



OVERVIEW AND SCRUTINY COMMITTEE

Thursday 22 October 2020 at 6.30 pm

Council Chamber, Ryedale House, Malton

IMPORTANT: The Council fully recognises and respects the role and importance of democratic meetings and is committed to protecting the health and safety of Elected Members and Officers who participate. The Council is currently holding hybrid meetings (part physical and part virtual). Risk assessments are undertaken in advance of each meeting, and are reviewed on an ongoing basis.

For the physical part of the meeting, social distancing measures will be in place throughout, however it is important that you do not attend the meeting if you or anyone in your household has symptoms of COVID-19.

The virtual part of the meeting, will take place via Microsoft Teams and details of how to join the meeting have been provided to Members of the committee. A telephone dial-in facility will also be available.

For the purpose of public transparency and accountability, the meeting will be live streamed online. Details of how to access the live stream will be made available on the Council's website in due course. For health and safety reasons and in accordance with our risk assessment, members of the public are asked to follow the meeting via this method rather than attending the physical part of the meeting in person. If you are unable to access the meeting this way, please contact us so that we can explore whether any safe alternative option is possible. The media will be able to report on proceedings from the live stream.

Agenda

1 **Emergency Evacuation Procedure**

The Chairman to inform Members of the Public of the emergency evacuation procedure.

2 **Apologies for absence**

3 **Minutes of the meeting held on 1 October 2020** (Pages 3 - 8)

4 **Urgent Business**

To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972.

5 **Declarations of Interest**

Members to indicate whether they will be declaring any interests under the Code of Conduct.

Members making a declaration of interest at a meeting of a Committee or Council are required to disclose the existence and nature of that interest. This requirement is not discharged by merely declaring a personal interest without further explanation.

6 **Chair's Announcements**

7 **2019-20 Statement of Accounts** (Pages 9 - 168)

8 **Internal Audit and Counter Fraud Annual Report 2019/20** (Pages 169 - 202)

9 **Internal Audit, Counter Fraud and Information Governance Plans 2020/21**
(Pages 203 - 224)

10 **Treasury Management Annual Report 2019-20** (Pages 225 - 236)

11 **Update on Risk Management** (Pages 237 - 278)

12 **Timetable of Meetings 2021-22** (Pages 279 - 282)

13 **Call-in: HR Policies** (Pages 283 - 304)

This item was called in by the Chair of the Overview and Scrutiny Committee on 8 October 2020. The Chairman of the Policy and Resources Committee has agreed to consider the item again at the next meeting of that committee on 12 November 2020, in the light of further information available since the last meeting, to ensure that the Member appeals panels for dismissal are retained.

14 **Appointment of Corporate Governance Standards Sub-Committee**

That a Corporate Governance Standards Sub-committee be established comprising any three members of the Overview and Scrutiny Committee, with up to three named substitutes, drawn from across the political groups on the Council as far as reasonably practicable.

15 **Any other business that the Chairman decides is urgent.**

Overview and Scrutiny Committee

Held Virtually on Thursday 1 October 2020

Present

Councillors Bailey, Brackstone (Vice-Chairman), Clark (Chairman), Cussons MBE, Garbutt Moore, Di Keal, Middleton, Oxley, Raine and Raper

In Attendance

Will Baines, Simon Copley, Andrew Ellis, Anton Hodge, Barry Khan, Emma Lawer, Christine Phillipson, Adrian Simmons and Margaret Wallace

Gill Baker – Independent Person

Minutes

101 **Apologies for absence**

No apologies were received.

102 **Minutes of the meeting held on 3 January 2020 and 23 January 2020**

<p style="text-align: center;">Decision</p> <p>That the minutes of the meeting of Overview and Scrutiny Committees held on 3 January 2020 and 23 January 2020 be approved and signed by the Chairman as a correct record.</p>
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Voting Record Minutes of 03.01.20

9 For

0 Against

0 Abstentions

Voting Record Minutes of 23.01.20

5 For

0 Against

4 Abstentions

103 **Urgent Business**

There were no items of urgent business.

104 **Declarations of Interest**

Here were no declarations of interest.

105 **Chair's Announcements**

The Chair asked Elected Members for their views on the future of meetings and moved the following recommendation with Cllr Brackstone seconding.

Decision

The Overview and Scrutiny Committee requests the Chief Executive to arrange future meetings of Overview and Scrutiny to be live but with the facility for up to one third of the meeting being virtual, if it is safe and lawful to do so.

Voting Record

9 For

0 Against

0 Abstentions

106 **Draft Annual Governance Statement**

Considered – Report of the Chief Finance Officer (s151).

The Committee made further comments in relation to the Bio Diversity action plan, the Climate Change action plan and the Equality and Diversity Local Government Association checklist and requested these be picked up and included in the Annual Governance Statement by the s151 Officer.

Decision

That the Committee notes the draft Annual Governance Statement as presented and feeds back any comments for consideration in the final statement to the s151 Officer.

Voting Record

9 For

0 Against

0 Abstentions

107 **Standards Training**

Considered – Report of the Head of Corporate Governance and Monitoring Officer.

Decision

That the Committee supports the proposal outlined in this report for the provision of further mandatory training on standards for all councillors.

[Empty Box]

Voting Record

10 For

0 Against

0 Abstentions

108 **Filter Assessment for Standards Complaints**

Considered – Report of the Head of Corporate Governance and Monitoring Officer.

Cllr Clark proposed and Cllr Middleton seconded the following amendment under Appendix A point 6 - passage of time.

That the following wording be added “It is recognised that if a matter is of public interest to be investigated then this matter will still be investigated”.

Resolved

Upon being put to the vote, the amendment was carried.

Voting Record

8 For

2 Against

0 Abstentions

Cllr Clark proposed and Cllr Brackstone seconded the following amendment to the recommendations :

A further report be presented by the Monitoring Officer to the Overview and Scrutiny Committee with options for an appeal process.

Resolved

Upon being put to the vote, the amendment was carried.

Voting Record

9 For

1 Against

0 Abstentions

Cllr Clark moved and Cllr Keal seconded the following amendment in Appendix B.

That the sentence “there is no right of appeal in relation to this assessment” be removed from the record of assessment of complaint form.

Resolved

Upon being put to the vote, the amendment was carried.

Voting Record

7 For

1 Against

2 Abstentions

Decision

(i) That the use and publication of the filter assessment for standards complaints, attached as Appendices A and B of the report, with amendments as follows, be approved.

Appendix A point 6 – That the following wording be added “It is recognised that if a matter is of public interest to be investigated then this matter will still be investigated”.

Appendix B - That the sentence “there is no right of appeal in relation to this assessment” be removed from the record of assessment of complaint form

(ii) That a further report be presented by the Monitoring Officer to the Overview and Scrutiny Committee with options for an appeal process

Voting Record

9 For

1 Against

0 Abstentions

109 **Local Government and Social Care Ombudsman Annual Letter 2019/20**

Considered – Report of the Head of Corporate Governance and Monitoring Officer.

Decision

That members note the Local Government and Social Care Ombudsman Annual Letter for 2019/20.

Voting Record

10 For

0 Against

0 Abstentions

110 **Corporate Complaints 2019/20**

Considered – Report of the Head of Corporate Governance and Monitoring Officer.

Decision

That Members:

(i) Note the year-end position of the corporate complaints received in 2019/20

(ii) Note the lessons learned from the complaints received in 2019/20

(iii) Note the ongoing complaints procedure review and the new procedure to be brought to the November meeting.

Voting Record

10 For

0 Against

0 Abstentions

111 **HR Policy Revision**

Considered – Report of the Head of Human Resources.

Recommendation to Council

That the revised policy is agreed for implementation.

Voting Record

6 For

0 Against

3 Abstentions

The Chairman asked that thanks were given to the HR team for the production of the revised policies.

Voting Record

8 For

0 Against

1 Abstentions

112 **Decisions from other Committees**

Considered – Minutes of the Policy and Resources Committee dated 24 September 2020.

Decision

That the Overview and Scrutiny Committee accepts the Policy and Resources minutes dated 24 September 2020 but wish to review Policy and Resources minute no 140 - HR Policy Revision, with regard to member inclusion in any appeals decision in further detail.

Voting Record

5 For

0 Against

1 Abstention

113 **Any other business that the Chairman decides is urgent.**

There being no other business, the meeting closed at 10pm.



PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE (AUDIT COMMITTEE)
DATE:	22 OCTOBER 2020
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	2019-20 STATEMENT OF ACCOUNTS
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the Council's Statement of Accounts for the year ended 31 March 2020 and to request this committee's approval of the Statement of Accounts.
- 1.2 The draft final accounts (Appendix A) have already been made public and are on the Council's website (<https://news.ryedale.gov.uk/news/ryedale-district-councils-statement-of-accounts-201920-public-inspection-notice>)

2.0 RECOMMENDATION (AUDIT COMMITTEE)

- 2.1 It is recommended that members
- note the 2019-20 Statement of Accounts (Appendix A), including the Annual Governance Statement
 - note proposed letter of representation (Appendix B)
 - note the External Auditors' Audit Findings ISA 260 Document (Appendix C)

3.0 REASON FOR RECOMMENDATION

- 3.1 The Accounts and Audit Regulations require the Statement of Accounts to be approved by members by the 30 November.
- 3.2 The Council's external auditors, Grant Thornton, have concluded the audit of accounts for 2019-20 and have issued their final report to the Overview and Scrutiny Committee

on the 22 October 2020. That report is attached at Appendix C.

4.0 SIGNIFICANT RISKS

4.1 There are no significant risks in considering this report.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 The Statement of Accounts has been produced in accordance with the Accounts and Audit (England) Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 and, more specifically, the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

5.2 The 2020 Amendment changed to date of approval from 31 July to 30 November.

REPORT

6.0 REPORT DETAILS

6.1 The Statement of Accounts are attached to this report at Appendix A, members will find a review of the Council's financial position on page 5 of the Statement.

6.2 At the time of writing, the External Auditors are continuing to work through a number of remaining issues but are expected to sign off the accounts by 30 November 2020.

6.3 Following discussion at Overview and Scrutiny on 1 October, the Statement of Accounts includes the revised Annual Governance Statement.

7.0 IMPLICATIONS

7.1 The following implications have been identified:

a) Financial

There are no financial implications regarding this report.

b) Legal

There are no legal implications regarding this report.

c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental and Climate Change, Crime & Disorder)

None arise from the contents of this report. Such implications are taken into account as part of the budget process and any variance will be reported as part of this report.

