activities

(2,695)	Net Cash Flows From Investing Activities	(1,724)
-	Proceeds from short-term and long-term investments	-
344	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	759
(3,039)	Purchase of property, plant and equipment, investment property and intangible assets	(2,483)
£ 000		£ 000
2018/19 £'000		2019/20 £'000

## 25. Cash Flow Statement - Financing Activities

2018/19 £'000		2019/20 £'000
-	Cash receipts of short-term and long-term borrowing	
-	Repayments of short-term and long-term borrowing	-
(1,539)	Other payments for financing activities	2,000
(1,539)	Net Cash Flows From Financing Activities	2,000

## 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.

2018/19				2019/20		
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
746	388	1,134	Enterprising Craven	885	309	1,193
2,766	633	3,400	Financial Sustainability	2,697	505	3,202
1,901	2,828	4,729	<b>Resilient Communities</b>	1,832	2,084	3,916
5,413	3,850	9,263	Net Cost of Services	5,414	2,897	8,311
(5,713)	(2,151)	(7,864)	Other Income and Expenditure	(5,492)	(3,187)	(8,679)
(300)	1,698	1,398	Surplus or Deficit	(78)	(290)	(368)
7,336			Opening General Fund Balance 31 March <i>(including Earmarked Reserves)</i>	7,636		
(300)			Plus Surplus/Less Deficit on General Fund Balance in Year	(78)		
7,636			Closing General Fund Balance 31 March <i>(including Earmarked Reserves)</i>	7,715		

## Note 26a to the EFA 19\_20 - 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	47	262	-	309
Financial Sustainability	84	421	-	505
Resilient Communities	1,229	855	-	2,084
Net Cost of Services	1,360	1,537	-	2,897
Other Income & Expenditure from the Funding	(2,359)	(662)	(166)	(3,187)
Difference between General Fund Surplus or Deficit and Comprehensive Income & Expenditure	(999)	875	(166)	(290)

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	
	57
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	(222)
	(166)

## 26. Expenditure and Funding Analysis continued.....

## 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)	(654)	49	(2,151)
Difference between General Fund Surplus or	261	1,388	49	1,698
Other (Note 3) Analysis: Amount by which council tax income credited to the different from council tax income calculated for the y		£ '000		
Amount by which non domestic rates income credite Statement is different from non domestic rates incom	•	83		
requirements				(34)
				49

## 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 i.e. 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 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

EFor 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.

EFor 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:

EFor 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.

## 26. Expenditure and Funding Analysis continued......

## Note 26b to the EFA 19\_20 - 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	(1,188)	(272)	(14,977)	-	(16,437)
Revenues from transactions with other operating segments of the authority	(7)	-	(587)	-	(594)
Interest Revenue	-	-	-	(186)	(186)
Interest Expense	-	-	-	256	256
Depreciation & Amortisation	47	84	1,229	-	1,360
	(1,147)	(188)	(14,335)	70	(15,600)

## 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	41	65	1,632	-	1,737
	(1,206)	(134)	(13,167)	56	(14,451)

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

	2018/19 Income from Services £ '000	2019/20 Income from Services £ '000
Enterprising Craven	(1,247)	(1,193)
Financial Sustainability	(199)	(272)
Resilient Communities	(14,799)	(15,564)
Total Income Analysed on a Segmental Basis	(16,245)	(17,029)

## 27. Expenditure and Income Analysed by Nature

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

	2018/19 £ '000	2019/20 £ '000
Expenditure		
Employee benefits expenses	9,938	9,817
Other services expenses	13,750	13,500
Support service recharges	-	-
Depreciation, amortisation, impairment	1,807	1,420
Interest payments	794	748
Precepts and levies	1,360	1,405
Payments to Housing Capital Receipts Pool	-	-
Gain on the disposal of assets	3	(518)
Total Expenditure	27,652	26,371
Income		
Fees, charges and other service income	(7,922)	(8,565)
Interest and investment income	(244)	(186)
Income from council tax, nondomestic rates, district rate income	(6,681)	(6,678)
Government grants and contributions	(11,406)	(11,310)
Total income	(26,253)	(26,739)
Surplus or Deficit on the Provision of Services	1,399	(368)

## 28. Members Allowances

The Accounting Code of Practice requires disclosure of the total sum paid in the year under the Members Allowances Scheme. The total amount paid to Members (Basic Allowance, Special Responsibility Allowance and travel/subsistence payments) in 2019/20 is £173,620 (compared to £165,615 in 2018/19). The table analyses these payments.

2018/19 £'000		2019/20 £'000
161	Allowances	170
5	Expenses	4
166	Total	174

## 29. Officers' Remuneration

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

Salary (including fees & allowance)	Returnin g Officer Fees	Bonuse s	Benefits in Kind (car allowance )	Total Remuneration excluding pension contributions	Pension Contribution	Total Remuneratio n including pension contributions
£		£		£	£	£
104.832	6.157	4.250	-	115.238	18.955	134,193
81,190	-	-	-	81,190	14,370	95,560
35,701	-	-	-	35,701	6,319	42,020
15,213				15,213	2,693	17,906
50 971				50 974	10 509	70,472
59,074	-	-	-	59,674	10,596	10,412
57,375	-	-	-	57,375	10,155	67,530
,	2,578	4,600	-	,	-, -	127,119
79,208	-	-	-	79,208	14,020	93,228
56,360	-	-	-	56,360	9,976	66,335
57 154	_	_	_	57 154	10 116	67,270
57,154	-	-	-	57,154	10,110	07,270
55,974	-	-	-	55,974	9,907	65,881
	(including fees & illowance) <u>£</u> 104,832 81,190 35,701 15,213 59,874 57,375 100,825 79,208 56,360 57,154	(including fees & llowance)       g Officer Fees         £       (including fees & llowance)       g Officer Fees         104,832       6,157         81,190       -         35,701       -         15,213       -         59,874       -         57,375       -         100,825       2,578         79,208       -         56,360       -         57,154       -	£       £         104,832       6,157       4,250         81,190       -       -         35,701       -       -         15,213       -       -         59,874       -       -         57,375       -       -         100,825       2,578       4,600         79,208       -       -         56,360       -       -         57,154       -       -	(including fees & illowance)g Officer Feessin Kind (car allowance) $\underline{f}$ $\underline{f}$ 104,8326,1574,250-81,19035,70115,21359,87457,375100,8252,5784,600-79,20856,36057,154	(including fees & illowance)g Officer Feessin Kind (car allowance)Remuneration excluding pension contributions $\underline{\ell}$ $\underline{\ell}$ $\underline{\ell}$ $\underline{\ell}$ 104,8326,1574,250-115,238 81,19031,19081,19035,70135,70115,21359,87459,87459,87457,37557,375100,8252,5784,600-79,20856,36056,36056,36057,15457,154	(including fees & illowance)g Officer Feessin Kind (car allowance)Remuneration excluding pension contributionsContribution $\underline{\mathcal{E}}$ $\underline{\mathcal{E}}$ $\underline{\mathcal{E}}$ $\underline{\mathcal{E}}$ $\underline{\mathcal{E}}$ $\underline{\mathcal{E}}$ $\underline{\mathcal{E}}$ $\underline{\mathcal{E}}$ 104,8326,1574,250-115,23818,95581,19081,19014,37035,70135,7016,31915,21335,7016,31915,21359,87410,59859,87459,87410,59857,37557,37510,155100,8252,5784,600-108,00319,11679,20856,3609,97657,15457,15410,116

## 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:

Rer	2019/20 Total						
£		£					
50,000	to	54,999	1				
55,000	to	59,999	0				
60,000	to	64,999	0				
65,000	to	69,999	0				
70,000	to	74,999	0				
75,000	to	79,999	0				
80,000	to	84,999	0				
	£ 50,000 55,000 60,000 65,000 70,000 75,000	£           50,000         to           55,000         to           60,000         to           65,000         to           70,000         to           75,000         to	50,000         to         54,999           55,000         to         59,999           60,000         to         64,999           65,000         to         69,999           70,000         to         74,999           75,000         to         79,999				

## **Termination Benefits**

Four exit packages were approved in 2019/20 at a cost of £42,304.

	Exit package cost band (including special payments)		compu redund	compulsory departures agreed packages by cost partures agreed band				departures agreed packages by cost pack		packages by cost band		st of exit s in each nd 2019/20
£		£	2010/10	2010/20	2010/10	2010/20			£	£		
0	-	20,000	-	2	-	2	-	4	-	42,304		
20,001	-	40,000	-	-	1	-	1	-	20,463	-		
40,001	-	60,000	-	-	-	-	-	-	-	-		
60,001	-	80,000	-	-	-	-	-	-	-	-		
80,001	-	100,000	-	-	-	-	-	-	-	-		
	Total		-	2	1	2	1	4	20,463	42,304		

## **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:

2018/19 £'000		2019/20 £'000
	Fees payable to Mazars with regard to external audit services	35
-	carried out by the appointed auditor for the year.	
9	Fees payable to Mazars with regards to V.A.T advice	-
9	Fees payable to Mazars for the certification of grant claims and returns for the year	9
57	Total	44

## 31. Grant Income

An analysis of Government and Other Grants Included in the CIES for 2019/20 is shown below:

2018/19 £'000		2019/20 £'000
2000	Curdited to Toustion and New anasitis Curat Income	2,000
141	Credited to Taxation and Non-specific Grant Income	
141	Revenue Support Grant Non-Service Related Government Grants	-
513	Non-Service Related Government Grants	517
1,409	NNDR - Small Business Rate Relief, Retail Relief and Other S. 31 Grants	1,918
-	Transitional Grants	1,010
8	Transparency code set up	_
280	Rural Services Support Grant	280
2,351	Total Revenue Grants	2,715
830	Capital Grants	686
	Credited to Services	
	Other Government Grants:-	
6,878	DWP Grant for HB	6,794
577	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	557
-	Homes England grants	35
97	Housing Benefits Admin & Other Benefit Reforms Grants	89
116	NNDR Collection	118
43	Local Council Tax Support Admin Subsidy	42
64	New Burdens	45
-	Business Rates Reconciliation Grant	118
57	Weight management grant	53
	Individual Electoral Registration	6
11	LADS (Data Sharing)	9
10	National Community Clean-up Grant	-
19	Improvement and Development Agency Grant	-
17	Brexit Preparation Grant	35
100	Apprentice Levy Grant	004
100 97	Homelessness (Prevention/rough sleeping) Aireville Park Grants	204 63
97	Custom build & Brownfield Sites Grant	17
35	Neighbourhood Planning Grant	20
	Information & Technology grant	7
	Non-government Grants:	
331	HLF-Museum	285
	HLF-Great Places Lakes and Dales	607
	Arts Council Funding	7
11,693	Total	12,512

## 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:

	Lon	Long-Term		Current	
	31-Mar-19 £'000	31-Mar-20 £'000	31-Mar-19 £'000	31-Mar-20 £'000	
Grants Receipts in Advance (Capital Grants) Disabled Facilities Grant	-	-	547	547	
Section 106, Planning Gain Heritage Lotter Fund Grant	-	-	56	56 203	
Total	-	-	603	806	

	Long-Term		Current	
	31-Mar-19 £'000	31-Mar-20 £'000	31-Mar-19 £'000	31-Mar-20 £'000
Grants Receipts in Advance (Revenue Grants) Local Services Grant	-	-	152	104
Total	-	-	152	104

## 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 2020 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 2019/20, 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 2019/20 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, and another is acting as Company Secretary.

#### 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 £1.081m in income and had £645.5k of expenditure relating to North Yorkshire County Council.

Cllr Heseltine, Cllr Jacquin, Cllr Madeley, Cllr Barrett and Cllr Solloway are all members of Skipton Town Council. Transactions relating to Skipton Town Council were £33k in income and expenditure of £501k of which £500k related to parish precept payments.

Cllr Brown is a Governor at Craven College from which we received income of £6k and had expenditure of £3k. Craven Council gave the college a loan £400k in 2017/18, of which £199k 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 £34k in income and £9k in expenditure.

Cllr Foster is a member of the Yorkshire & Humber Local Authorities Employers Association with which the Council had expenditure of £1k, and also a member of the District Councils Network with which the council incurred expenditure of £1k.

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

Cllr Heseltine, Cllr Jacquin and Cllr Lis all sit on the committee for Yorkshire Housing Group Ltd from which we received income of £23k and had £6k of expenditure.

Cllr Myers and Cllr Foster are associated with the West Yorkshire Combined Authority - to which £7k was paid out.

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 £19,353. was given out as ward grant, the details of which can be found on the council's 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 2019/20, 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.

2018/19	2018/19		2019/20	2019/20
Transactions	Balance		Transactions	Balance
	Owed			Owed
£'000	£'000		£'000	£'000
1,360	-	Parish Precepts	1,405	-
904	-	North Yorkshire Pension Fund (Employer Contributions)	940	-
2,264	-	Total Payments	2,345	-

#### 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.

2018/19 £'000		2019/20 £'000	2019/20 £'000
5,775	Opening Capital Financing Requirement	2000	6,462
	Capital investment		
2,973	Property Plant & Equipment	2,396	
66	Intangible assets Revenue Expenditure Funded from Capital Under Statute (REFCUS) - non	87	
619	CDC Assets, grants & repair assistance loans	1,140	
3,658	Total Capital Investment		3,622
	Sources of finance		
(694)	Capital receipts		(359)
(1,466) (567)	Government grants and other contributions Sums Set Aside from Revenue		(1,774) (368)
(245)	MRP / Loans Fund Principal		(88)
6,462	Closing Capital Financing Requirement		7,495
	Explanation of movements in year		
	Increase in underlying need to borrow (unsupported by government financial		
932 (245)	assistance) MRP / Loans Fund Principal		1,121 (88)
(243)			(00)
687	Increase / (decrease) in Capital Financing Requirement		1,033

#### 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 £1,365 and no parking income is derived. The council also leases several machines, the cost of which came to £7,430 during 19/20. The expenditure was charged to the Comprehensive Income & Expenditure Statement in 2019/20.

#### 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 £200k (£174k in 2018/19).

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	Between two	Greater than five
	and five years	years
£'000	£'000	£'000
188	615	7,354

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 2019/20 the Council has recognised no impairment losses charged to the Surplus/Deficit of the Provision of Services, as was the case during 2018/19.

#### 36. Defined Benefit Pension Schemes

#### **Participation in Pension Schemes**

The Council participates in the Local Government Pension Scheme, administered by North Yorkshire 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.

2018/19		2019/20
£'000	North Yorkshire Pension Fund	£'000
	Comprehensive Income and Expenditure Statement	
	Net Cost of Services:	
1,559	current service cost	1,884
772	past service costs	16
	Financing and Investment Income and Expenditure:	
538	net interest on the net defined benefit liability (asset)	492
	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of	
2,869	Services	2,392
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure	
404	Statement	4 000
131 3,734	Remeasurements (experience (gain)/loss on liabilities) Remeasurements (experience (gain)/loss on financial assumptions)	1,330 (1,340)
(2,966)	Remeasurements (experience (gain)/loss on demographic assumptions)	(1,340)
(3,032)	Remeasurements (experience gain on assets)	(2,020)
	Total Post Employment Benefit Charged to the Comprehensive Income and	
736	Expenditure Statement	(47)
	Movement in Reserves Statement	
2,869	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	2,392
	Actual Amount charged against the General Fund Balance for pensions in the year:	
(904)	employers' contributions payable to the scheme	(940)

#### 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):

	Fu	nded	Unfur	nded
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
1April b/fwd.	71,062	73,991	240	226
Current Service Cost	1,559	1,884	-	-
Interest on Pension Liabilities	1,820	1,751	6	5
Member contributions	319	334	-	-
Past Service Cost/(gain)	772	16	-	-
Remeasurements (experience (gain)/loss on liabilities)	130	1,331	1	(1)
Remeasurements (experience (gain)/loss on financial assumptions)	3,729	(1,334)	5	(6)
Remeasurements (experience (gain)/loss on demographic assumptions)	(2,957)	(2,626)	(9)	(2)
Curtailments	-	-	-	-
Benefits Paid	(2,443)	(2,437)	(17)	(13)
31 March c/fwd	73,991	72,910	226	209

Reconciliation of fair value of the scheme assets:

	Funded		Unfunded	
	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000
1 April b/fwd	50,158	53,241	-	-
Interest on plan assets	1,288	1,264	-	-
Remeasurements (assets)	3,032	(199)	-	-
Administration expenses	-	-	-	-
Employer Contributions	887	927	17	13
Member Contributions	319	334	-	-
Benefits/transfers paid	(2,443)	(2,437)	(17)	(13)
31 March c'fwd	53,241	53,130	-	-

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 £1,065k (2018/19 £4,320k).

#### **Scheme History**

Surplus / (Deficit) in the Scheme	(23,433)	(23,865)	(21,144)	(20,976)	(19,989)
Present Value of Liabilities	(61,970)	(69,683)	(71,302)	(74,217)	(73,119)
Fair Value of Assets	38,537	45,818	50,158	53,241	53,130
	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000

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.

#### 36. Retirement Benefits continued .....

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2020/21 is £1.352m (2019/20 £0.918m).

#### 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 2019.

The main assumptions used in their calculations have been:

	2018/19	2019/20
Rate of CPI inflation	2.2%	2.0%
Rate of increase in salaries	3.45%	3.25%
Rate of increase in pensions	2.2%	2.0%
Discount Rate	2.4%	2.3%
Longevity at 65 for current pensioners (in years):		
Men	22.2	21.8
Women	25.3	23.9
Longevity at 65 for future pensioners (in years):		
Men	23.9	23.5
Women	27.2	25.7
Women	27.2	

	31-1	31-Mar-19		ar-20
	£'000	%	£'000	%
Split of Assets between Investment Categories:				
Equities (Quoted)	30,028	56.4%	31,081	58.5%
Government Bonds (Quoted)	10,116	19.0%	10,149	19.1%
Corporate Bonds (Quoted)	-	0.0%	-	0.0%
Property (Quoted)	4,472	8.4%	3,878	7.3%
Cash (Quoted)	2,609	4.9%	2,178	4.1%
Other (Quoted)	2,236	4.2%	2,178	4.1%
Other (Unquoted)	3,780	7.1%	3,666	6.9%
Total	53,241	100.00%	53,130	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	2,318
Rate of inflation increase by 0.1%	1,319
Rate of increase in salaries increase 0.1%	144
Rate for discounting scheme liabilities increase by	y 0.1% (1,386)

#### 36. Retirement Benefits continued .....

#### Asset and Liability Matching Strategy

The Pension Fund Committee of North Yorkshire County Council has determined the investment strategy which is aimed at growing the Fund's assets to meet benefit obligations when they fall due. As required by the regulations, the suitability of various classes of investments has been considered including assessing the benefit of asset class diversification. The Fund is primarily invested in equities (59% of scheme assets), with investments also in bonds (19% of scheme assets), property (7% 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 2022.

The council anticipates to pay £1.352m expected contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for the scheme members is 19.2 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 2020.

#### **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 2019/20 financial year. It is not possible to accurately quantify the financial liability arising.

#### **VAT Partial Exemption Test**

Due to the significant amount of expenditure in relation to the replacement of the Council's two Cremators, it has meant that the Council has breached the limit of the partial exemption insignificancy test. This may result in the Council having to repay any VAT that has been overclaimed in relation to partial exemption levels. Due to the uncertainty a provision has not been made, but instead funds have been placed in The Council's partial exemption reserve to pay for the liability should it arise

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

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

- Credit Risk the possibility that other parties might fail to pay amounts due to the Council
- Liquidity Risk the possibility that the Council might not have funds available to meet its commitments to make 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 Council's customers. The risk is minimised through the councils' Annual Investment Strategy.

The Council manages its credit risk by not investing in any counterparty that does not meet its identified minimum credit criteria, spreading the investment portfolio as widely as possible, maximum investment limits per counterparty, time limits for investments and investing with credit-rated counterparties or those with sufficient asset-backed capital.

Regarding the credit criteria the council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However it does not rely solely on the current credit ratings of counterparties as it also uses credit watches and credit outlooks form credit rating agencies, Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £2.0m 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 Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

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

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

The following analysis summarises the Council'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.

			Historical experience adjusted	Estimated maximum exposure to	Estimated maximum exposure
	Amount at 31 Mar 2020	Historical experience of default	for market conditions at 31 Mar 2020	default and uncollect- ability 31 Mar	default and uncollect- ability 31 Mar
	£'000 (A)	% (B)	% (C)	2020 £'000 (A x C)	2019 £'000
Deposits with banks and financial institutions Customers:	10,000	0.032	0.032	3	1
- Government & Local Authorities - Other	1,622 264	0 0.64	0 0.64	0 2	1
				5	2

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

No credit limits were exceeded during the reporting period by banks and financial institutions and the Council 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-19 £'000		At 31-Mar-20 £'000
10 5 14	Up to 1 month 1-2 months 2-3 months 3-6 months over 6 months	166 29 4 16 49
203		264

#### Liquidity Risk

The Council manages its liquidity position through the setting and approval of prudential indicators and the approval of treasury and investment strategy reports. Alongside this it also has 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-19 £'000		At 31-Mar-20 £'000
1,000	Less than one year Between one and two years Between two and five years More than five years	500 500 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 Council 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 accommodated.

According to this assessment strategy, at 31 March 2020, 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
- 135 -	Increase in interest payable on variable rate borrowings Increase in interest receivable on variable rate investments Increase in government grant receivable for financing costs	- 131 -
135	Impact on Surplus of Deficit on the Provision of Services	131
-	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)	(1,286)

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

2018/19 £'000	Business Rates	Business Rates £'000	Other £'000	2019/20 TOTAL £'000
427 (111)	Balance brought forward at 1 April Increase/(decrease) in provision in year	297 67	19 -	316 67
316	Balance carried forward at 31 March	364	19	383

#### **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 53% 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 2020.

#### 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.

#### **COVID-19 Impact**

When considering changes to the provisions required across all Council debts the impact of COVID-19 on the ability for that debtor be settled has been considered. For Business rates the opinion of the rating officers was sought. As many of the properties who, would have been adversely impacted upon, have been granted reliefs or given additional Government support it is anticipated that levels of NDR debt will not rise significantly as a consequence. For the Council's sundry debts the percentage of each type of debt has been considered and in fact increased for each individual type of sundry debt. it is understood that the impact of the pandemic on the Counties and Districts economy will adversely impact people's ability to settle debts when they fall due.

#### 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 2020 as so financially material to the Council to require the preparation of Group Accounts for 2019/20. 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 Ltd.