Anton Hodge
Chief Finance Officer (s151)

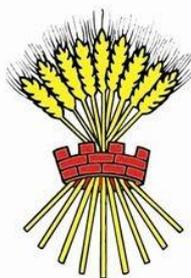
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Background Papers:

Council – 10 Sept 2020: Revenue and Capital Budget Monitoring – Outturn 2019/20

Overview and Scrutiny – 1 October 2020: Annual Governance Statement

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Statement of Accounts 2019/20

Ryedale District Council

Continuing to do what matters for Ryedale

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1. Introduction

The Narrative Report provides an explanation of the purpose of the primary and supplementary statements, along with key financial information, creating a link between internal financial reporting and the statutory accounts. It also provides information on the Authority, its main objectives and strategies and the principal risks that it faces. This includes commentary on how the Authority has used its resources to achieve its desired outcomes in line with its objectives and strategies.

2. Explanation of the Financial Statements

The Council's accounts for the year ended 31 March 2020 are set out on pages 12 to 77. They have been compiled using the *Code of Practice on Local Authority Accounting in the UK 2019/20* (the Code). A summary of the statements in the accounts and an explanation of their purpose is highlighted below:

- the **Statement of Responsibilities for the Accounts** - sets out the respective responsibilities of the Authority and the Chief Financial Officer.
- the **Movement in Reserves Statement** - this statement shows the movement from the start of the year to the end 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 'unusable reserves'. This statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.
- the **Comprehensive Income and Expenditure Statement** - 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The Cost of Services on the face of the Comprehensive Income and Expenditure Statement is analysed on the basis of the organisational structure under which the Authority operates and manages its services.
- the **Balance Sheet** - the Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those 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** - which 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.

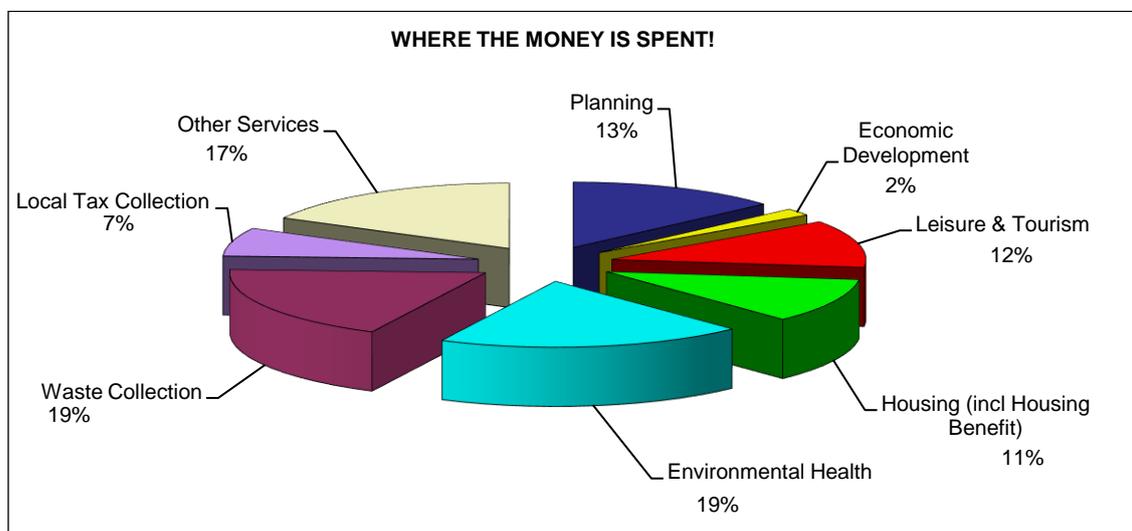
- the **Expenditure & Funding Analysis** - the objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers how the funding available to the Authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- The **Notes to the Core Financial Statements** – these provide further details and explanation of the figures included in the core financial statements.

Supplementary Statements:

- the **Collection Fund Statement** - is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
- the **Annual Governance Statement** - which sets out the internal control framework operated by the Authority and explains how an effective system of internal financial control is maintained.

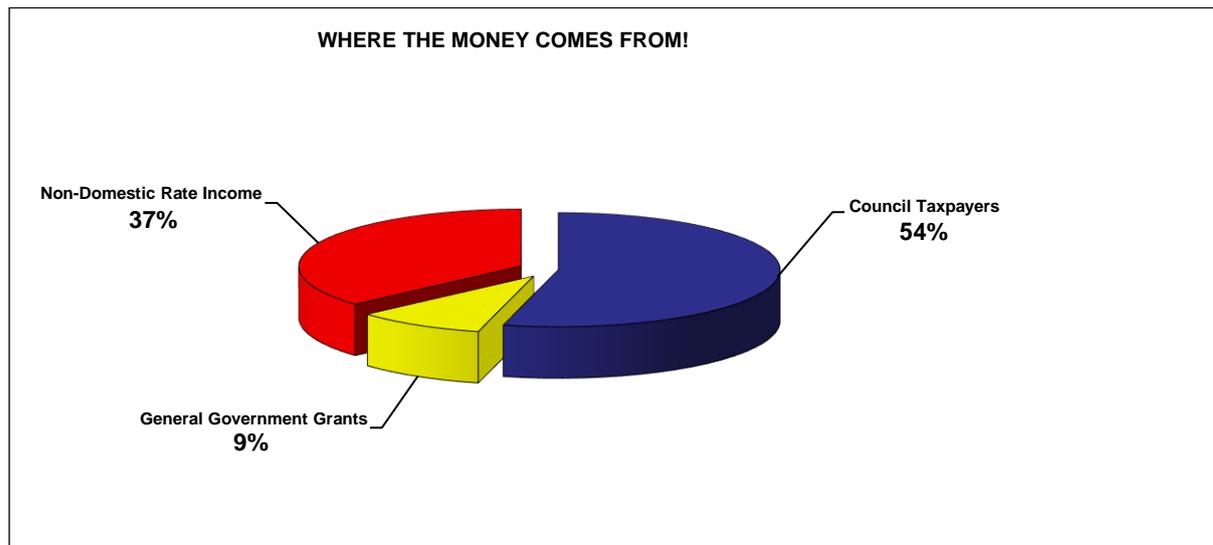
3. General Fund Revenue Expenditure in 2019/20

The net cost of the Authority's revenue activities was £8.305m, this being spent on services as summarised in the chart below:



A more detailed analysis of the Net Cost of Services is shown on pages 104 and 105 of this document.

After adjusting for the payment of parish precepts of £1.058m, the receipt of investment income (£0.262m) and the net debit from appropriations £0.773m the amount met from Taxation and Non-Specific Grant Income was £9.874m, which is funded as follows:



The above chart shows that, of the funding to meet the Authority's net revenue expenditure, around 54% (£5.330m) was provided by the Council Taxpayers, an additional 37% (£3.617m) from the Authority's share of Non-Domestic Rates from the Business Rates Retention Scheme, some 9% (£0.927m) from non-ringfenced general government grants such as the Revenue Support Grant.

4. Revenue Budget Compared to Actual Income and Expenditure

The main components of the revenue budget for 2019/20 and how these compared with the actual expenditure are set out below:

	Original Budget £000	Actual £000	Difference £000
Net Cost of Services	8,214	8,305	91
Other Operating Expenditure:			
Precepts paid to Parish Councils	1,058	1,058	-
Capital Receipts unattached to non-current assets	-	(22)	(22)
(Gains) / Losses on disposal of non-current assets	-	-	-
	1,058	1,036	(22)
Financing and Investment Income & Expenditure			
Interest Payable	73	65	(8)
Pensions interest cost & expected return on pension assets	490	392	(98)
Income from Investments	(198)	(262)	(64)
Impairment Losses on Financial Instruments	-	59	59
Income and expenditure in relation to investment properties	(35)	2	37
	330	256	(74)
Taxation & Non Specific Grant Income			
Council Precept	(5,330)	(5,330)	-
Collection Fund Surplus	-	-	-
Retained Business Rates	(3,702)	(3,617)	85
Revenue Support Grant	-	-	-
Other General Government Grants	(927)	(927)	-
	(9,959)	(9,874)	85
(Surplus) / Deficit on Provision of Services	(367)	(277)	80
(Surplus) / Deficit on revaluation of property, plant & equipment assets	-	(892)	(892)
(Surplus) / Deficit on revaluation of available for sale financial assets	-	-	-
Actuarial (gains) / losses on Pensions assets / liabilities	-	(3,683)	(3,683)
Total Comprehensive Income and Expenditure	(357)	(4,852)	(4,662)
Adjustments between accounting basis and funding basis under regulations - transfers to (+) or from (-) unusable reserves	4,056	3,998	(58)
Contributions to (+) or from (-) earmarked reserves	(3,699)	854	4,553
Increase/Decrease in General Fund Balance for Year	-	-	-

In overall terms, after taking account of carry forward budgets, the Council achieved a surplus of £31k for the financial year when comparing budgeted (planned) expenditure with actual expenditure. The surplus for the year has been allocated to Strategic Reserve.

Supplementary information regarding the actual Net Cost of Services is shown at the end of this document on pages 104 and 105.

There are no material assets acquired or liabilities incurred that warrant specific disclosure and explanation.

5. Reserves

The balance of General Fund Earmarked Reserves during 2019/20 has increased by £0.855m from £14.934m to £15.788m at 31 March 2020.

During the year, the following major transfers between reserves included:

- A number of smaller reserves with a total value of £2.323 were consolidated to form a single Strategic Reserve, approved a part of the 2019/20 budget. The creation of the Strategic Reserve was to support future budget priorities and remove historical legacy reserves.
- Major drawings were limited to a sum of £0.265m from the Capital Fund to finance the Capital Programme, £0.638m from Collection Fund Equalisation Reserve in relation to distribution of collection fund deficits between financial years and £0.107m to fund District Election costs.
- Major contributions to reserves and balances included the transfer of £0.288m into the Capital Fund to finance the capital programme, the transfer of £0.673m into the New Homes Bonus Reserve. The budgeted surplus of £0.671m was transferred to the Collection Fund Equalisation Reserve to mitigate against future funding risk, with the remaining general fund surplus of £0.031m being transferred to Strategic reserve.

For further details regarding the purpose and balances of the Authority's reserves see Note 10 to the Accounts.

6. Pension Liability

The Authority participates in the Local Government Pension Scheme, administered by North Yorkshire County Council. The Pension Liability shown in the Balance Sheet decreased from £15.725m as at 31 March 2019 to £13.291m as at 31 March 2020. This decrease of £2.434m is matched by a decrease in the level of the Pension Reserve and does not represent a decrease in the Authority's cash reserves or impact on the council tax.

7. Capital Expenditure

The original capital budget for the financial year 2019/20 totalled £3.051m. The initial plans were revised to incorporate expenditure re-profiled from the previous year of £0.487m, along with an additional supplementary estimate of £0.291m. This resulted in a revised total revised budget of £3.829m.

The total final outturn position against the capital programme was £1.163m, of which the major items relate to £647k invested in Housing Grants and Loans, primarily funded by capital grants, along with the purchase of property for re-development as affordable housing £0.185m, and waste and recycling vehicles and equipment £0.139m.

A number of projects have been re-profiled to progress in the next financial year, including Property Condition Survey (£0.590m), Waste & Recycling projects (£0.237m), IT Infrastructure Strategy (£0.061m), Vehicle replacement programme (£0.186m), Community led housing fund (£0.289m) and purchase of affordable housing exception sites (£0.100m). Funds have been de-committed for Helmsley CPO (£1.011m) and Assembly & Milton Rooms works (£0.340m).

Of the £1.163m capital expenditure incurred some £0.059m was funded through capital receipts, £0.265m from Earmarked Reserves with a further £0.776m being financed by external grants and contributions, and £0.063m from revenue.

The table below summarises the approved resources available for the 2020/21 Capital Programme and the indicative programme to 2022/23. This level of resources ensure that overall planned spending and funding are in balance.	2020/21 £000	2021/22 £000	2022/23 £000
<i>No revenue consequences</i>			
Capital receipts	40	40	40
Grants and Contributions	496	496	496
Council Resources	2,785	475	110
Total	3,321	1,011	646
<i>With revenue consequences</i>			
Prudential Borrowing	0	0	0
Total	0	0	0
Total	3,321	1,011	646

8. Changes in Accounting Policy

There have been no significant changes in Accounting Policy for the 2019/20 Accounts.

9. Sustainability

Sustainable Procurement is a process where organisations procure their need for goods and services in a way that not only achieves value for money based on whole life costs but that also creates benefits, not only to the organisation, but also which takes into account the wider outcomes whether these are social, economic or environmental impacts that these purchases have on people and communities. This generally means improving the efficiency of public procurement, by optimising public market power to bring about major environmental and social benefits locally and globally

Ryedale District Council is addressing this through:

- Embedding effective sustainability procurement practice within our procurement process, ensuring our procurement activity is outcome focussed with well-defined deliverables that cover environmental, social and economic issues.
- Raising awareness within the authority
- Embedding of the considerations contained within the Public Services (Social Value) Act 2012

“The Public Services (Social Value) Act 2012 places a statutory duty on authorities to consider in their procurement and commissioning processes:

a) how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and

b) how, in conducting the process of procurement, it might act with a view to securing that improvement”

Ryedale District Council is committed to ensuring any secured improvement is sustained.

Therefore our procurement processes seek not only to maximise Value for Money in terms of taxpayer spending and outcomes for customers, but where possible, also seek to:

- Benefit local people and organisations, including developing the third sector and SMEs in our district
- Encourage innovative approaches to social, environmental and economic issues in our district
- Deliver sustainable solutions, benefiting our communities beyond the length of a contract

Ryedale District Council declared a Climate Emergency on 10 October 2019 and made a commitment to actions to help achieve net zero emissions across Ryedale by 2050. We are doing this by delivering the Climate Change Action Plan. There are four key streams of work:

1. Leadership and influence
2. Reducing greenhouse gas emissions from our assets
3. Reducing greenhouse gas emissions during delivery of services
4. Monitoring progress towards achieving net zero carbon emissions.

Recycling performance has increased year on year achieving an estimated 48.6% in 2019/2020 compared to 46.1% in 2018/19 together with increased participation in the garden waste collection service with 11,705 licences sold in 2019/20 compared with 11,590 licences sold in 2018/19 (out of a total 25,000 households). The Council is committed to recycling even more and a series of actions have been agreed with plans to start implementation during 2020/21 including the purchase of an additional recycling vehicle, rolling out a residents' awareness campaign and refurbishing the mini recycling centres across the district (subject to revision due to covid-19).

10. **Medium Term Financial Plan for 2019/20 to 2023/24**

In preparing the Medium Term Financial Plan (MTFP) for 2019/20 to 2023/24, the aim was to align to the objectives set out in the Council Plan. The MTFP was approved at Council on 20 February 2020 and it set the framework to enable the Council to determine an appropriate course of action to address the significant financial challenges.

The revenue budget forecasts included in the MTFP highlighted that the Council would have to continue to significantly reconfigure its future business and organisational arrangements in order to provide value for money public services, whilst facing funding reductions in the coming years. This step included re-building capacity within the council to create a structure capable of delivering sustainable transformational savings for the long term.

The major influences on the budget going forward into 2020/21 and beyond are the anticipated reductions in Government support, including the outcome of the Fair Funding Review, which has been linked to a likely Business Rates baseline reset and the continued financial impact of the changes announced to the New Homes Bonus, coupled with expenditure pressures.

The most recent developments in future financial risks related to the Covid-19 pandemic are explained in paragraph 11 below.

11. The Impact of Covid-19 Pandemic on the Council

The Covid-19 pandemic had a huge impact on the way in which we worked and lived during the final few weeks of the financial year, although the timing of the national lockdown announcement resulted in there being little impact on the council's finances during 2019/20.

During 2019/20 and in early 2020/21 the District Council undertook the following actions as a result of its response to the Covid-19 pandemic:

- quickly implemented systems and processes to support timely delivery of Business Support Grants instructed by Central Government;
- developed local policy to distribute further Discretionary Grant funding to businesses;
- applied expanded Business Rates relief schemes to ensure businesses were re-billed promptly;
- applied Council Tax hardship relief funding to support households with the lowest income;
- ceased charges for a number of services, most significantly being car parking;
- identified requirements for and provided support to those in need e.g. housing, and those who are the most vulnerable in the community, especially those in isolation e.g. shielding calls;
- issued information to businesses, residents, visitors and partners to promote COVID secure behaviours and practices and raise awareness of the support and advice available for those in need;
- worked with businesses and partners to support town and village centres to operate successfully post lockdown;
- conducted spot checks and investigated potential public and environmental health breaches;
- supported voluntary and community sector activities, which included staffing and facilities e.g. a community kitchen, and provided emergency grants;
- working with other agencies and bodies including town and parish councils, the NHS, the County Council, North Yorkshire Police to respond to the needs of citizens and businesses;
- supported the local economy advising local businesses on how to access financial support and operate effectively in COVID secure ways post lockdown;
- monitored service demands across the council and recruited temporary support to protect delivery of front line services;
- ensured that all staff who were able to do so worked from home and IT support was provided to enable remote working;
- supported staff through a range of advice, guidance and access to mental health resources;

- introduced new ways of working to pay suppliers quickly and to ensure payments could be processed by staff working from home;
- temporarily suspended the chasing of outstanding debt;
- held funds in short-term investments to improve liquidity to fund Covid-19 measures;
- collected significantly increased levels of household waste and recycling.

The Council has received only £0.664m in extra government funding to date and allocated £0.270m of internal reserve funding to support costs. However it is likely that the eventual cost will be much higher than this in 2020/21 and future years - at the time of writing this could be £2.7m, although that is still very much an indicative figure. Although at this stage we do not expect this to affect the financial sustainability of the Council, future plans for investment will need to be re-visited due to the impact of this gap in funding and potential impact beyond 2020/21.

Covid-19 Pandemic Risks

The District Council has identified a number of risks associated with the Covid-19 pandemic, including:

- the full costs of providing local support measures to deal with the Covid-19 pandemic are not fully funded by Central Government, which could have a knock-on effect on the District Council's budget in future years and reserve levels;
- supply chain difficulties, price pressures from contractors e.g. increased costs of PPE (personal protective equipment), staffing costs due to adhering to social distancing guidance, increased demands on services from customers and businesses;
- major failure of provider/key providers results in the Council being unable to meet service user needs;
- adverse impact upon the local economy leading to a decrease in income received from Council Tax, Business Rates and fees and charges;
- potential return to austerity and further reduction in funding from Central Government as a result of the impact on HM Treasury's financial position as a result of the financial support measures introduced to mitigate the effects of the impact of Covid-19 on the economy;
- the achievement of savings targets between 2019 and 2021/22 in services where demand sees an increase to support Covid-19 measures 2019 to 2021/22;
- valuations of commercial property, non-current assets, pension fund assets and liabilities may be affected by change in markets, supply and demand, fund performance and other factors. However the professional bodies of Valuers in all these areas have reflected the potential for material uncertainty in their valuation reports and made statements and caveats to that effect.

12. Further Information

Further information about the accounts is available from Finance, Ryedale House, Malton. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Authority's website.

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 Authority, that officer is the Chief Finance Officer (s151);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statements of Accounts.

The Chief Finance Officer (s151)'s Responsibilities

The Chief Finance Officer (s151) is responsible for the preparation of the Authority'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 (s151) 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;
- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Certification of the Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of Ryedale District Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Signed: _____
Anton Hodge CPFA
Chief Finance Officer (s151)

Dated: 8 July 2020

Approval of the Accounts

This Statement of Accounts was approved by the Policy and Resources Committee on 12 November 2020.

Signed: _____
Cllr. K C Duncan
Chairman of Policy & Resources Committee

Dated: 12 November 2020

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'Usable Reserves' (Note 26) and other 'Unusable Reserves' (Note 27). The Movement in Reserves Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. (Further analysed in Note 9). The net increase / decrease line shows the statutory General Fund balance movement in the year following those adjustments.