#### Craven Barnfield Regeneration Partnership Ltd (Company No. 10855480)

Craven Barnfield Regeneration Partnership (CBRP) was incorporated in July 2017. 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's representation was two officers and an elected member. However, in March 2020, the Council's Policy Committee elected to change the representation to two members and one officer.

Company Secretarial services were provided by the Council during 2019/20.

# **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), North Yorkshire Police and Crime Commissioner (NYPCC), 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.

2018/19	2019/20					
		NNDR	Council Tax	Total		
£'000		£'000	£'000	£'000	Notes	
	Income					
40,170	Council Tax		42,637	42,637		
18,822	Non Domestic Ratepayers	18,644		18,644	4	
(363)	Transitional Protection Payments	(286)		(286)		
58,629	Total Income	18,358	42,637	60,995		
	Expenditure					
39,940	Demands on Collection Fund		42,186	42,186	5	
750	Payments of previous surplus	-	750	750		
(50)	Receipt of previous deficit Business Rates:	(257)	-	(257)		
9,262	- Payment to Government	4,499	-	4,499	4	
1,667	- Payment to NYCC	3,869	-	3,869	4	
185	- Payment to NYFRS	180	-	180	4	
7,410	- Payment to Craven DC	9,447	-	9,447	4	
	- Costs of Collection Allowance (to					
116	CDC)	118	-	118		
-	- Interest on Overpayments	-	-	-		
143	Bad and Doubtful Debts - Write Offs	53	88	142	5	
	Contribution to Provision for bad and					
28	Doubtful Debts	15	45	60	5	
(277)	Appeals - Write Offs	(51)	-	(51)	5	
-	Contribution to Provision for Appeals	-	-	-	5	
59,175	Total Expenditure	17,873	43,069	60,942		
546	(Surplus) / Deficit for the year	(485)	432	(53)		
	COLLECTION FUND BALANCE					
(1,265)	Balance Brought Forward	207	(926)	(719)	6	
	, i i i i i i i i i i i i i i i i i i i	-	· · · ·	· · /	-	
546	(Surplus) / Deficit for the year	(485)	432	(53)	6	
(719)	Balance Carried Forward	(278)	(494)	(772)	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					
	Total	Discounts	Revised		Band D	
Band	No Of	Exemptions	No. of	Ratio	equivalent	
	Dwellings	Allowances	Dwellings		dwellings	
-A	9	(1)	8	5/9	4.30	
А	4,167	(562)	3,605	6/9	2,403.20	
В	6,135	(595)	5,540	7/9	4,308.70	
С	5,942	(452)	5,491	8/9	4,880.40	
D	4,244	(267)	3,978	9/9	3,977.50	
E	3,204	(169)	3,036	11/9	3,710.10	
F	1,983	(87)	1,897	13/9	2,739.40	
G	1,273	(50)	1,223	15/9	2,038.30	
н	94	(5)	89	18/9	178.50	
Total	Total 27,051 (2,187) 24,865					
Net effect of pren	Net effect of premiums and discounts					
	COUNCIL TAX BASE (Band D Equivalent)					

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 ( $\pounds$ 1,810.41 in 2019/20) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Tax base 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 2019/20 of £1,810.41 is broken down as follows:

2018/19 £		2019/20 £
167.2	1 Craven District Council	172.21
1,248.8	5 North Yorkshire County Council	1,311.16
232.8	2 Police and Crime Commissioner North Yorkshire	255.77
69.2	0 North Yorkshire Fire & Rescue Authority	71.27
1,718.0	8	1,810.41

#### 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 49.1p in 2019/20, (48.0p in 2018/19) and 50.4p in 2019/20 (49.3p 2018/19) 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 2020 was £50.821m (31st March 2019 £50.076m).

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

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

Since 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Craven the local share is 52%. The remainder is distributed to preceptors and in the case of Craven these are Central Government (25%), North Yorkshire Council (22%) and 1% to the North Yorkshire Fire & Rescue Authority.

The business rates shares payable for 2019/20 were estimated before the start of the financial year as £4.499m to Central Government, £3.869m to NYCC, £180k to NYFRS and £9.447m to Craven Council. These sums have been paid in 2019/20 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 2019/20 to the value of £7.928m (£5.773m in 2018/19).

The total income from business rate payers collected in 2019/20 was £18.222m (£18.822m in 2018/19). This sum includes £286k of transitional protection relief for ratepayers (£363k in 2018/19) 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 from the baseline amount which ensures that authorities are protected to this level of Business Rates income. For Craven the value of safety net figure is £1.742m. 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 2019/20.

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 2020. 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 2020 has been calculated at £693k (£743k at 31 March 2019).

The amounts collected are analysed below:

2018/19 £'000		2019/20 £'000
(5,137) (363)	Gross Amount Due Charitable Relief etc. Transitional Protection Payments / (Relief) Other Reliefs: Empty and Part Occupation Relief etc.	25,251 (5,094) (286) (1,513)
18,459		18,358

#### 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:

2018/19 £'000		2019/20 £'000
28,043 5,228 1,554	Craven District Council North Yorkshire County Council Police and Crime Commissioner North Yorkshire North Yorkshire Fire & Rescue Authority Parishes	3,879 29,535 5,761 1,605 1,405
39,940	Total	42,186

#### NOTES TO THE COLLECTION FUND

#### 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 2020.

2018/19 £'000		2019/20 £'000
	Council Tax Bad & Doubtful Debts	
85	Write-offs during the year	88
(111)	Contributions to provisions during the year	(133)
(26)	Net (increase)/decrease in provision in year	(45)
(532)	Balance at 1 April	(558)
(558)	Balance at 31 March	(603)
	NNDR Bad & Doubtful Debts	
58	Write-offs during the year	53
(60)	Contributions to provisions during the year	(68)
(2)	Net (increase)/decrease in provision in year	(15)
(153)	Balance at 1 April	(155)
(155)	Balance at 31 March	(170)
	NNDR Appeals	
277	Write-offs during the year	51
-	Contributions to provisions during the year	-
277	Net (increase)/decrease in provision in year	51
(1,020)	Balance at 1 April	(743)
(743)	Balance at 31 March	(692)

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

The year-end surplus or deficit on the Collection Fund is to be shared between billing and precepting authorities on the basis of estimates made on 15 January of the year-end balance. For 2019/20 there was a distribution of £200k surplus on Council Tax based on this calculation and a claw-back of £35k on the deficit on NNDR.

#### Council Tax:

There was an in-year deficit of £432k on the Collection Fund in 2018/19, the effect of which was to decrease the balance on the Account at 31 March 2020 to £494k.

#### NNDR:

There was an in-year surplus of £485k on the Collection Fund in 2019/20, the effect of which was to change from the fund having a deficit balance to a surplus balance on the Account at 31 March 2019 to £278k.

The balance at 31 March 2020 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

2018/19	2018/19		2019/20	2019/20
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
2000	2000		2000	2000
118	(83)	Craven District Council (including parishes)	61	140
650	(19)	North Yorkshire County Council	346	53
122	-	Police and Crime Commissioner North Yorkshire	68	-
36	(2)	North Yorkshire Fire & Rescue Authority	19	3
-	(103)	Central Government	-	82
926	(207)	Total	494	278
	(_•••)			

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 2020 as required by the 2019/20 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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Mr Mark Dalton for and on behalf of Mazars LLP 5th Floor Wellington Place Leeds LS1 4AP DATE

# **SECTION 7**

## **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.

#### **GLOSSARY OF TERMS**

#### Capital Expenditure charged to Revenue Account (CERA)

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

#### Capital Financing

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

#### **Capital Financing Requirement**

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

#### **Capital Grant**

Grant provided for the purpose of capital expenditure on projects.

#### **Capital Programme**

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

#### **Capital Receipts**

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

#### **Cash Equivalents**

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

#### **Cash Flow Statement**

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

#### **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.

#### 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.

#### **GLOSSARY OF TERMS**

#### **General Fund**

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

#### **Going Concern**

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

#### **Government Grants**

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

#### **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.

#### **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.

#### **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)

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

#### Settlement

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

#### Service Reporting Code of Practice (SeRCOP)

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

#### Soft Loans

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

#### Statement of Recommended Practice (SORP)

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

#### Statement of Standard Accounting Practice (SSAP's)

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

#### Inventories

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

#### **Support Services**

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

#### **Tangible Non-Current Assets**

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

#### **Temporary Borrowing/Investment**

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

#### **Unsupported (Prudential) Borrowing**

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

#### **Useful Life**

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

#### Vested Rights

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

#### Work in Progress

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

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## Statement of Accounts 2019/20 – 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 2019/20: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

## 2. <u>Explanatory Foreword</u>

- 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. <u>Statement of Responsibilities for the Statement of Accounts</u>

- 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. <u>Movement In Reserves Statement</u>

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	2018/19 £000's	2019/20 £000's	Variance £000's	Comment
(Surplus) / Deficit on Provision of Services	1,399	(368)	(1,767)	Net Cost of Service decreased by £952k. There was a £448k decrease in other operating Expenditure and a £150k decrease in Financing and Investment Income & Expenditure. Taxation and Non-specific grant income increased by £217k.
Other Comprehensive (Income) & Expenditure	(262)	(4,599)	4,337	A change of £2.398m upwards revaluation of current assets. £1.633m on Impairment losses on NCA charged to the Revaluation Reserve.
Balance on Reserves at 31 March	20,167	25,134	4,967	Increase in the Unusable Reserves of £4.3m – made up of - increase in the Revaluation Reserve £1.46m and an increase to the Capital Adjustment Account £1.109m. Movement in the Pension Reserve £1.564m. A reduction in the Usable Reserves – made up of - increase in the Capital Receipts reserve £0.404m and an increase in the Earmarked reserves £0.078m

## 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 £8,311k).
  - 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 £9,710k).

- Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to £(368k)).
- Surplus or Deficit on revaluation of Non-Current Assets and impairments  $\pounds(2,160)k$
- Remeasurement of net defined benefit/ (liability) (pension fund) £(2,439k).
- Bringing the overall total of Comprehensive Income and Expenditure to £(4,967)k.

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

5.2 When considering this statement Councillors should note the following major variances between 2018/19 and 2019/20:

Description	2018/19 £000's	2019/20 £000's	Variance £000's	Comment
Enterprising Craven	1,134	1,193	(59)	
Financial Sustainability	3,400	3,202	(198)	
Resilient Communities	4,729	3,916	(813)	£148k increase in Pension costs. £404k decrease in depreciation costs.
Taxation and Non- Specific Grant Income	(9,862)	(10,079)	(217)	Non-ring-fenced grants & Capital Grants and other contributions increased by £220k. Council Tax by £193k and Retained Business rates decreased by £196k.
Financing and Investment Income & Expenditure	604	453	(151)	Investment income decreased by £(19)k and changes in Investment Properties Fair Value £(123)k.
(Surplus) or Deficit on revaluation of non-current assets	(202)	(2,600)	(2,398)	Upwards revaluation of Assets in 19/20 - £2,600k
Impairment Losses on Non-Current assets charged to the Revaluation Reserve	2,073	440	(1,633)	Change of £1.7m revaluation of current assets.

5.3 Councillors will note that the restated Comprehensive Income and Expenditure of the Council has moved from a deficit of £1.137m at the end of 2018/19 to a surplus of £4.967m at the end of 2019/20 – 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 2018/19.