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2018	12,808	408	90	13,306	(1,432)	11,874
<u>Movement in reserves during 2018/19</u>						
Total Comprehensive Income and Expenditure	1,142	-	-	1,142	3,335	4,477
Adjustments between accounting basis & funding basis under regulations (Note 9)	984	45	(9)	1,020	(1,020)	-
Increase / Decrease in 2018/19	2,126	45	(9)	2,162	2,315	4,477
Balance as at 31 March 2019	14,934	453	81	15,468	883	16,351
<u>Movement in reserves during 2019/20</u>						
Total Comprehensive Income and Expenditure	277	-	-	277	4,575	4,852
Adjustments between accounting basis & funding basis under regulations (Note 9)	577	3	(6)	574	(574)	-
Increase / Decrease in 2019/20	854	3	(6)	851	4,001	4,852
Balance as at 31 March 2020	15,788	456	75	16,319	4,884	21,203

2018/19				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
			Policy and Resources Committee			
1,137	348	789	Central Services to the Public	1,431	341	1,090
968	32	936	Cultural and Related Services	981	8	973
4,499	2,129	2,370	Environmental and Regulatory Services	5,236	2,091	3,145
1,652	856	796	Planning Services	1,951	686	1,265
442	950	(508)	Highways and Transport Services	373	858	(485)
11,051	9,954	1,097	Housing Services	10,491	9,583	908
1,243	29	1,214	Corporate and Democratic Core	1,336	28	1,308
486	2	484	Other Corporate and Non Distributed Costs	101	-	101
21,478	14,300	7,178	COST OF SERVICES	21,900	13,595	8,305
966	2	964	Other Operating Expenditure (Note 11)	1,058	22	1,036
687	563	124	Financing and Investment Income and Expenditure (Note 12)	765	509	256
-	-	-	(Surplus) or Deficit of Discontinued Operations	-	-	-
5,997	15,405	(9,408)	Taxation and Non-Specific Grant Income (Note 13)	8,002	17,876	(9,874)
		(1,142)	(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			(277)
		(563)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(892)
		-	- Impairment Losses on Non Current Assets Charged to the Revaluation Reserve			-
		-	- (Surplus) or Deficit on Revaluation of Available for Sale Financial Assets			-
		(2,772)	Actuarial (Gains) / Losses on Pension Assets / Liabilities			(3,683)
		(3,335)	OTHER COMPREHENSIVE INCOME & EXPENDITURE			(4,575)
		(4,477)	TOTAL COMPREHENSIVE INCOME & EXPENDITURE			(4,852)

31 March 2019 £000		31 March 2020 £000	Notes Ref.
16,417	Property Plant & Equipment	16,950	<u>14</u>
-	Heritage Assets	-	<u>15</u>
2,193	Investment Property	2,156	<u>16</u>
115	Intangible Assets	114	<u>17</u>
-	Assets Held for Sale	-	<u>23</u>
-	Long Term Investments	-	<u>18</u>
401	Long Term Debtors	379	<u>18</u>
19,126	Long Term Assets	19,599	
21,964	Short Term Investments	21,597	<u>18</u>
-	Assets Held for Sale	-	<u>23</u>
91	Inventories	74	<u>19</u>
1,535	Short Term Debtors	1,868	<u>21</u>
201	Cash and Cash Equivalents	4,458	<u>22</u>
23,791	Current Assets	27,997	
-	Cash and Cash Equivalents	-	<u>22</u>
(21)	Short Term Borrowing	(20)	<u>18</u>
(4,970)	Short Term Creditors	(7,420)	<u>24</u>
(127)	Other Short Term Liabilities	(88)	<u>18</u>
(497)	Provisions	(857)	<u>25</u>
-	Liabilities in Disposal Groups	-	
(9)	Revenue Grants Receipts in Advance	(9)	<u>34</u>
(5,624)	Current Liabilities	(8,394)	
(3,512)	Long Term Creditors	(3,130)	<u>18</u>
-	Provisions	-	<u>25</u>
(1,592)	Long Term Borrowing	(1,553)	<u>18</u>
(15,725)	Liability Related to Defined Pension Scheme	(13,291)	<u>40</u>
(113)	Other Long Term Liabilities	(25)	<u>18</u>
-	Donated Assets Account	-	<u>34</u>
-	Capital Grants Received in Advance	-	<u>34</u>
(20,942)	Long Term Liabilities	(17,999)	
16,351	Net Assets / (Liabilities)	21,203	
15,468	Usable Reserves	16,319	<u>26</u>
883	Unusable Reserves	4,884	<u>27</u>
16,351	Total Reserves	21,203	

Chief Finance Officers Certificate:

I certify that the above Balance Sheet, fairly states the financial position of the Authority as at 31 March 2020

Signed:

Anton Hodge CPFA
Chief Finance Officer (s151)

Dated: 8 July 2020

2018/19 £000		2019/20 £000
1,142	Net surplus or (deficit) on the provision of services	277
1,635	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 28a)	2,126
(608)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28b)	(606)
2,169	Net cash flows from Operating Activities	1,797
(4,263)	Net cash flows from Investing Activities (Note 29)	638
(458)	Net cash flows from Financing Activities (Note 30)	1,822
(2,552)	Net increase or (decrease) in cash and cash equivalents	4,257
2,753	Cash and cash equivalents at the beginning of the reporting period	201
201	Cash and cash equivalents at the end of the reporting period (Note 22)	4,458

0. EXPENDITURE AND FUNDING ANALYSIS

For the Year Ended 31 March 2020

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
			Policy and Resources Committee			
717	72	789	Central Services to the Public	974	116	1,090
779	157	936	Cultural and Related Services	753	220	973
1,897	473	2,370	Environmental and Regulatory Services	2,488	657	3,145
674	122	796	Planning Services	1,055	210	1,265
(555)	47	(508)	Highways and Transport Services	(535)	50	(485)
786	311	1,097	Housing Services	628	280	908
1,140	74	1,214	Corporate and Democratic Core	1,192	116	1,308
389	95	484	Other Corporate and Non Distributed Costs	392	(291)	101
5,827	1,351	7,178	NET COST OF SERVICES	6,947	1,358	8,305
(7,953)	(367)	(8,320)	Other Income and Expenditure	(7,801)	(781)	(8,582)
(2,126)	984	(1,142)	(SURPLUS) OR DEFICIT	(854)	577	(277)
(12,808)			OPENING GENERAL FUND BALANCE	(14,934)		
(2,126)			(Surplus) or Deficit on General Fund Balance in Year	(854)		
(14,934)			CLOSING GENERAL FUND BALANCE	(15,788)		

1. ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts, in accordance with proper accounting practices, by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii Accruals of Income and Expenditure

The accounts of the Council are, in general, maintained on an accruals basis in accordance with recognised accounting policies. The Accounts reflect sums due to or incurred by the Council during the year, whether or not the amount has actually been received or paid in the year. Appropriate provision has been made, therefore, for Creditors and Debtors at 31 March 2020.

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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 Authority's financial position or financial performance. When 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.

vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following to record the real cost of holding fixed 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 on the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (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 less or more than predicted.

Accounting for Council Tax and NDR

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 Movement in Reserves Statement.

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, overpayments and prepayments and appeals.

viii. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement 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 Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension 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 pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority participate in the Local Government Pension Scheme, administered by North Yorkshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

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

- The liabilities of the North Yorkshire pension fund attributable to the Authority 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 based on the indicative rate of return on high quality corporate bonds.
- The assets of the North Yorkshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unlisted securities – 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 a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest cost on the net defined benefit liability (asset), i.e. net interest expense for the authority – 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 Comprehensive Income and Expenditure Statement – 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 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 liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pensions 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 the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the North Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority 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.

ix. 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; and
- 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 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.

x. Financial Instruments

A Financial Instrument is defined as: “any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another”. Although this covers a wide range of items, the main implications are in terms of investments and borrowings.

As reflected in the Code, the accounting standard on Financial Instruments, IFRS 9 covers the concepts of recognition, measurement, presentation and disclosure.

A financial asset or liability should be recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provision of the instrument.

Financial Liabilities

The Code requires the fair value of each class of financial liability to be disclosed in the Notes to the Statement of Accounts, where this is different from the carrying amount stated in the Balance Sheet. However, the Code also states that fair value disclosures are not required for short-term trade payables since the carrying amount is a reasonable approximation of fair value.

Financial Assets

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (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 Council, 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.

The council operates 2 housing loan schemes, Property and Landlord Improvement Loans. Loans made under these schemes are repayable at any point within a period ranging between 5 and 10 years. Additionally the Council has granted 2 loans to local businesses. These loans have not been treated as soft loans on the grounds of materiality.

Any gains and 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.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

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

The Council does not currently hold any investments in this category, however, the Council will assess any future investment that falls in to this category on an individual basis and assign an IFRS 9 category (amortised cost, FVPL or Fair Value through other comprehensive income). The assessment will be based on the underlying purpose for holding the financial instrument.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, where material.

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 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

xi. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment line in the Comprehensive Income and Expenditure Statement. During 2019/20 the Council did not enter into any foreign currency transactions.

xii. 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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement 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 asset acquired using 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 (attributable revenue grants and contributions) or Taxation and Non-Specific Income (non-ringfenced revenue grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the 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.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges for this Authority may be used to fund revenue expenditure.

xiii. Heritage Assets

Heritage assets are recognised and held at valuation rather than at fair value and under certain conditions at historical cost. The treatment of revaluation gains and losses are in accordance with the Authority's accounting policies on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note xix in this summary of significant accounting policies.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts. During 2019/20, the Council did not hold any heritage assets.

xiv. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority, e.g. software licences, 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, 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 Comprehensive Income and Expenditure Statement. 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 line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to 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 £10,000) the Capital Receipts Reserve.

xv. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories 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 financial year.

xvi. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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 Comprehensive Income and Expenditure Statement. 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 to 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 £10,000) the Capital Receipts Reserve.

xvii. 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 elements 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 Authority as Lessee**Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the 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 Authority 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 Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, 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 Authority at the end of the lease period).

The Authority 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 and 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 Comprehensive Income and Expenditure Statement as an expense of the services benefiting 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, e.g. there is a rent-free period at the commencement of the lease.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an 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, plant or equipment – 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 Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. 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 non-current 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 Movement in Reserves Statement.

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 payment, e.g. there is a 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.

xviii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2019/20 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on non-current Assets Held for Sale and Assets under Construction.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xix. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment in excess of £10,000 is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential i.e. repairs and maintenance is charged as an expense when 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; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The cost of assets acquired other than by purchase is deemed to be 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 Authority. In the latter case, where an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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 line of the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account and in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement basis:

- infrastructure, community assets and assets under construction – depreciated historical cost.
- surplus assets - fair value, determined by the measurement of the highest and best value use of the asset.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as a proxy for fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value i.e. vehicles, plant, furniture and equipment.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that the carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Any increase in valuations is matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, 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, i.e. assets under construction.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer; and
- Vehicles, plant furniture and equipment – straight line allocation over the useful life of the asset.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, 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.

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. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet 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. Receipts from disposals (if any) are 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposal in excess of £10,000 are categorised as capital receipts. Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

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 appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

Provisions are made where an event has taken place that gives the Authority 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 Authority 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 Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated 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 recovered from another party e.g. from an insurance claim, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Further information can be found at note 25 to the accounts.

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.

xxi. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 for Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund

Balance in the Movement in Reserves Statement 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, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

xxii. 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 in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

xxiii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxiv. Fair Value Measurement

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

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

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

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

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

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

Level 3 - unobservable inputs for the asset or liability.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET BEEN ADOPTED

CIPFA are considering the implications of adopting IFRS16 - Leases. This standard was originally expected to be adopted in the Statements of Accounts for 2020/2021 but this has been deferred as a result of measures to address the demands placed on local authorities supporting the nation's response to the Covid-19 pandemic. IFRS will not be adopted until 2021/22.

Other standards that have been issued but not yet adopted by the CIPFA Code of Practice include:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

Any impact on the Statement of Accounts will be assessed at the time of adoption by the CIPFA Code of Practice.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the Authority 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:

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

Estimation of the net liability to pay pensions depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the County Council to provide expert advice about the assumptions to be applied, these assumptions may be adjusted on a yearly basis.

The Authority will assess the degree of componentisation within its net-current asset portfolio, as part of the five year rolling programme of non-current asset valuations. A review of Authority's current properties concluded that no components could be identified which were of a material value when compared to the entire value of the individual non-current asset or which would materially impact on the useful remaining life of the asset. On an annual basis the Authority will review Capital Expenditure to assess if any new material components have been added to the Authority's non-current asset portfolio.

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 Authority 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.

The items in the Authority Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions
Pensions Liability	<p>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 to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>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 would result in a decrease in the pension liability of £1.383m.</p>
Property, Plant and Equipment (land & buildings) and Investment Property Valuations	<p>Due to the global outbreak of Covid-19, the Council's Valuer issued the following statement within their report:</p> <p><i>"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.</i></p> <p><i>Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.</i></p> <p><i>Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case"</i></p>	<p>The effect on land and property valuations due to changes in assumptions around market conditions can be measured. For example, a 5% reduction in value could result in a decrease in values of</p> <p>PPE – Land & Buildings, Surplus Assets - £0.8m</p> <p>Investment Property - £0.109m</p>

5. MATERIAL ITEMS OF INCOME AND EXPENSES

There are no material items of income and expenditure in 2019/20 that warrant separate disclosure.

6. EVENTS AFTER THE REPORTING PERIOD

Under IAS 10 the Authority is required to disclose the date that the financial statements are authorised for issue. This confirms the date after which events will not have been recognised in the Statement of Accounts. The Statement of Accounts was issued by the responsible financial officer, Anton Hodge Chief Finance Officer (s151) on 8 July 2020.

All events between the balance sheet date and the issue date have been considered and there are no Adjusting Post Balance Sheet events to disclose unrelated to Covid-19.

Covid-19

Although as at 31 March 2020 some of the potential financial impacts of the Covid-19 pandemic were known and some actions to address the pandemic were in place by the 2019/20 reporting date, the larger part of the financial impact of Covid-19 will fall into the 2020/21 financial year (where significant levels of emergency Covid funding has been provided to Councils) and beyond. It is recognised that the pandemic is potentially an Adjusting Balance Sheet Event in the content of the 2019/20 Financial Statements, however there is still considerable uncertainty with respect to the progress of the pandemic and of the national recovery and final levels of national support available to mitigate any financial impact. The 2019/20 Financial Statements have been reviewed in light of the pandemic, however it is not possible for the Council to accurately estimate any significant financial implications to the accounts balances or transactions therefore establishing accurate/required material adjustments has not been possible. Detailed notes are included where appropriate within the statements identifying the impact of Covid-19 in 2019/20. For example note 4 to the financial statements.

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS**Adjustments between Funding and Accounting Basis**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2019/20			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Policy and Resources Committee				
Central Services to the Public	36	80	-	116
Cultural and Related Services	200	20	-	220
Environmental and Regulatory Services	270	387	-	657
Planning Services	57	153	-	210
Highways and Transport Services	44	6	-	50
Housing Services	122	158	-	280
Corporate and Democratic Core	47	69	-	116
Other Corporate and Non Distributed Costs	-	(342)	51	(291)
Net Cost of Services	776	531	51	1,358
Other Income and Expenditure from the Expenditure and Funding Analysis	(521)	392	(652)	(781)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	255	923	(601)	577

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Policy and Resources Committee				
Central Services to the Public	17	54	1	72
Cultural and Related Services	140	17	-	157
Environmental and Regulatory Services	236	236	1	473
Planning Services	30	92	-	122
Highways and Transport Services	43	4	-	47
Housing Services	209	102	-	311
Corporate and Democratic Core	23	50	1	74
Other Corporate and Non Distributed Costs	-	95	-	95
Net Cost of Services	698	650	3	1,351
Other Income and Expenditure from the Expenditure and Funding Analysis	(525)	450	(292)	(367)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	173	1,100	(289)	984

8. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income	2019/20 £000	2018/19 £000
Expenditure		
Employee benefits expenses	5,668	5,076
Other service expenses	13,146	13,597
Support service recharges	2,612	2,260
Depreciation, amortisation and impairment	474	545
Interest payments	457	523
Precepts and levies	1,058	966
Gain or loss on disposal of non-current assets	-	-
Capital receipts unattached to non-current assets	(22)	(2)
Impairment losses on financial instruments	59	6
Total Expenditure	23,452	22,971
Income		
Fees, charges and other service income	4,726	4,688
Interest and investment income	260	405
Income from council tax and non-domestic rates	8,947	7,614
Government grants and contributions	9,796	11,406
Total Income	23,729	24,113
Surplus or Deficit on the Provision of Services	(277)	(1,142)

9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2019/20 Adjustments

2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	693	-	-	(693)
Revaluation losses on Property Plant and Equipment	-	-	-	-
Movements in the fair value of investment properties	71	-	-	(71)
Amortisation of intangible assets	49	-	-	(49)
Capital grants and contributions applied	(584)	-	-	584
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	627	-	-	(627)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(163)	-	-	163
Capital expenditure charged against the General Fund	(416)	-	-	416
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(6)	6
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(57)	-	57
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	13	-	(13)
Capital receipts unattached to non-current assets	(22)	22	-	-
Repayment of principal on loans	-	25	-	(25)
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	-	-	-	-
Adjustment 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 40)	2,186	-	-	(2,186)
Employers pensions contributions and direct payments to pensioners payable in the year	(1,263)	-	-	1,263
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	(652)	-	-	652
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	51	-	-	(51)
Total Adjustments	577	3	(6)	(574)

2018/19 Comparative Figures

2018/19	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	643	-	-	(643)
Revaluation losses on Property Plant and Equipment	-	-	-	-
Movements in the fair value of investment properties	(178)	-	-	178
Amortisation of intangible assets	41	-	-	(41)
Capital grants and contributions applied	(607)	-	-	607
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	625	-	-	(625)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(183)	-	-	183
Capital expenditure charged against the General Fund	(167)	-	-	167
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(9)	9
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(18)	-	18
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	13	-	(13)
Capital receipts unattached to non-current assets	(2)	2	-	-
Repayment of principal on loans	-	48	-	(48)
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	-	-	-	-
Adjustment 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 40)	2,259	-	-	(2,259)
Employers pensions contributions and direct payments to pensioners payable in the year	(1,159)	-	-	1,159
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	(292)	-	-	292
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	-	-	(4)
Total Adjustments	984	45	(9)	(1,020)

10. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20

	Balance At 31/03/18 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance At 31/03/19 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance At 31/03/20 £000
General Reserve	3,331	-	650	3,981	-	-	3,981
Capital Fund	2,929	(169)	2,763	5,524	(265)	288	5,547
Collection Fund Equalisation Reserve	506	(303)	760	964	(639)	671	996
New Homes Bonus Reserve	3,698	(2,500)	889	2,087	-	673	2,760
Strategic Reserve	-	-	-	-	(66)	2,425	2,359
Election Reserve	61	(26)	20	55	(108)	30	(23)
Carry Forward Reserve	-	-	-	-	-	168	168
Ryedale Developm't Fund	94	(47)	13	60	(60)	-	-
Council Tax Hardship Fund	24	-	6	30	(30)	-	-
Grants Reserve	163	-	11	173	(173)	-	-
IT Fund	95	(40)	2	56	(56)	-	-
ICE Fund	807	-	50	857	(857)	-	-
Local Developm't Framework Reserve	50	-	-	50	(50)	-	-
Operational Reserve	648	(4)	51	695	(695)	-	-
Restructure Reserve	402	-	-	402	(402)	-	-
Total	12,808	(3,089)	5,215	14,934	(3,401)	4,255	15,788

The main purpose of the reserves is as follows:

- The General Reserve receives or contributes to differences in the estimated to actual net expenditure on the Revenue Account. It provides a working balance for the day-to-day revenue costs and income and meets any unforeseen liabilities not provided elsewhere in the accounts.
- The Capital Fund is the reserve that holds the resources from the revenue stream of funding to be applied to the capital programme.
- The Collection Fund Equalisation Reserve evens out the financial impact of the new Business Rates Retention Regulations within the Comprehensive Income and Expenditure Account and holds additional funds to mitigate future financial risk.
- New Homes Bonus Reserve was established setting aside New Homes Bonus receipts, to be utilised in line with Member priorities.
- An Election Reserve is used to equalise the effect of the four yearly District Election costs.
- The Strategic Reserve has been established to support delivery of future Council priorities, by streamlining a number of legacy reserves.

- (g) The Carry Forward Reserve has been created to provide resources to fund commitments or schemes delayed from the prior year or which extend over the financial year end.
- (h) As mentioned above, the Ryedale Development Fund, Council Tax Hardship Fund, Grants Reserve, IT Fund, ICE Fund, Local Development Framework Reserve, Operational Reserve and Restructure Reserve have been consolidated to form a single Strategic Reserve, approved as part of the 2019/20 budget, to remove reserves that were no longer relevant and create funds to support future service priorities.