Description	2018/19 £000's	2019/20 £000's	Variance £000's	Comment
Property Plant & Equipment.	33,428	36,359	2,931	Additions in year £2.396m, revaluations up £1.929m, depreciation £(1.322m)
Long Term Debtors	201	98	103	Loan to Craven College
Short Term Investments	12,000	7,000	5,000	This is due to the timings of maturities of investments, not a decrease in investments overall.
Cash and Cash Equivalents	905	4,282	3,377	Increases in Money market Funds, which are classed as Cash Equivalents.
Short Term Creditors	(5,098)	(5,757)	(659)	Central Government bodies increase by £1,324k, Other Public bodies and LA's decrease by £672k and Other entities and individuals increase by £7k.
Other Long-Term Liabilities	(20,982)	(19,995)	987	Pension Reserve movements in the liability
Usable Reserves	9,943	10,607	664	Increase in Capital Receipts reserve of £404k and an increase to Earmarked Reserves of £78k.

Unusable Reserves	10,224	14,527	(4,303)	Increase in the Unusable Reserves of £4.3m – made up of - decrease in the Revaluation Reserve £1.464m and an increase to the Capital Adjustment Account £1.109m. Movement in the Pension Reserve £1.564m
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### 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 2018/19

Description	2018/19 £000's	2019/20 £000's	Variance £000's	Comment
Net surplus or (deficit) on the provision of services	(1,399)	368	1,767	See Section 4.1
Movement in Pension Liability	1,965	1,452	513	
Investing Activities	(2,695)	(1,724)	971	Additions of PPE and some sale proceeds from PPE/Investment Properties & Intangible Assets.
Financing Activities	(1,539)	2,000	3,539	
Cash & cash equivalents	905	4,282	3,377	See Section 6.2

## 8. <u>Statement of Accounting Policies</u>

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

### 9. Explanatory Notes to the Statement of Accounts

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

# **Audit Completion Report**

Craven District Council Year ending 31 March 2020



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- 1. Executive summary
- 2. Significant findings
- 3. Internal control recommendations
- 4. Summary of misstatements
- 5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor's report

Appendix C – Independence

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

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

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Mazars LLP 5<sup>th</sup> Floor 3 Wellington Place Leeds LS1 4AP

Members of the Audit and Governance Committee Craven District Council Belle Vue Square 1 Broughton Road Skipton BD23 1FJ

16 September 2020

Dear Members

#### Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 29 June 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 394 5316.

Yours faithfully

MAS.

Mark Dalton Mazars LLP

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## 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Craven District Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Audit and Governance Committee meeting on 21 September 2020.

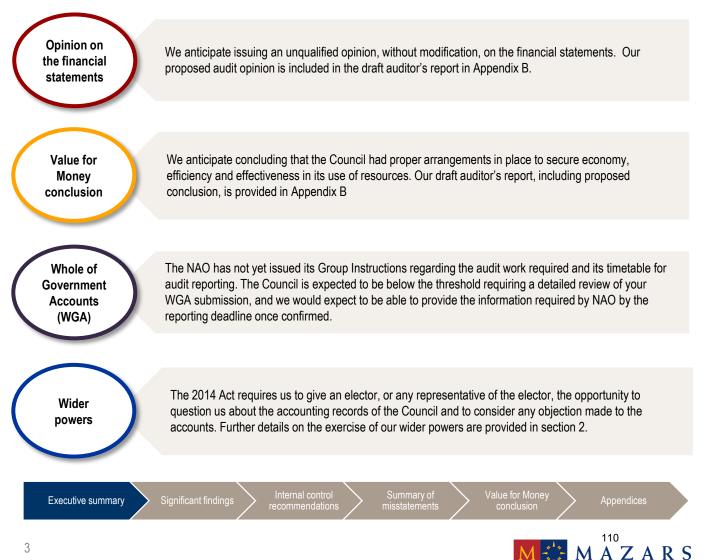
The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Property valuations
- ٠ Defined benefit pension liability valuation
- Investment properties classification
- Provision for bad debts

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:



## 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Journal testing	•	Completion of our testing of material and significant journal transactions.
Capital Financing	•	Agreement of the capital expenditure and financing disclosure in note 33 and review of the minimum revenue provision (MRP).
Pension liability	•	The North Yorkshire Pension Fund auditor has confirmed they plan to complete their audit and provide us with their assurance letter in October. We have also asked Management to provide assurance that they do not expect the impact of the recent McCloud resolution to be material. We have requested that management liaise with the Fund's Actuary to support their judgement.
PPE, Heritage assets and Investment Property	•	Completion of our testing in relation to valuation, ownership and existence. We are anticipating further guidance on the form of the audit opinion wording that should be used against the backdrop of COVID-19. We currently expect that the declaration of uncertainty in property valuations caused by Covid19 will lead to an emphasis of matter paragraph in the audit report. We provide more information on this matter at page 8.
Collection Fund		Completion of our testing of the Collection Fund and associated notes.
Whole of Government Accounts	•	NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time. We provide further details on this matter on page 12 and expect the Council to be below the testing threshold.
Post balance sheet events	•	Review of post balance sheet events up to the point at which we sign our audit report. Due to the extended timeframe we will refresh our understanding, before we provide our opinion.
Review and closure procedures	٠	<ul> <li>Completion of audit closure procedures, including:</li> <li>review of final Annual Governance Statement;</li> <li>review of the final version of the financial statements; and</li> <li>final manager and partner review.</li> </ul>

#### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

Internal control recommendations





We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented in June 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum

## Materiality

We set materiality at the planning stage of the audit at £550k using a benchmark of 2% of gross revenue expenditure at the surplus/deficit on provision of services level. Our final assessment of materiality, based on the final financial statements and qualitative factors has not changed, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee), at £17k based on 3% of overall materiality.

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Governance Committee in a follow-up letter.





## 2. SIGNIFICANT FINDINGS

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On
  page 10 we have concluded whether the financial statements have been prepared in accordance with the financial reporting
  framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

## Significant risks and key areas of management judgement

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

### Significant risk Description of the risk

Management override of controls Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- · Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

### Audit conclusion

Subject to resolution of outstanding matters on page 4, there are no matters arising from our work on management override of controls.





## SIGNIFICANT FINDINGS (CONTINUED) 2.

## Significant risk

Property valuations

#### Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued are not valued at their materially correct fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end.

The risk has increased as a result of any potential economic downturn arising from COVID-19. The Royal Institute of Chartered Surveyors (RICS) has also issued a Valuation Practice Alert (VPA), which highlights the use of material uncertainty declarations in their valuation reports.

### How we addressed this risk

We reviewed the scope and terms of the engagement with the Council's in-house valuer and how management used the valuer's report to value land and buildings in the financial statements. We also assessed the competence, skills and experience of the Council's valuer.

We considered the valuation methodology in relation to industry practice, the requirements of the CIPFA Code of Practice, and the Council's accounting policies.

We reviewed the approach that the Council adopted to ensure all assets are revalued over a 5 year cycle and address the risk that assets not subject to valuation in 2019/20 are materially misstated. We considered the robustness of that approach in light of the valuation information reported by the Council's inhouse valuer.

In addition we considered the arrangements that management had put in place to ensure the accuracy of the valuers work, including the extent of the liaison between the valuer and the finance team.

In relation to the assets which have been revalued during 2019/20, we reviewed the valuation methodology used, including testing the underlying data and assumptions. We compared the valuation output with market intelligence provided by Gerald Eve, our expert and consulting valuer's engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations. We considered movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

We specifically considered the potential impact of the Covid-19 pandemic on the Council's asset valuations and the adequacy of the disclosures in the financial statements, specifically those relating to the material uncertainty applied by your in-house valuer to their valuations.

We tested the accounting entries for a sample of revalued assets to ensure they had been correctly processed in the financial statements.

## Audit conclusion

The procedures we have undertaken to date, have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

The Council's valuer has followed RICS guidance and as expected their valuation report concludes that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has been properly disclosed in the notes to the Statement of Accounts. We expect, in line with normal practice, to include reference to this disclosure as an 'emphasis of matter' in our audit report. Our draft Auditor's Report at Appendix B will be updated for any 'emphasis of matter' paragraph once our internal consultation processes are complete. The inclusion of an 'emphasis of matter' paragraph is not a modification or gualification of our audit opinion.







## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk Description of the risk

Defined benefit pension liability valuation The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of North Yorkshire Local Government Pension Fund, which had its last triennial valuation completed as at 31 March 2019.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.

The risk has increased as a result of the potential economic downturn arising from COVID-19.

#### How we addressed this risk

We critically evaluated the competency, objectivity and independence of the scheme Actuary, AON Hewitt.

We reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within that valuation. This included comparing them to expected ranges, utilising information provided by the consulting actuary engaged by the National Audit Office, PwC.

We agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements and did not identify any errors.

We have considered the potential impact of the McCloud judgement and Goodwin case on the pension liability valuation, and what the Council has done in respect of these. We confirmed with Officers that they obtained an actuary report using data to 31 March 2020 to mitigate any potential impact on the valuation from the Covid-19 pandemic.

We liaised with the auditors of the North Yorkshire Local Government Pension Fund to gain assurance that the controls in place at the Pension Fund were operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate.

### Audit conclusion

Subject to receipt of the assurance letter we have requested from the North Yorkshire Pension Fund auditor (see page 4), we expect our work to provide the assurance we sought in each of these areas. Our work to date has not highlighted any indication of material estimation error in respect of the defined benefit liability valuation.

In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sargeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 is likely to have led to an overstatement of the pension fund liability as at 31 March 2020. A further legal case (the 'Goodwin' case) has also emerged in 2019/20. Management do not expect the impact of these cases to be material. Per page 4, we have requested that management liaise with the Fund's Actuary to support their judgement.

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🗄 M A Z A R S

## 2. SIGNIFICANT FINDINGS (CONTINUED)

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Description of the management judgement					
The Council has judged a number of its properties as being held solely for rental income or capital appreciation and therefore classified these as investment properties.					
The classification of properties is a key area of judgement, but does not amount to a significant risk for the audit.					
How we addressed this area of management judgement					
As part of our work on valuations, we tested a sample of investment properties and found that they are correctly classified.					
We have also tested a sample of operational land and buildings and reviewed the Council's fixed asset register for any indications of investment properties being misclassified within the financial statements.					
Audit conclusion					
Our work provided sufficient assurance that investment properties are correctly classified within the financial statements.					

## Management Description of the management judgement

judgement

- -

Provision for bad debts

## Each year the Council reviews its outstanding debtor balances and estimates a provision for bad debts based on judgements around the collectability of the debt.

The estimation of the provision, including the underlying judgements, is a key area of judgment, but does not amount to a significant risk to the audit.

### How our audit addressed this area of management judgement

We have reviewed the methodology applied to the Council's provisions for bad debts in relation to sundry debtors, Council Tax debtors and NNDR debtors, and assessed the reasonableness of the judgements involved in this process.

### Audit conclusion

Our work provided sufficient assurance that the bad debt provisions have been made on a reasonable basis and are adequate in relation to the amount of debt outstanding at year end.





## 2. SIGNIFICANT FINDINGS (CONTINUED)

## Qualitative aspects of the Council's accounting practices

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

Draft accounts were received from the Council on 1 July and were of a good quality.