11. OTHER OPERATING EXPENDITURE

2018/19 £000		2019/20 £000
966	Parish council precepts	1,058
-	Payments to the Government Housing Capital Receipts Pool	-
-	(Gains)/losses on the disposal of non-current assets	-
(2)	Capital receipts unattached to non-current assets	(22)
964	Total	1,036

12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £000		2019/20 £000
73	Interest payable and similar charges	65
450	Pensions net interest on the net defined benefit liability/(asset)	392
(197)	Interest receivable and similar income	(262)
(208)	Income and expenditure in relation to investment properties and changes in their fair value	2
6	Impairment losses on financial instruments	59
124	Total	256

13. TAXATION AND NON SPECIFIC GRANT INCOME

2018/19 £000		2019/20 £000
(5,104)	Council tax income	(5,330)
(2,510)	Non domestic rates income and expenditure	(3,617)
(1,794)	Non-ringfenced government grants	(927)
-	Capital grants and contributions	-
(9,408)	Total	(9,874)

14. PROPERTY, PLANT AND EQUIPMENT**Movements on Balance Sheet**

Movements in 2019/20

	Other Land & Buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community Assets £000	Surplus assets £000	Assets under construction £000	Total property, plant & equipment £000
Cost or Valuation							
At 1 April 2019	15,733	4,069	-	511	676	-	20,989
Additions	-	148	-	-	-	185	333
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	453	-	-	-	32	-	485
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(115)	-	-	-	(1)	-	(116)
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
At 31 March 2020	16,071	4,217	-	511	707	185	21,691
Accumulated Depreciation and Impairment							
At 1 April 2019	791	3,754	-	-	27	-	4,572
Depreciation charge	369	202	-	-	5	-	576
Depreciation written out to the Revaluation Reserve	(375)	-	-	-	(32)	-	(407)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2020	785	3,956	-	-	-	-	4,741
Net Book Value							
At 31 March 2020	15,286	261	-	511	707	185	16,950
At 31 March 2019	14,942	315	-	511	649	-	16,417
Owned asset as at 31 March 2020	15,286	153	-	511	707	185	16,842
Asset acquired under finance lease as at 31 March 2020	-	108	-	-	-	-	108
Total	15,286	261	-	511	707	185	16,950

Comparative Movements in 2018/19

	Other Land & Buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community Assets £000	Surplus assets £000	Assets under construction £000	Total property, plant & equipment £000
Cost or Valuation							
At 1 April 2018	15,721	4,042	-	511	676	-	20,950
Additions	78	27	-	-	-	-	105
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	108	-	-	-	-	-	108
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(174)	-	-	-	-	-	(174)
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
At 31 March 2019	15,733	4,069	-	511	676	-	20,989
Accumulated Depreciation and Impairment							
At 1 April 2018	984	3,552	-	-	21	-	4,557
Depreciation charge	363	202	-	-	6	-	571
Depreciation written out to the Revaluation Reserve	(455)	-	-	-	-	-	(455)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(101)	-	-	-	-	-	(101)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2019	791	3,754	-	-	27	-	4,572
Net Book Value							
At 31 March 2019	14,942	315	-	511	649	-	16,417
At 31 March 2018	14,737	490	-	511	655	-	16,393
Owned asset as at 31 March 2019	14,942	83	-	511	649	-	16,185
Asset acquired under finance lease as at 31 March 2019	-	232	-	-	-	-	232
Total	14,942	315	-	511	649	-	16,417

Depreciation

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

- Other Land and Buildings – 10-60 years
- Vehicles, Plant, Furniture & Equipment - 5-10 years

Capital Commitments

At 31 March 2020 the Authority had not entered into any contracts for the construction or enhancement of Property Plant and Equipment. However the Authority has taken delivery of three recycling vehicles valued at £587k which are due to be financed through an operating lease, with the total commitment being transferred to a third party.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are normally carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on historic cost.

Due to uncertainties arising from the outbreak of Covid-19, the Council's Valuer has declared a "material valuation uncertainty" in their valuation report. Please refer to Note 4, page 32-33 for further details.

All properties have been reviewed in 2019/20 by N Collins a RICS registered Valuer of City of York Council.

15. HERITAGE ASSETS

In compliance with the 2019/20 Code, the Authority has reviewed its assets and concluded that there is no reclassification of assets to heritage assets to disclose in the accounts (2018/19 Nil).

16. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2019/20 £000	2018/19 £000
Income from Investment Property	241	188
Net gain / (loss) from fair value adjustment	(71)	178
	170	366
Direct operating expenses arising from investment property	(172)	(158)
Net gain / (loss)	(2)	208

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority 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.

	2019/20 £000	2018/19 £000
Balance at start of the year	2,193	2,015
Additions	-	-
Purchases	-	-
Construction	-	-
Subsequent expenditure	34	-
Disposals	-	-
Net gains / (losses) from fair value adjustments	(71)	178
Transfers:	-	-
To/from inventories	-	-
To/from Property Plant and Equipment	-	-
Other changes	-	-
Balance at end of the year	2,156	2,193

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 xxiv for an explanation of the fair value levels).

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

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

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

Highest and Best Use

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2020 by N Collins, a RICS registered Valuer of City of York Council in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Due to the outbreak of Covid-19, the valuer has declared a "material valuation uncertainty". Please refer to Note 4, page 32-33 for further details.

17. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Authority are:

	Internally Generated Assets	Other Assets
5 Years	None	Revenues and benefits system Electronic document management system Cash receipting system Financial management system Customer Relationship Management System

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £49.5k charged to revenue in 2019/20 was charged direct to services where appropriate, however, an element was charged to the IT Administration cost centre and then as overhead across the service headings in the net expenditure of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2019/20			2018/19		
	Internally Generated Assets £000	Other Asset Costs £000	Total £000	Internally Generated Assets £000	Other Asset Costs £000	Total £000
Balance at start of year:						
Gross carrying amounts	-	1,336	1,336	-	1,274	1,274
Accumulated amortisation	-	(1,221)	(1,221)	-	(1,180)	(1,180)
Net carrying amount at start of year	-	115	115	-	94	94
Additions:						
Internal development	-	-	-	-	-	-
Purchases	-	48	48	-	62	62
Acquired through business combinations	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
Other disposals	-	-	-	-	-	-
Revaluation increases or decreases	-	-	-	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised in the surplus/deficit on the Provision of Services	-	-	-	-	-	-
Reversal of amortisation on disposal	-	-	-	-	-	-
Amortisation for the period	-	(49)	(49)	-	(41)	(41)
Other changes	-	-	-	-	-	-
Net carrying amount at year end	-	114	114	-	115	115
Compromising:						
Gross carrying amounts	-	1,384	1,384	-	1,336	1,336
Accumulated amortisation	-	(1,270)	(1,270)	-	(1,221)	(1,221)
	-	114	114	-	115	115

There are no items of capitalised software that are individually material to the financial statements.

The Authority has no capital commitments outstanding for the acquisition of intangible assets.

18. FINANCIAL INSTRUMENTS**Changes as a result of the adoption of IFRS 9 - Financial Instruments**

Following the CIPFA Code's adoption of IFRS 9, the Council now recognises and measures financial assets at either amortised cost, at fair value through profit and loss or at fair value through other comprehensive income. Financial assets have therefore been reclassified into these new categories.

(a) Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Fair Value through Profit and Loss	-	-	-	-	-	-	-	-
Amortised Cost								
Investments	-	-	-	-	21,597	21,964	-	-
Loans	-	-	379	401	-	-	-	-
Other	-	-	-	-	-	-	1,695	1,378
	-	-	379	401	21,597	21,964	1,695	1,378
Fair Value through Other Comprehensive Income - designated equity instruments	-	-	-	-	-	-	-	-
Fair Value through Other Comprehensive Income - other	-	-	-	-	-	-	-	-
Total Financial Assets	-	-	379	401	21,597	21,964	1,695	1,378
Non Financial Assets	-	-	-	-	-	-	-	-
Total	-	-	379	401	21,597	21,964	1,695	1,378

Under current financial assets, cash and cash equivalents of £4,458,000 are held in the Balance Sheet at amortised cost (2018/19 £201,000).

Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Fair Value through Profit and Loss	-	-	-	-	-	-	-	-
Amortised Cost								
PWLB Loans	(1,553)	(1,592)	-	-	(20)	(21)	-	-
Finance Leases	(25)	(113)	-	-	(88)	(127)	-	-
Total Financial Liabilities	(1,578)	(1,705)	-	-	(108)	(148)	-	-
Non Financial Liabilities	-	-	(3,130)	(3,512)	-	-	(7,420)	(4,970)
Total	(1,578)	(1,705)	(3,130)	(3,512)	(108)	(148)	(7,420)	(4,970)

Fair value of Assets and Liabilities

	Fair value		Historic cost	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Borrowings	(1,952)	(2,081)	(1,573)	(1,613)
Loans and receivables	21,597	21,964	21,597	21,964

There is no difference between the carrying value and fair value of the Authority's debtors and creditors. Minimum future lease payments are disclosed in note 37.

The fair value of borrowings is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £1.952m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates. However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB.

If a value is calculated on this basis, the carrying amount of £1.573m would be valued at £1.952m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £2.957m.

19. INVENTORIES

	Consumable Stores		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Balance outstanding at start of year	91	47	-	-	-	-	91	47
Purchases	294	333	-	-	-	-	294	333
Recognised as an expense in the year	(311)	(289)	-	-	-	-	(311)	(289)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance outstanding at year-end	74	91	-	-	-	-	74	91

20. CONSTRUCTION CONTRACTS

As at the 31 March 2020 the Authority had no significant contracts in progress.

21. DEBTORS

	31 March 2020 £000	31 March 2019 £000
Central government bodies	457	52
Other local authorities	350	346
NHS Bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,061	1,137
Total	1,868	1,535

22. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements

	31 March 2020 £000	31 March 2019 £000
Cash held by the Council	182	186
Bank current account	4,276	15
Special Interest Bearing Account	-	-
Total Cash and Cash Equivalents	4,458	201

23. ASSETS HELD FOR SALE

	Current		Non Current	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Balance outstanding at start of year	-	-	-	-
Assets newly classified as held for sale:				
Property, Plant and equipment	-	-	-	-
Intangible Assets	-	-	-	-
Revaluation losses	-	-	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and equipment	-	-	-	-
Intangible Assets	-	-	-	-
Assets sold	-	-	-	-
Transfers from non-current to current	-	-	-	-
Balance outstanding at year end	-	-	-	-

24. CREDITORS

	31 March 2020 £000	31 March 2019 £000
Central government bodies	2,486	1,400
Other local authorities	1,879	1,260
NHS Bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	3,055	2,310
Total	7,420	4,970

25. PROVISIONS

2019/20	Business Rate Retention Appeals £000
Balance at 1 April 2019	497
Additional Provisions made in 2019/20	360
Amounts used in 2019/20	-
Unused amounts reversed in 2019/20	-
Total	857

2018/19	Business Rate Retention Appeals £000
Balance at 1 April 2018	1,169
Additional Provisions made in 2018/19	-
Amounts used in 2018/19	-
Unused amounts reversed in 2018/19	(672)
Total	497

Provision for Business Rate Appeals

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 2013.