## Significant matters discussed with management

The impact of the Covid-19 pandemic has had a significant impact on the Council, not only in relation to normal operating practices and service delivery, but also in terms of additional requirements for the distribution of business grants and rate relief. Whilst the financial impact on the Council will likely be more keenly felt in the 2020/21 financial year, we have specifically considered the potential impact on the significant risks in relation to property valuations and the pension liability valuation, as outlined below and earlier in this report. Our cut-off work has also considered the timing of the additional income the Council has received from central government to support them during this time, and the business grant funds flow through the Council. We have not identified any material issues in relation to cut-off, subject to completion of the work outlined on page 4.

The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities. These included the proposed remedy for the 'McCloud' case (which emerged initially in 2018/19 and was reported on in our previous Audit Completion Report) which is likely to have led to an overstatement of the original estimate of the Council's pension fund liability as at 31 March 2020. A further legal case (the 'Goodwin' case) has emerged in 2019/20. Management do not expect the impact of either of these cases to be material and do not propose to amend the draft financial statements. At the time of writing this report, management is consulting with its actuary to obtain evidence to support this judgement.

As a result of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers we have needed to increase the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. This and other issues emerging during the year have had an impact on the fee required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. All fee variation requests are subject to approval from PSAA.

### Significant difficulties during the audit

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

Remote working as a result of Covid-19 restrictions has made the audit more difficult than normal for both the finance team and our team. Although officers have made every effort to be responsive to audit requests, the capacity of the finance team has inevitably led to some delays during the audit, in particular during final accounts.

### Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.







## Wider responsibilities (continued)

## Possible delay in Audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts alongside the accounts opinion and value for money conclusion.

The NAO has not yet issued its Group Instructions for local authority audits. If it looks like these Instructions are to be significantly delayed then we may agree with Management to issue the Auditor's Report, but without the Audit Certificate. We would then issue the Audit Certificate separately as soon as we are able to do so.

We will update the Standards and Audit Committee when more information is known but at this stage the draft Auditor's Report at Appendix B assumes that we are able to issue the Audit Certificate alongside the accounts audit opinion and value for money conclusion.





## 3. INTERNAL CONTROL RECOMMENDATIONS

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

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

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

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	None
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	None
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	One







## Other deficiencies in internal control - Level 3

## **Description of deficiency**

Trade Waste income: Reconciliation of ESB (trade waste system) to the general ledger (Agresso) - this reconciliation has not been undertaken during 19/20 due to bugs in the ESB system meaning that the output they would otherwise use for billing has been found to be incorrect. This relates specifically to the in year variances/ adjustments following the annual billing cycle in April (which was reconciled in full).

## **Potential effects**

Entries to the general ledger may contain inaccuracies compared to ESB due to data entry errors or intentional error.

## Recommendation

The Council should work with the new software supplier (Meritec) to enable a full reconciliation to be performed between the ESB system and the general ledger each time a file is interfaced (similar to the process previously undertaken with the old Camex system).

## Management response

As part of the build of the new system, an audit function is being built into the system. This audit function will take an extract of data from the ESB system, to allow reconciliation to the General Ledger, pre and post import. This will allow verification of the output from ESB, to ensure this is what is transferred into the General Ledger. This reconciliation has been completed manually in 18/19 and for 19/20.



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## Follow up of previous internal control points

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

## 1) Description of deficiency

The draft 2018/19 financial statements published at the end of May 2019 contained a large number of errors and inconsistencies.

## **Potential effects**

The quality of the draft published financial statements has a direct impact on the time required to undertake and therefore costs associated with the audit, as well as the additional time that is spent by officers to correct such issues and the reputation of the Council.

## Recommendation

A more robust review process should be built into the Council's year end timetable to ensure the draft financial statements are of a good quality, do not contain any obvious errors and comply with the requirements of the CIPFA Code of Practice. Ideally the review should be undertaken by someone outside of those involved with the preparation of the draft financial statements.

## 2019/20 update

The draft 2019/20 financial statements submitted for audit were of a better quality than those submitted in the previous year and as a result fewer audit adjustments and issues have been raised. Whilst this is a positive direction of travel, the issues raised in this report indicate that there remains further scope for improvement.

## 2) Description of deficiency

The password parameters set within ICON are not aligned to Craven District Council's password policy and in our view are not sufficiently complex to meet best practice requirements.

Password parameters set for iTrent can be and have been overridden at a local level.

## Potential effects

Passwords are not sufficiently complex to operate effectively as a security measure and prevent unauthorised access.

## Recommendation

For ICON, review the existing system parameters and align them to the Council's password policy.

For iTrent, the system owner should be reminded of the Council's password policy and should ensure that, when issuing new passwords, the requirement to meet this standard is not overridden and the relevant officer is prompted to change the password immediately and in line with the Council's password policy.

## 2019/20 update

The ICON system parameters have been aligned to the Corporate Policy, where possible in terms of expiry, length and capital requirements. Since the end of 19/20 administration of the iTrent system has been brought back in house (previously hosted by a neighbouring authority). Now the iTrent system is held within Craven DC, exploration of the password parameters and their ability to be tailored can now take place and try to align them with the corporate policy.





Appendices



## Follow up of previous internal control points (continued)

## 3) Description of deficiency

Our review of the controls in the Council's housing benefit system confirmed the ongoing programme of internal supervisor checks of the work performed by benefit assessors was not up to date as at December 2018. This was due to staffing changes within the department.

## **Potential effects**

The lack of up-to-date quality assurance checks increases the risk of undetected errors may be posted to the housing benefits system, leading to under or overpayment of benefits to claimants and a potential increase in Local Authority error overpayments.

## Recommendation

The Council should ensure Quality Assurance checks of housing benefits work is brought up to date and appropriately allocated to a suitable officer.

### 2019/20 update

Our walkthrough of the housing benefit system for the 2019/20 audit indicated that this issue has now been resolved.





## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £17k.

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

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

## Unadjusted misstatements 2019/20

		•	ve Income and e Statement	Balanc	e Sheet
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	<ul><li>Dr: Creditors/ Payments in advance</li><li>Cr: Expenditure</li><li>Our testing identified an invoice paid in 2019/20, that co to 2020/21 and another should have been accrued in 20</li></ul>		•		
2	Dr: Expenditure Cr: Fixed assets – Vehicle, Plant and Equipment	96			(96)

Our testing identified 5 vehicles that were not being depreciated by the Council's fixed asset register software. As this error will not materially impact on current year the Council has chosen not to amend the 2019/20 accounts and will correct this error in 2020/21. The error is considered to be isolated.

	Total unadjusted misstatements	96	(134)	489	(451)
	This adjustment relates previous error (2) and quantifies the 5 gross book value of the 5 vehicles. Overall, the net book valu				
3	Dr: Capital Adjustments Accounts Cr: Fixed assets – Vehicle, Plant and Equipment		346	(346)	

The cumulative effect of immaterial uncorrected misstatements related to the prior period was a debit to the comprehensive income and expenditure statement of £10k and a credit to the balance sheet for the same amount. Therefore the total of the unadjusted misstatements will not have a material effect on financial statements.

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## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

## Adjusted misstatements 2019/20

		•	ve Income and e Statement	Balance	e Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)	
1	Dr: Short term investments Cr: Long term investments			1,000	(1,000)	
	One of the Council's investments was misclassified as lor in the short term investments balance as it matures within	-		it should have be	een included	
2	Dr: Short term debtors Cr: Long term debtors			103	(103)	
	The Council's loan to Craven College has been incorrectly 12 months and should therefore be classified as a short to		ong term debtor w	/hen £103k is rep	ayable within	
3	Dr: Fixed assets - Land and buildings Cr: Revaluation Reserve			55	(55)	
	Our testing of the Council's fixed asset register identified s fixed assets and credit the revaluation reserve.	5 assets with a ne	egative net book v	alue. The correct	tion is to debit	

## **Disclosure amendments**

As a result of our work, a number of amendments have been made to the other statements, notes and disclosures within the financial statements, and the most significant of these are as follows:

- Note 12.1: Revaluations recognised in the Revaluation Reserve both the revaluation increase and depreciation written out to the
  revaluation reserve were overstated by £1,297k due to the incorrect grossing up of the depreciation adjustment. As the net effect on
  the revaluation reserve is not affected, this is just a disclosure adjustment in note 12.1.
- Note 29: A review of the supporting paperwork showed that two of the four exit packages (totalling £19k) should have been disclosed as compulsory rather than voluntary redundancies.
- Note 31: Grant income the value of the DWP Grant for Housing Benefits was understated by £548k due to it not including the year end debtor balance of £458k and due to an adjustment for admin grant of £90k being incorrectly removed twice in the Council's working papers.
- Note 34: Operating leases
   – the split of the minimum lease payments between those payable within 1 year, one and five years and
   over five years was incorrect.

In addition to the above, a number of more minor amendments have been made to the financial statements to correct rounding errors, ensure internal consistency and to correct typographical and formatting errors.







## Our approach to Value for Money

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

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

- Informed decision making
- Sustainable resource deployment
- · Working with partners and other third parties

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

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	The Council operates a Committee system and its Constitution sets out the Council's governance framework, which is a model of governance consistent with other local government organisations.	Yes
	In February 2020, the Council approved its Council Plan (2020 and beyond) which sets out the Council's long term priorities and objectives.	
	Delivery of the plan and Council performance is monitored on a quarterly basis by the Policy Committee and the Annual Report provides a summary of the Council's performance and achievements in year.	
	New decisions are supported by reports that outline options and relevant considerations, including references to financial, risks, legal and performance issues where appropriate.	
	Financial reporting is also used to deliver the Council's strategic objectives, for example through the Medium Term Financial Plan (MTFP 2020/21 to 2023/24), which allocates resources to priority areas per the Council Plan.	
	Policy Committee review the financial position throughout the year and the revised MTFP is considered as part of the annual budget setting report.	
	The Council has a corporate risk management strategy which is monitored by the Corporate Management Team and the Audit and Governance Committee, who also oversee the Council's governance framework, including oversight of internal audit.	
	The Annual Governance Statement includes an assessment of the effectiveness of arrangements and identifies appropriate areas for further improvement, most notably around information governance and strengthening scrutiny arrangements.	

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## 5. VALUE FOR MONEY CONCLUSION

## Our approach to Value for Money (continued)

Sub-criteria	Commentary	Arrangements in place
Sustainable resource deployment	The Council has proven track record of good budget management and delivering its Medium Term Financial Plan (MTFP).	Yes
	In 2019/20, the Council underspent by $\pounds 0.324$ million, against its net budget of $\pounds 6.735$ million and increased its usable reserves by $\pounds 0.664$ million.	
	In February 2020, the Council issued its 2020/21 budget and MTFP (to 2023/24), reporting a balanced budget for each of these years. In 2020/21 the Council planned a net budget of £7.042 million, which was predicated by a £5 increase in Council Tax and a small contribution to reserves. The budget also assumed prudent increases for CPI price inflation, pay inflation and interest rates.	
	The approved MTFP also highlighted a potential budget gap from 2021/22 (totalling £576k), which was predicated by uncertainties in the Government's spending review, business rates and funding formula reviews. The Council planned to refresh the MTFP and address these gaps, as greater clarity about Government funding was received.	
	In March 2020 the Council had to consider the impact of COVID-19 on its budget and MTFP. As at the time of this report, the Council has highlighted a £0.663 million budget gap, as at quarter 1. However, this position is before the full extent of government support has been applied, specifically in respect of lost income.	
	In August 2020, the Ministry of Housing, Communities and Local Government confirmed non-recurring government funding to cover a significant proportion of lost sales, fees and charges, for 75p in of every £1 of eligible losses. It does however expect the Council to absorb 5% of their planned 2020/21 sales, fees and charges income. The Council is currently considering the financial implications of this and is therefore updating its financial forecast for 2020/21.	
	The quarter 1 report also highlights a potential loss of business rates income, however the Council plans to mitigate this by utilising some of its Business Rates Contingency Reserve (reserve total as at 31 March 2019 £1.132 million).	
	The Council has also achieved savings of £0.176 million in year and is currently considering if additional savings will be required in 2020/21.	
	Despite these challenges, the Council plans to maintain a prudent General Fund balance and will instead utilise its £6.720 million of earmarked reserves, to mitigate any potential shortfalls if necessary. Despite these pressures. the Council does not foresee any significant reduction of services in 2020/21.	
	We will continue to monitor the Council's financial arrangements, however, at the time of our report and despite the current financial uncertainty, the Council's has proper arrangements to monitor its financial position and ensure sustainable resource deployment.	

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## 5. VALUE FOR MONEY CONCLUSION

## Our approach to Value for Money (continued)

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	The Council works closely with a range of partners including North Yorkshire County Council, other District Councils and external bodies.	Yes
	It is currently a member of the Leeds City Region and the York and North Yorkshire Local Enterprise Partnership (LEP), which facilitates greater joint working and allows the businesses in Craven to benefit from regional funding.	
	The Council has established a Joint Venture Company, with Barnfield Investment Properties Ltd. The JV works with other external bodies such as Homes England, Yorkshire Dales National Park and the LEP to develop new housing and employment opportunities in the District.	
	In 2020, the Government announced plans to increase the pace of devolution in North Yorkshire. This includes the restructuring of local government in the County, by potentially establishing mayors and unitary councils, spanning areas with populations of circa 300,000 to 400,000. Currently the Council is working with other Yorkshire Councils as part of the consultation process.	
	To ensure the Council achieves best value in its procurement process, it has recently reviewed its procurement procedures and frequently updates its contracts register. The Council also seeks to achieve best value by driving procurement savings where possible, but also aiming to deliver sustainable services.	







## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

## Significant Value for Money risks

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

Risk	Work undertaken	Conclusion
<b>Financial Pressures</b> In previous years we concluded that the Council had adequate arrangements in place for medium term financial planning. The Council, continues to face financial pressure in the coming years and recently updated its Medium Term Financial Plan (MTFP) to cover the period to 2023/24. This forecasts a deficit of up to £1.275m, which is reliant on increases in Council Tax and achievement of saving plans. Currently the MTFP also does not take into account the impact of the coronavirus crisis.	<ul> <li>In response to this risk we:</li> <li>reviewed arrangements for developing the MTFP;</li> <li>considered the delivery of the 2019/20 budget and savings against plans; and</li> <li>reviewed the assumptions and future savings identified in financial plans for 2020/21 and beyond.</li> </ul>	Our work has provided sufficient assurance. We have no matters to report. The impact of the COVID-19 pandemic means the Council will need to revisit the MTFP, including assumptions and future budget gaps. Our conclusion considers arrangements in the 2019/20 financial year and recognises that the impact of COVID-19 was in March 2020. When setting the MTFP to 2023/24, arrangements
These challenges present a significant risk for our consideration of the arrangements in place to manage demand in your key service areas and deliver financial sustainability over the medium term.		were in place to set a financial plan which reflected the circumstances at that time.

## Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.





## APPENDIX A DRAFT MANAGEMENT REPRESENTATION LETTER

Mr M Dalton 5<sup>th</sup> Floor 3 Wellington Place Leeds LS1 4AP

September 2020

Dear Mark

## Craven District Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Craven District Council (the Council) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

## My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

## My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

## Accounting records

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

## Accounting policies

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

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## APPENDIX A DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

## Accounting estimates, including those measured at fair value

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

## Contingencies

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

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

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

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

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## Fraud and error

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

I have disclosed to you:

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

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

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

### Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### Impairment review

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

Executive summary









## APPENDIX A DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

## **Future commitments**

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

## Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

## Other matters

I can confirm in relation to the following matters that:

- Brexit -we have assessed the potential impact of the United Kingdom leaving the European Union and that the disclosure in the Narrative Report and note 3 to the Statement of Accounts fairly reflects that assessment.
- COVID-19 -we have assessed the potential impact of the COVID-19 Virus pandemic on the Council and the Statement of Accounts, including the impact of mitigation measures and uncertainties, and are satisfied that the Statement of Accounts and supporting notes fairly reflect that assessment.

### Going concern

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

## **Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. Please add an appendix is attached to the letter and not cross-referenced to the appendix in the ACR.

Yours faithfully

Chief Finance Officer: ..... Date: .....



## APPENDIX B DRAFT AUDITOR'S REPORT

## Independent auditor's report to the members of Craven District Council

## Report on the financial statements

## Opinion

We have audited the financial statements of Craven District Council for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31<sup>st</sup> March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

## Basis for opinion

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

### Conclusions relating to going concern

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

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

## Other information

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

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

We have nothing to report in this regard.

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## APPENDIX B DRAFT AUDITOR'S REPORT

## Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

We have nothing to report in these respects.

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Craven District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.



Internal control recommendations







## APPENDIX B DRAFT AUDITOR'S REPORT

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

## **Responsibilities of the Council**

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

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

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

## Use of the audit report

This report is made solely to the members of Craven District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Dalton For and on behalf of Mazars LLP 5<sup>th</sup> Floor 3 Wellington Place Leeds LS1 4AP DD/MM 2020

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## **APPENDIX C INDEPENDENCE**

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

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



## CONTACT

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Mark Outterside Senior Manager

Phone: 0191 383 6339 Mobile: 07824 086593 Email: mark.outterside@mazars.co.uk

## Audit & Governance Committee – 21 September 2020

## **Risk Management Update (Covid-19)**



**AGENDA ITEM 6** 

**Report of the Chief Finance Officer (S151)** 

## Lead Member – Financial Resilience: Councillor P Mulligan

Ward(s) affected: All

## 1. Purpose of Report

- 1.1 To present the committee with details of changes made to the Council's risk registers in light of the Covid-19 pandemic.
- 2. Recommendations Members are recommended to:
- 2.1 Note the new and increased risks resulting from the Covid-19 pandemic, and measures in place to address them

## 3. Background

- 3.1 In normal circumstances, the Council's Risk Registers are reviewed annually by the Risk Management group at the end of each financial year, and are brought to Audit & Governance Committee for monitoring.
- 3.2 The Covid-19 pandemic has increased some risks to the Council's operations and interests. In light of this, the Risk Management Group decided to complete an additional mid-year review of the Risk Register with specific reference to any additional risks resulting from Covid-19.
- 3.3 The attached paper describes all risks added and updated as a result of this review.

## 6. Financial and Value for Money Implications

6.1 Additional financial risks to the Council. These are described in the report and the attached documents.

## 7. Legal Implications

7.1 No legal implications

## 8. Contribution to Council Priorities

8.1 This report describes our progress towards addressing all 4 priorities in the Council Plan

## 9. Risk Management

9.1 The Council's Risk Registers are a key element of the Council's Risk Management approach.

## 10. Equality Analysis

10.1 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.

## 11. Consultations with Others

11.1 Risk Management Group; Senior Leadership Team; Service Managers

## 12. Background Documents

Risk Management updates following Covid-19 pandemic response review

## 13. Appendices

Covid-19 Risk Review – Corporate Risks updated Covid-19 Risk Review – Operational Risks updated

## 14. Author of the Report

NameRob Atkins, Exchequer & Performance ManagerTelephone:01756 706464E-mail:RAtkins@cravendc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

## **Craven District Council Corporate and Operational Risk Registers**

Updates following Covid-19 pandemic response review

Date of review – 10<sup>th</sup> July 2020

## **Corporate Risks**

- An additional risk has been included specifically to cover CDC's co-ordination of the recovery phase for the Covid-19 pandemic.
- Risk CRR1, '**Emergency Planning**' has been updated to reflect the potential need to co-ordinate a response to multiple concurrent emergencies.
- Risk CRR6, 'Financial Resilience', has been updated to reflect the additional risks presented by a likely reduction in the council tax base and/or collection rates as a result of Covid-19, as well as action to recover from the temporary loss of fees and charges during the lockdown period.

## **Operational Risks**

- **'Events on Council Land Mismanaged'** has been updated to reflect the need to consider measures to prevent virus transmission, in accordance with central government guidance at the time of the event.
- **'Failure to Address Health & Safety Issues at CDC'** has been updated to refer to additional health & safety risks to staff relating to the control of Covid-19 and any measures required to mitigate this.
- **'Inadequately trained staff. Insufficient staff. Lack of policies & procedures. (Environmental Health)'** has been updated to clarify that this specifically includes training and policy relating to the control of Covid-19.
- **'Injury/Illness to Customer whilst using fitness equipment or exercising'** has been updated to reflect the need to introduce and monitor measures to prevent virus transmission.
- A new risk has been added for Waste Management services specifically to cover the requirement for changes to working practices to prevent the transmission of Covid-19.
- Bereavement Services very quickly identified a number of operational risks at the start of the pandemic and immediately, successfully, put in place mitigating action. It is likely that the action is proportionate, however these are newly identified risks and have been added to the register.

Corporate Risks updated as a result of the Covid-19 Risk Review, July 2020

Risk No	Service	CAUSE: Hazards What are the causes? (IF)	EVENT: Potential Risks and Consequences- What Might Happen? (THEN)	EFFECT: (RESULTING IN)	Raw Score as identified in CRAM	Risk Control Measures Currently in place	Total Score - Taking account of current control measures	Target Score	Actions required to achieve target score	Officer responsible
CRR 1	Emergency Planning	If a civil or business emergency occurs that requires co- ordination from Craven DC - e.g severe weather	Lack of Business Continuity Planning. Major service disruption: e.g. physical loss of IT capability, virus / hacker - loss / theft data. Loss / damage to council property e.g. fire. Major failure in service provision (fire at refuse depot). Adverse PR etc. Loss of reputation. Failure to meet duties imposed by Civil Contingencies Act. Severe injury or loss of life. These risks would be amplified by the simultaneous occurrence of more than one civil or business emergency and the likelihood of this has been raised by the covid-19 pandemic.	1) Poor emergency planning. 2) Inadequate staff training. 3) Poor security / prevention. 4) Poor IT procedures. 5) Poor systems. 6) Inadequate fire protection. 7) Lack of disaster recovery and business continuity planning. 8) Potential loss of life	20	1) BC and emergency planning services provided by NYCC. 2) Revised and updated Business Continuity Plan prepared - annual reviews required as part of SLT agenda. 3) IT security procedures/backup arrangements in place. 4) Virtualisation of ICT servers completed providing greater resilience. 5) IT disaster recovery site currently operational at Selby DC. 6) Member of NY Local Resilience Forum, SLA in place with NYCC. 7) Community Risk Register produced. 8) Community resilience planning will be included and incorporated into Council plan. 9) BC training taken place for senior management - will require updating. 10) Gold, Silver and Bronze training taken place for all relevant staff. 11) Emergency out of hours rota including for Gold officers 12) Specific reference to and contingency for the occurrence of multiple incidents 13) Pandemic response plan already in place.	15	10	1) Further detailed emergency planning training at appropriate levels for relevant staff Gold training for CLT taken place & annual refreshers available. 2) Emergency planning training with CLT & SLT undertaken and annual exercises take place. 3) Further testing of business continuity plans required, particularly in light of the possibility of multiple concurrent incidents.	Director of Services