Ryedale 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 52.5% (40% 2018/19) 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.

There are no other significant events that have taken place that would give the Authority a legal or constructive obligation to provide any material provision for the financial year ending 31 March 2020.

26. USABLE RESERVES

31 March 2019 £000		31 March 2020 £000
14,934	Earmarked General Fund Reserves	15,788
453	Capital Receipts Reserve	456
81	Capital Grants Unapplied	75
15,468	Total Usable Reserves	16,319

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

Earmarked General Fund Reserves

Details of the movements within the individual earmarked reserves are shown in note 10, together with an explanation of the purpose of each reserve.

Capital Receipts Reserve

2018/19 £000		2019/20 £000
408	Balance at 1 April	453
-	Receipts from disposal of non-current assets and held for sale assets	-
13	Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	13
50	Other receipts	47
471		513
(18)	Receipts used to finance capital expenditure	(57)
453	Balance at 31 March	456

The Capital Receipts Reserve holds cash received from the disposal of non-current assets and held for sale assets, or other money received that can be applied towards financing capital expenditure or repay loan debt.

Capital Grants Unapplied

2018/19 £000		2019/20 £000
90	Balance at 1 April	81
-	Reversal of grants credited to the Comprehensive Income and Expenditure Statement but expenditure has not been incurred	-
90		81
(9)	Grants used to finance capital expenditure	(6)
81	Balance at 31 March	75

This reserve retains the receipts of grants and contributions from central government and other funding organisations available to finance capital expenditure and will be applied to fund relevant projects in future years.

27. UNUSABLE RESERVES

31 March 2019 £000		31 March 2020 £000
5,758	Revaluation Reserve	6,542
-	Financial Instruments Revaluation Reserve	-
11,327	Capital Adjustment Account	11,196
-	Financial Instruments Adjustment Account	-
113	Deferred Capital Receipts Reserve	100
(16,051)	Pensions Reserve	(13,291)
(183)	Collection Fund Adjustment Account	469
(81)	Accumulated Absences Account	(132)
883	Total Unusable Reserves	4,884

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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		£000	2019/20 £000
5,283	Balance at 1 April		5,758
563	Upward revaluation of assets	892	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
563	Surplus or deficit on revaluation of non-current assets and held for sale assets not posted to the Surplus or Deficit on the Provision of Services		892
(88)	Difference between fair value depreciation and historical cost depreciation	(108)	
-	Accumulated gains on assets sold or scrapped	-	
(88)	Amount written off to the Capital Adjustment Account		(108)
5,758	Balance at 31 March		6,542

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its investments that are measured at fair value through Other Comprehensive Income. The balance, which is nil, is reduced when investments with accumulated gains are:

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

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 a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

2018/19 £000		£000	2019/20 £000
11,434	Balance at 1 April		11,327
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(643)	• Charges for depreciation and impairment of non-current assets	(693)	
-	• Revaluation losses on Property, Plant and Equipment	-	
-	• Loss on revaluation of held for sale assets	-	
-	• Reduction in Revaluation Reserve on disposal of held for sale assets	-	
(41)	• Amortisation of Intangible Assets	(49)	
-	• Amounts of non-current assets and held for sale assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	
(625)	• Revenue Expenditure Funded by Capital Under Statute	(627)	
(1,309)			(1,369)
88	Adjusting amounts written out of the Revaluation Reserve		108
10,213	Net written out amount of the cost of non-current assets consumed in the year		10,066
	Capital financing applied in the year:		
18	• Use of the capital receipts reserve to finance new capital expenditure	57	
607	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	584	
9	• Application of grants to capital financing from the Capital Grants Unapplied Account	6	
183	• Statutory provision for the financing of capital investment charged against the General fund	163	
167	• Capital expenditure charged against the General Fund	416	
984			1,226
178	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(71)
-	Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(48)	Movements in Long-term Debtors		(25)
11,327	Balance at 31 March		11,196

Financial Instruments Adjustment Accounts

The Financial Instruments Adjustment Account absorbs the timing differences arising from different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The account balance is nil.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority's accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension fund 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 Authority 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 £000		2019/20 £000
(17,723)	Balance at 1 April	(16,051)
2,772	Re-measurements of the net defined benefit liability/(asset)	3,683
(2,259)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,186)
1,159	Employer's pensions contributions and direct payments to pensioners payable in the year	1,263
(16,051)	Balance at 31 March	(13,291)

Deferred Capital Receipts Reserve

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

2018/19 £000		2019/20 £000
126	Balance at 1 April	113
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(13)	Transfer to the Capital Receipts Reserve upon receipt of cash	(13)
113	Balance at 31 March	100

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2018/19 £000		2019/20 £000
(475)	Balance at 1 April	(183)
292	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	652
(183)	Balance at 31 March	469

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		£000	2019/20 £000
(77)	Balance at 1 April		(81)
77	Settlement or cancellation of accrual made at the end of the preceding year	81	
(81)	Amount accrued at the end of the current year	(132)	
(4)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(51)
(81)	Balance at 31 March		(132)

28. CASH FLOW STATEMENT – OPERATING ACTIVITIES**a. Adjust net surplus or deficit on the provision of services for non-cash movements**

2018/19 £000		2019/20 £000
570	Depreciation	577
73	Impairment and downward valuations	116
41	Amortisation	49
-	Increase / decrease in impairment for bad debts	-
1,073	Increase / decrease in creditors	53
(654)	Increase / decrease in debtors	(366)
(44)	Increase / decrease in inventories	17
1,426	Movement in pension liability	1,249
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	-
(850)	Other non-cash items charged to the net surplus or deficit on the provision of services	431
1,635		2,126

b. Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

2018/19 £000		2019/20 £000
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	-
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
(2)	Capital receipts unattached to non-current assets	(22)
(606)	Any other items for which the cash effects are investing or financing cash flows	(584)
(608)		(606)

c. Interest received, interest paid and dividends received

2018/19 £000		2019/20 £000
148	Interest received	229
(73)	Interest paid	(66)
-	Dividends received	-

29. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018/19 £000		2019/20 £000
(128)	Purchase of property, plant and equipment, investment property and intangible assets	(390)
(34,900)	Purchase of short-term and long-term investments	(31,000)
(9)	Other payments for investing activities	(21)
13	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13
30,100	Proceeds from short-term and long-term investments	31,400
661	Other receipts from investing activities	636
(4,263)	Net cash flows from investing activities	638

30. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018/19 £000		2019/20 £000
-	Cash receipts of short and long term borrowing	-
-	Other receipts from financing activities	-
(148)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(127)
(39)	Repayments of short and long-term borrowing	(40)
(271)	Other payments for financing activities	1,989
(458)	Net cash flows from financing activities	1,822

31. MEMBERS ALLOWANCES

The Authority paid the following amounts to members of the Authority during the year:

	2019/20 £000	2018/19 £000
Allowances	131	128
Expenses	5	4
Total	136	132

A summary of payments made to each member is publicised through the Authority's website and is also available for viewing at the reception of the administrative offices.

32. OFFICERS REMUNERATION

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

Job Title	Year	Salary, fees and allowances £	Bonuses £	Expenses allowances £	Compensation for loss of office £	Pension contribution £	Total £	Note
Chief Executive	2019/20	105,158	-	-	-	19,665	124,823	A
	2018/19	63,172	-	-	-	11,813	74,985	B
Deputy Chief Executive	2019/20	60,371	-	-	-	11,238	71,609	C
	2018/19	11,152	-	-	-	2,085	13,237	D
	2018/19	66,555	-	562	30,000	9,074	106,191	E
Head of Waste & Environmental Services Delivery & Frontline Services Lead	2019/20	58,426	-	803	-	10,925	70,154	
	2018/19	55,991	-	963	-	10,470	67,424	
Programme Director of Economic Development, Business & Partnerships Economy & Partnerships Lead	2019/20	63,306	-	-	-	11,838	75,144	F
	2018/19	15,909	-	261	-	2,975	19,145	G
Head of Planning & Regulatory Services Head of Planning	2019/20	59,769	-	802	-	11,177	71,748	
	2018/19	58,597	-	963	-	10,958	70,518	
Council Solicitor & Monitoring Officer Council Solicitor & Monitoring Officer	2019/20	59,769	-	803	-	11,514	72,086	H
	2018/19	58,597	-	963	-	10,958	70,518	
Chief Finance Officer (s151)	2019/20	-	-	-	-	-	-	I
Chief Finance Officer (s151)	2018/19	-	-	-	-	-	-	J
Resources & Enabling Services Lead	2018/19	7,785	-	109	-	1,130	9,024	K
Head of Communications, Technologies & Business Transformation	2019/20	33,537	-	-	-	6,271	39,808	L
Head of Customer & Community Services Customer Services Lead Customer Services Lead	2019/20	47,255	-	-	-	8,836	56,091	M
	2019/20	27,001	-	481	10,000	4,078	41,560	N
	2018/19	51,123	-	963	-	9,560	61,646	

Senior Officers served for the whole of 2019/20 unless stated below.