Corpor	ate Risks upd	ated as a result o	of the Covid-19 Risk Revie	ew, July 2020						
CRR 6	Financial Resilience	The Council fails to deliver projects identified to generate additional and evolving income and savings. The Covid-19 pandemic has raised the likelihood of this risk, impacting on fees and charges income and potentially impacting on the tax base/collection rates.	Alternative income or savings streams will be needed possibly with no lead in time. A moratorium on spending may have to be brought in. The budget may not balance. Reserves will become depleted and not be available to spend on projects.	The budget may not balance. Use of earmarked or GF reserve to balance the budget. Instant savings being required through cuts to services.	16	Income & savings plan projects responsibility of Service Manager with CLT overview and Lead member champion. Officers continually searching for new opportunities. Scoping of projects and delivery timeframes give realistic targets based on previous experiences. Joint Venture. Delegation to CLT and members to acquire assets up to an agreed limit. Ability to and Members willing to call emergency Policy Committee Meetings. Budget monitoring procedures. Quarterly performance clinics to assist in highlighting pressure points so that corrective action can be taken. Long Term Financial Strategy and Medium Term Financial Plans updated on an annual basis and future financial position reforecasted. Impact of major financial changes calculated into LTFS and MTFP outside of annual update if required. Financial Management and CLT are frequently reviewing advice and opportunities from Central Government to recoup lots fees and charges income. The collection of council tax and NNDR will be closely monitored to ensure that the Council is able to respond to reduced collection rates at the earliest opportunity.	9	9	External influences not always evident at time of inception of project idea - project scoping . Horizon scanning required of potential barriers. Changing enviromnment impacts need closer monitoring.	CLT - Relevant service manager lead for project . CFO co-ordinates and monitors risk

#### 6 orato Dicke undated as a result of the Covid 10 Pick Povio , <u>100, 2020</u>

Corpor	ate Risks upd	ated as a result o	f the Covid-19 Risk Revie	ew, July 2020						
CRR 9	Covid-19 Pandemic Response and Recovery	Craven District Council's contribution to the Response and co- ordination of the Recovery from the Covid-19 pandemic is not sufficient.	project to the significant detriment of other	Death, of residents and of employees, severe negative social and economic consequences including long- term worklessness and financial hardship for residents.	20	Very regular and very close liaison with, and substantial support and guidance from, emergency planning and public health colleagues in national and regional government and NYCC. Comprehensive Pandemic Response Plan. Safety plans for BVS and for specific services. New partnership arrangements to support communities with response and to share information and guidance. Continuing close liaison and joint working with healthcare services. Comprehensive and far- reaching communications campaign sharing clear key messages with residents and staff. Arrangements in place to ensure that housing needs services can be delivered at very short notice to reduce risks to residents.	12	12	The nature of the unprecedented Covid-19 pandemic has resulted in a high level of risk that cannot be entirely mitigated. We are confident that we have planned and co- ordinated a comprehensive, thorough and appropriate response that has minimised risks as far as it is possible for us to do so.	CLT

Risk Number	Service		EVENT: Potential Risks and Consequences- What	EFFECT: (RESULTING IN)	Raw Score as identified in CRAM	Risk Control Measures Currently	Total Score -Taking account of current	Officer responsible
4	Asset and Commercial Services	(IF) Events on Council land mismanaged	Might Happen? (THEN) Injury to persons; avoidable illness or death caused by transmissible disease	Injuries to members of the public; financial impact due to insurance claims; reputational damage.	6	in place 1) Events application form covering all aspects which need to be considered must be completed before approved 2) Events to go through SAG if appropriate 3) Licence issued	control measures	Property Manager
19	Craven Pool	Lack of customer knowledge and training. Incorrect use of equipment. Failure of equipment. Undreclared medical history of user. Unsafe or inappropriate use of equipment during pandemic.	Injury/illness to customer whilst using fitness equipment or exercising, including the avoidable transmission of disease.	Possible claims, investigation by HSE, reputational risk Incorrect use of or failure of fitness equipment.	9	1) Health declaration and advisory inductions on equipment for all customers by qualified staff. 2) Supervision of room by qualified staff. 3) Regular inspections of equipment. 4) Twice yearly inspections / service contract for equipment newly installed equipment requires card entry. Cards are only issued once training has been completed. 5) Medical Screening Questionnaire + Doctors Notes if History is a worry. 6) Personal programmes offered. 7) Qualified instructors. 8) Increased training standards for all instructors. 9) Qualified for disabled and gp referrals fitness screening. 10) Staff in the gym are to be included within the Lifeguard training to ensure that their competence levels are	6	Pool Manager
32	Environmental Services & Housing (Environmental Health)	staff. İnsufficient staff. Lack of policies & procedures.	performance of a statutory service resposibility.	general public might be placed at risk leading to potential injury ill health or death.	15	set for all posts Post entry training of staff. Written procedures. Quality Management systems in place. Provision of technical reference material. Regular staff training. Specific training and guidance to address additional risks posed by Covid-19.	8	Environmental Services & Housing Manager
64	Legal Services	Failure to address Health and Safety issues in CDC	Potentially leading to serious injury or a fatality	Corporate Manslaughter charges and or HSE involvement and or Inability to defend claims.	15	<ol> <li>Experienced Health and Safety adviser in place two days a week 2) Health and Safety Policy &amp; relevant procedures kept updated available.</li> <li>Training for staff available as required 4) Risk Assessments updated &amp; regularly reviewed 5) Health and Safety Management Group meet regularly 6) Safety Reps Group - now merged with SMG 7) Quarterly accident statistics.</li> <li>Specific training 9) Fire reps, first aiders - responsbility passed to Asset Management &amp; HR respectively 10) Report to CLT/Council on H&amp;S performance 11) Services responsible for completing relevant/regular Health check documents submitted to advisor indicating current position within each service</li> </ol>	5	Solicitor to the Council / Monitoring Officer

77		safety risks to staff and to public from changes in working practices necessitated	Road traffic or workplace accidents. Avoidable transmission of covid- 19 and resulting illness.	Serious injury, illness and possible death.	15	In addition to existing health & safety measures: Service- specific review of all health & safety risk control measures in light of covid-19 and application of resulting controls. Social distancing to ensure low cab occupancy in RCVs. Banksman/assistant to follow in additional vehicle where required.	8	Environmental Services & Housing Manager
78	Demonstration	of service due to	Increased mortality rates during pandemic overwhelm capacity.	Further public health issues; reputational damage.	8	Contingency processes identified for flexibility to alter diary so that capacity can be increased if necessary	4	Bereavement Services Manager
79	Bereavement Services	Unsafe operation during pandemic	Avoidable infection to attendees, staff and family members	Illness and possibly death; reputation damage; financial loss through compensation.	15	Capacity at services reduced according to best guidance; digital options for attendance; enhanced cleaning regime following covid-safe guidance; distancing measures for staff and attendees; regular review of safety measures in place.	10	Bereavement Services Manager

### AGENDA ITEM 7

# Audit and Governance Committee 21<sup>st</sup> September 2020

## ANNUAL INTERNAL AUDIT REPORT 2019/20



Report of the Audit Services and Fraud Manager – Shared Internal Audit Service

Ward(s) affected: All

### 1. <u>Purpose of Report</u>

1.1 To consider the key findings and conclusions from audit work undertaken in 2019/20 and to give an opinion on the overall adequacy and effectiveness of the Council's arrangements for risk management and governance and on its internal controls.

### 2. <u>Recommendations</u>

2.1 Members are recommended to note the contents of the report and note the opinion given based on the audit work undertaken during 2019/20.

### 3. Background Information

3.1 2019/20 was the second year of the 3 year Shared Internal Audit Service collaboration arrangement with Harrogate Borough Council, shared arrangements having been in place under previous agreements since April 2010.

The service was hosted by Harrogate and provided 180 days per annum of audit time plus an additional 20 days per annum to be used at the discretion of Craven District Council's Chief Finance Officer (s151 Officer).

In line with the previous collaboration arrangement, the Shared Service was managed by a Partnership Board, which consisted of the Chief Finance Officers of the two authorities.

3.2 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the Standards and the Council's Internal Audit Charter the Chief Audit Executive or equivalent is required to submit an annual report which should include an overall opinion on the adequacy and effectiveness of the organisation's Risk Management and Governance arrangements and on its internal controls. In addition, the report should:

- Include a summary of audit work actually undertaken to support the opinion
- Provide details of any qualification to the opinion, together with the reasons for the qualification (including any impairment to independence or objectivity)
- Comment on the performance of Internal Audit and its Quality Assurance and Improvement Programme.
- Comment on compliance with the PSIAS.
- 3.3 The Council is responsible for ensuring it complies with the law and proper standards to carry out its business. As such the Council is responsible for ensuring that effective Risk Management and Governance Arrangements and Internal Controls are in place in order to deliver value for money in the use of its resources and to achieve its corporate and service objectives.
- 3.4 Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of Risk Management, Control and Governance processes (PSIAS)
- 3.5 Internal Audit can provide reasonable assurance on the arrangements and controls examined. This does not imply infallibility. Internal Auditors cannot be expected to identify every weakness or irregularity. Also, Internal Audit is not an extension or substitute for management. It is for management to accept Internal Audit findings and implement recommendations or to accept the risks of not taking action.

### 4. <u>Audit Approach</u>

- 4.1 At the conclusion of all audit work undertaken, meetings have taken place between relevant service managers and chief officers to discuss and agree audit findings within our audit report. Representatives from Audit Services have attended all meetings of the Audit & Governance Committee during 2019/20 to present each audit report for scrutiny and challenge. Progress reports against the approved Audit Plan have also been submitted and discussed.
- 4.2 On reporting lines, the Audit Services have held regular meetings with the Strategic Manager Financial Services (s151 Officer) and has also been given unrestricted access to both the Chief Executive and the Chair of this Committee. Meetings with the Chair of Audit & Governance have occurred in advance of every Audit & Governance Committee meeting.
- 4.3 On individual assignments, Internal Audit liaised with relevant Managers to agree the programme of work, kept them informed of progress during the course of the audit in question and subsequently discussed findings and agreed recommendations.

- 4.4 The level and mix of staff for each audit assignment has been determined by the knowledge and experience of the Auditors in the team, relative to the complexity of each audit. For example, the team's specialist auditor on ICT matters was allocated audit work in this service area.
- 4.5 During the year, the Audit Services Manager liaised with the Authority's external auditors, Mazars LLP. The objective was to maximise the benefit to the Authority from all audit work to avoid duplication of coverage and to learn from each other's findings to provide maximum assurance.
- 4.6 The achievement of the Annual Audit Plan depends upon the contribution of the Council's staff. Audit Services would like to record their appreciation for the involvement and commitment of staff and for their critical appraisal of the conclusions drawn and recommendations made.

### 5. <u>Summary of Audit Findings</u>

- 5.1 The Appendix attached to this report sets out details of all audits undertaken between 1<sup>st</sup> April 2019 and 31<sup>st</sup> March 2020. It includes details of planned audit days compared to actual days for each audit as well as the assurance level given and the number of recommendations made.
- 5.2 The Appendix shows 75% of audit work was completed by 31<sup>st</sup> March 2020 (2018/19: 85%) Any outstanding audit work from 2019/20 has been brought forward into the 2020/21 Audit Plan and will be undertaken by 31<sup>st</sup> March 2021.
- 5.3 In summary:
  - 2 audits brought forward from 2018/19 were completed during 2019/20.
  - 6 planned audits from the approved 2019/20 audit plan were completed in the year (2018/19: 10).
  - 1 audit was replaced with an investigation
  - 1 audit was cancelled
  - Follow up audits / 6 month reviews were completed within the year. These confirmed that good progress had been made by Management with the implementation of audit recommendations.
  - 1 audit was postponed to 2020/21
  - The remaining 1 audit (2018/19: 2) is in progress at the year end and will be brought to this committee as soon as possible.
- 5.4 The following assurance levels were awarded during the year:

	Audit work undertaken	Assurance Level awarded	
1	Succession Planning	Good	
2	Fraud - Flexitime and Overtime	Good	
3	Environmental Services	Postponed	
	Review		
4	Treasury Management	Good	
5	Financial Management System	Good	

6	Compliance with the	Significant	
	Apprenticeship Scheme		
7	Engine Shed Lane – Workshop	Good	
8	GIS Addressing System	Significant	
	Gazetteer		
9	GDPR	Good	
10	Policy Management	In Progress	
11	Councillors Choice	Cancelled / not undertaken	
12	Belle View Square Service	Replaced	
	Charges		

The above results confirm that 100% of the audit work undertaken resulted in the auditor awarding either significant or good assurance score on the control environment in place. This represents an increase from the position reported in 2018/19 (75%) and 2017/18 (83%).

### 6.0 Quality Assurance and Improvement (QAIP)

6.1 Under the PSIAS, the chief audit executive must develop a quality assurance and improvement programme (QUAIP). The objectives are to assess the efficiency and effectiveness of internal audit activity, identify opportunities for improvement and to evaluate whether or not the Standards are being met.

### 6.2 The QUAIP consists of:-

- Ongoing monitoring of the performance of internal audit
- Periodic self-assessments
- Maintenance of an internal audit manual
- An external assessment which must be undertaken every 5 years by a qualified independent assessor or assessment team from outside of the Authority. This was last completed during April 2014 with an overall conclusion that internal audit was substantially compliant with the PSIAS. An arrangement was agreed with Mazars (external auditors) for this assessment to be undertaken during 2019, the outcome of which shall be reported to this Committee accordingly.

### 6.3 Ongoing Monitoring

There are management and supervision arrangements within Audit Services in order to ensure that each audit assignment meets the required quality standards. These involve discussions between Audit Management and the individual Auditor concerned during the planning of the audit to ensure that the key risks are covered, during fieldwork and at draft and final report stages. The purpose is to ensure that the engagement, evidence and reporting requirements set out in the PSIAS are met, together with the Code of Ethics (Integrity, Objectivity, Confidentiality, Competency).

6.4 Following each applicable audit, Audit Services send out a post audit questionnaire (PAQ) to the relevant Client Manager for feedback on the quality of the audit from the client perspective and on whether any improvements could be made. The PAQ asks 9 questions and provides for responses ranging from "very satisfied" to "very dissatisfied". In 2019/20 100% of responses received were either satisfied or very satisfied with the work of the internal audit team.

6.5 Internal Audit also has various performance indicators which are monitored during the year.

Delivery of Audit Plan – Measured in terms of actual chargeable audit days compared to planned chargeable audit days. As at 31<sup>st</sup> March 2020 75% of the agreed Audit Plan had been delivered.

### 7.0 <u>Audit Opinion</u>

7.1 The Public Sector Internal Audit Standards (Performance Standard 2450) states that:

"The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement."

This must be based on an objective assessment of the framework of governance, risk management and control within the Council's governance, operations and information systems.

- 7.2 The overall opinion is that, based on the audit work undertaken during 2019/20, the council's framework of governance, risk management and internal control is satisfactory and operating effectively in practice.
- 8. Implications

### 8.1 Financial and Value for Money Implications

The contribution paid by Craven District Council towards the cost of the Shared Service for 2019/20 was £53,000.

#### 8.2 Legal implications

This report is submitted to comply with the requirements of the Public Sector Internal Audit Standards.

#### 8.3 Contribution to Council Priorities

Enterprising Craven – Facilitating economic growth across Craven. Resilient Communities – Creating sustainable communities across Craven. Financial Sustainability – ensuring a self-sustainable Council

#### 8.4 **Risk Management**

The internal Audit function is an integral part of internal control. The major risks to the provision of the service to Craven include:-

- Insufficient resources and capacity for example due to long-term sickness or vacant posts. If this situation arises it will be addressed by the Internal Audit Shared Service Partnership Board, reporting to the respective audit committees of the two Councils if necessary.
- The effect of Covid-19 and the subsequent reallocation of audit resources to undertake post government grant verification work.
- The need for a major investigation which will mean that some planned work will have to be deferred or an increase in the days provided at an additional cost to Craven.

### 8.5 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.

### 9. <u>Consultations with Others</u>

Chief Finance Officer and S151 Officer, Financial Services

### 10. Access to Information : Background Documents

None

### 11. <u>Author of the Report</u>

Alison Johnson, Audit Services and Fraud Manager, Craven District Council and Harrogate Borough Council Shared Internal Audit Service.

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions. (Telephone 01423 500600. Email Alison.Johnson@harrogate.gov.uk)

### 12. <u>Appendices</u>

Appendix 1 – Internal Audit Plan 2019/20

### **APPENDIX 1**

### **INTERNAL AUDIT PLAN 2019/20**

Audit Work	Planned Days	Actual Days	Assurance Level	Number of Recommendations
6 Month Review/Follow up work:				
Follow up of recommendations	5	1	N/A	N/A
2018/19 audits b/fwd.				
Succession Planning			Good	
Fraud – Flexitime and Overtime			Good	
2019/20 Audits				
Treasury Management	10	11.1	Good	
Belle View Square Service Charges	10	4.5	Replaced	
Pool Income Investigation	0	4.8	NA	
Financial Management System	12	12.2	Good	
Compliance with the Apprenticeship Scheme	15	11.5	Significant	
Engine Shed Lane – Workshop	15	17.8	Good	
GIS Addressing System - Gazetteer	12	12.2	Significant	
GDPR	10	12.9	Good	
Councillors Choice	10	0	Cancelled	
Contingency	50	0		

Audits c/fwd. into 2020/21				
Policy Management	15	13.9	To be determined	N/A
Environmental Services	10	0	To be determined	N/A
Contingency (CDC discretion) – Not paid for unless days are required	20	0	N/A	N/A
CDC Auditing Reporting / Committee Papers / Audit Reviews / Duplicate payments	16	15.9	N/A	N/A
Totals	180	116.8		

### AGENDA ITEM 8

# Audit & Governance Committee – 21st September 2020

## Audit Services Progress Report as at 16<sup>th</sup> September 2020



Report of the Audit Services Manager – Shared Internal Audit Service

Ward(s) affected: All

### 1. <u>Purpose of Report</u>

1.1 To update Committee Members on the progress made against the 2020/21 Internal Audit plan up to 16<sup>th</sup> September 2020.

### 2. <u>Recommendations</u>

Members are recommended to:-

2.1 Note the contents of the report and the attached Appendix.

### 3. <u>Background Information</u>

3.1 The work undertaken by Audit Services is governed by the Accounts and Audit (England) Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with paragraph 2.11 of the Standards, the Audit Committee must receive progress reports detailing progress made against the agreed Annual Audit Plan.

### 4. <u>The Report</u>

- 4.1 This report details the work undertaken by Audit Services and contains a summary of completed reviews along with the overall audit opinion given.
- 4.2 At the current time given the requirement to dedicate all resources to the post verification checks, and subsequent investigation work, there have been no audits started to date. As agreed with senior management, the first 6 months of 2020 were focussed on the business support grant work. This is in line with most other local authorities and is to be expected with the current situation. Audit work will resume in October 2020 and it is expected that there will be no significant impact on the plan due to the original allocation of the days.

4.3 The following table shows the progress against the 2020/21 operational plan for the period 1<sup>st</sup> April 2020 to 16th September 2020.

Audit Area	Total Days per approved Audit Plan 2020/21	Days spent as at 16 <sup>th</sup> September 2020
Follow up Audit work	5	1
ICT	30	0
Management	20	3
Service Areas	58	0
Business Grant Post Checks	30	30
Fundamentals	16	0
Duplicate Payments	1	0
Contingency	20	20
TOTAL	180	54

### 5. Priority Areas to 31<sup>st</sup> March 2020

### 5.1 **Completion of the Audit Plan**

All audits will be completed in line with the agreed plan.

### 6. <u>Conclusion</u>

6.1 All Audits will be completed in line with the agreed plan. Update meetings will continue to be held with the Chief Finance Officer and s151 Officer, Financial Services to provide assurance that audit work is progressing as planned.

### 7. Implications

### 7.1 Financial and Value for Money Implications

None

### 7.2 Legal implications

None

### 7.3 Contribution to Council Priorities

The delivery of an Internal Audit Service contributes to Enterprising Craven – Facilitating economic growth across Craven. Resilient Communities – Creating sustainable communities across Craven. Financial Sustainability – ensuring a self-sustainable Council

### 7.4 Risk Management

The internal audit function is an integral part of internal control.

### 7.5 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.

### 8. <u>Consultations with Others</u>

Chief Finance Officer and s151 Officer, Financial Services

### 9. Access to Information : Background Documents

None

### 10. <u>Author of the Report</u>

Alison Johnson, Audit Services and Fraud Manager, Craven District Council and Harrogate Borough Council Shared Audit Service.

**Note:** Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

### 11. <u>Appendices</u>

Internal Audit Plan 2020/21 April – 16<sup>th</sup> September 2020 Monitoring

### **APPENDIX 1**

### Internal Audit Plan April – 16<sup>th</sup> SEPTEMBER 2020 MONITORING

Audits (includes audits brought forward 2017/18 audits)	Approved Plan (Days)	Actual April- Sept (Days)	Comments (at time of writing)		
2019/20 Audits					
Succession planning	15	15	Final Report Issued		
Policy Management	15	14	Almost Complete		

### 2020/21 audits

Car Park Income	10	0	Yet to start
Payroll	6	0	Yet to start
Business	15	0	Yet to start
Continuity/Disaster			
Recovery			
Post Business	30	30	Ongoing (includes contingency days)
Support Verification			
Procurement	10	0	Yet to start
Assurance/Contract			
Rules			
Risk Management	18	0	Yet to start
Review			
ICT Data Security	15	0	Yet to start
Climate Change	10	0	Yet to start
Environmental	C/fwd	0	Ongoing
Services Review			
S106	10	0	Yet to start
VAT	10	0	Yet to start
Follow up work	5	1	Ongoing
Management/	20	3	Ongoing
Committee			
Meetings etc			
Contingency	20	20	Ongoing
Duplicate Payments	1	0	Yet to start
Total	180	54	

### \* Key – Levels of Assurance

Level	Definition
Significant	The system of internal control is designed to support the Councils corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
Partial	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the area reviewed.
None	There are weaknesses in control, or inconsistent non- compliance which places corporate and service objectives at risk in the area reviewed.