Notes:

- A £28,000 was recharged for the Chief Executive to North Yorkshire County Council during 2019/20
- B The Chief Executive assumed their position on the 14th August 2018, with £17,000 being recharged to North Yorkshire County Council during 2018/19
- C The Temporary Deputy Chief Executive left the Authority on the 31st January 2020
- D The Temporary Deputy Chief Executive assumed their position on the 4th February 2019
- E The Temporary Chief Executive left the Authority on the 31st October 2018
- F The Programme Director of Economic Development, Business & Partnerships assumed their position on the 15th April 2019
- G The Economy & Partnerships Lead left the Authority on the 8th July 2018
- H The Council Solicitor & Monitoring Officer left the Authority on the 31st March 2020
- I The Chief Finance Officer (s151) is employed by North Yorkshire County Council, with £37,000 being recharged to Ryedale District Council during 2019/20
- J £23,000 was recharged for the Chief Finance Officer (s151) to Ryedale District Council during 2018/19
- K The Resources & Enabling Services Lead left the Authority on the 11th May 2018
- L The Head of Communications, Technologies & Business Transformation assumed their position on the 9th September 2019
- M The Head of Customer & Community Services assumed their position on the 1st July 2019
- N The Customer Services Lead left the Authority on the 13th September 2019

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is as follows:

Remuneration Band	2019/20 Number of employees	2018/19 Number of employees
£50,000 - £54,999	-	1
£55,000 - £59,999	3	3
£60,000 - £64,999	2	1
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	1
£100,000 - £104,999	-	-
£105,000 - £109,999	1	-
£110,000 to £114,999	-	-

33. EXTERNAL AUDIT COSTS

The Authority 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 Authority's external auditors:

	2019/20 £000	2018/19 £000
* Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	45	32
* Additional fees agreed by PSAA Ltd and payable to Grant Thornton UK LLP for 2018/19 external audit services	-	12
* Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year	11	11
* Fees payable in respect of other services provided by Grant Thornton UK LLP during the year	4	-
* Refund of fees payable by PSAA Ltd during the year	(4)	-
	56	55

The fees for other services payable in 2019/20 related to the CFO Insights licence fee.

34. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20 £000	2018/19 £000
Credited to Taxation and Non Specific Grant Income:		
Revenue Support Grant	-	143
New Homes Bonus	861	964
Transitional Grant to Rural Local Authorities	-	572
S31 grant Business Rates	1,944	1,126
Other Grants	66	114
Total	2,871	2,919
Credited to Services:		
Government Grants:		
Disabled Facilities Grant	584	607
Housing Benefit Subsidy and Rent Rebate	7,751	8,383
Housing Benefit & Council Tax Support Administration	206	248
Other Government Grants	143	44
Total	8,684	9,282
Contributions	268	47

As at the 31 March 2020 the Authority has one grant with a balance of £9,000 that has yet to be recognised as income as it has conditions attached to it. This is in relation to a DEFRA grant towards the development of a Food Enterprise Zone (31 March 2019 £9,000).

35. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Authority 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.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties, e.g. council tax bills, housing benefits. Grants received from government departments are set out in Note 34.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 31.

Officers

Chief Finance Officer (Section 151), Anton Hodge, of Ryedale District Council is a related party of Veritau North Yorkshire Ltd and the North Yorkshire Building Control Partnership by virtue of being a client officer.

Other Public Bodies

During the year transactions with related parties arose as follows:

		Receipts £000	Payments £000
The Vale of Pickering Internal Drainage Board	- levy	-	94
Foss Internal Drainage Board	- levy	-	4
Veritau North Yorkshire Ltd	see note below	-	57
North Yorkshire Building Control Partnership	see note below	(20)	37

At the end of the financial year the total amount due to and from these related parties was £nil.

With effect from 1 April 2012, Veritau North Yorkshire Ltd provided an internal audit service for a number of local authorities in the region. Ryedale District Council was a full shareholder, other local authorities within the Company being Selby DC, Hambleton DC and Richmondshire DC. Ryedale District Council's contribution to the Company's share capital is £3,000 as at 31 March 2020. Previously, the North Yorkshire Audit Partnership provided internal audit services to Ryedale and the other aforementioned district councils but ceased to exist on 31 March 2012.

The North Yorkshire Building Control Partnership provides a building control service on behalf of five councils: Ryedale DC (host authority), Selby DC, Hambleton DC, Scarborough BC and Richmondshire DC. Ryedale District Council's proportion of the Partnership's accumulated reserve is £50,000 as at 31 March 2020.

Entities Controlled or Significantly Influenced by the Council

With effect from 1 October 2014, Sports & Leisure Management Ltd ran the Authority's leisure centre and swimming pools. Payment of grant of £193,000 was made to Sports & Leisure Management Ltd to support the operation of the leisure facilities in 2019/20. Previously, Community Leisure Ltd, an Industrial Provident Society, ran the leisure centre and swimming pools for Ryedale until 30 September 2014.

36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, 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 Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2019/20 £000	2018/19 £000
<i>Opening Capital Financing Requirement</i>	1,865	2,048
Capital investment		
Property plant and equipment	333	105
Investment properties	35	-
Held for sale assets	-	-
Intangible assets	48	62
Revenue expenditure funded from capital under statute	627	625
Loans	21	9
<i>Sources of finance</i>		
Capital receipts	(57)	(18)
Government grants and other contributions	(591)	(616)
Sums set aside from revenue		
Direct revenue contributions	(416)	(167)
Minimum Revenue Provision	(162)	(183)
<i>Closing Capital Financing Requirement</i>	1,703	1,865
<i>Explanation of movements in year</i>		
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(162)	(183)
Assets acquired under finance leases	-	-
<i>Increase / (decrease) in Capital Financing Requirement</i>	(162)	(183)

37. LEASES**Authority as Lessee – Finance Leases**

The Authority has acquired a number of vehicles and some equipment under finance leases.

This Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles and the equipment acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2020 £000	31 March 2019 £000
Finance lease liabilities (net present value of minimum lease payments)		
Current	88	127
Non-current	25	113
Finance costs payable in future years	7	19
Minimum lease payments	120	259

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Not later than one year	94	139	88	127
Later than one year and not later than five years	26	120	25	113
Later than five years	-	-	-	-
	120	259	113	240

Authority as Lessee - Operating Leases

The Authority normally acquires vehicles, plant and equipment using operating leases. The Authority also provides certain employees with lease vehicles under three year contract hire agreements.

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

	31 March 2020 £000	31 March 2019 £000
Not later than one year	40	82
Later than one year and not later than five years	19	52
Later than five years	-	-
	59	134

The expenditure charged to the Cost of Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2019/20 £000	2018/19 £000
Minimum lease payments	91	116
Contingent rents	-	-
Sublease payments receivable	-	-
	91	116

Authority as Lessor

The Authority has not leased out property, vehicles or equipment under either finance lease or operating lease arrangements.

38. IMPAIRMENT LOSSES

During 2019/20 the Authority has no impairment losses.

39. TERMINATION BENEFITS

The Authority has not terminated the contracts of any employees in 2019/20.

The number of exit packages that have been agreed, accrued for and charged to the Authority's Comprehensive Income and Expenditure Statement with total cost per band are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£0 - £20,000	-	-	-	-	-	-	-	-
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

40. DEFINED BENEFIT PENSION SCHEMES**Participation in Pension Schemes**

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

- The Local Government Pension Scheme, administered by North Yorkshire County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make 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 Movements 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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services:</i>				
• Current service cost	1,819	1,373	-	-
• Past service costs / (gains)	-	453	-	-
• (Gain) / Loss from settlements	-	-	-	-
<i>Financing and Investment Income and Expenditure:</i>				
• Net interest expense	360	425	7	8
<i>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	2,179	2,251	7	8
<i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
• Return on plan assets (excluding the amount included in the net interest expense)	3,212	(3,763)	-	-
• Actuarial gains and losses due to changes in financial assumptions	(1,476)	4,119	(7)	8
• Actuarial gains and losses due to changes in demographic assumptions	(2,817)	(3,256)	(5)	(12)
• Actuarial gains and losses due to liability experience	(2,589)	131	(1)	1
<i>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	(1,491)	(518)	(6)	5
<i>Movement in Reserves Statement:</i>				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(1,491)	(518)	(6)	5
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• Employers contributions payable to scheme	1,246	1,143		
• Retirement benefits payable to pensioners			17	16

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government: Pension Scheme £000		Discretionary Benefits £000	
	2019/20	2018/19	2019/20	2018/19
Present value of the defined benefit obligation	(75,907)	(81,475)	(272)	(295)
Fair value of plan assets	62,888	66,045	-	-
Net liability arising from defined benefit obligation	(13,019)	(15,430)	(272)	(295)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government: Pension Scheme £000		Discretionary Benefits Arrangements £000	
	2019/20	2018/19	2019/20	2018/19
Opening fair value of scheme assets	66,045	62,271	-	-
Interest income	1,567	1,599	-	-
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	(3,212)	3,763	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	920	817	17	16
Contributions from employees into the scheme	323	282	-	-
Benefits paid	(2,755)	(2,687)	(17)	(16)
Closing fair value of scheme assets	62,888	66,045	-	-

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligations)

	Funded liabilities: Local Government Pension Scheme £000		Unfunded liabilities: Discretionary Benefits £000	
	2019/20	2018/19	2019/20	2018/19
Opening balance at 1 April	81,475	79,036	295	306
Current service cost	1,819	1,373	-	-
Interest cost	1,927	2,024	7	8
Contribution from scheme participants	323	282	-	-
Remeasurement (gains) and losses:				
• Financial Assumptions	(1,476)	4,119	(7)	8
• Demographic Assumptions	(2,817)	(3,256)	(5)	(12)
• Liability Experience	(2,589)	131	(1)	1
Past service costs	-	453	-	-
Losses/(gains) on curtailment	-	-	-	-
Entity combinations	-	-	-	-
Benefits paid	(2,755)	(2,687)	(17)	(16)
Closing balance at 31 March	75,907	81,475	272	295

Local Government Pension Scheme assets comprised:

	31 March 2020 £000	31 March 2019 £000
Equities	36,789	37,249
Property	4,591	5,548
Government Bonds	12,012	12,549
Corporate Bonds	-	-
Cash	2,578	3,236
Other	6,918	7,463
Closing fair value of scheme assets at 31 March	62,888	66,045

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

	31 March 2020	31 March 2019
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8 yrs	22.2 yrs
Women	23.9 yrs	25.3 yrs
Longevity at 65 for future pensioners:		
Men	23.5 yrs	23.9 yrs
Women	25.7 yrs	27.2 yrs
Rate of Inflation (RPI)	N/A	3.30%
Rate of Inflation (CPI)	2.00%	2.20%
Rate of increase in salaries	3.25%	3.45%
Rate of increase in pensions	2.00%	2.20%
Rate of revaluation in pension accounts	2.00%	2.20%
Rate for discounting scheme liabilities	2.30%	2.40%

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 assumptions 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

	Base Figure	+0.1% pa -0.1% pa Discount Rate	+0.1% pa -0.1% pa Salary Increase Rate	+0.1% pa -0.1% pa Pension Increase Rate	-1 year +1 year Mortality Assumption
Present Value of Total Obligation (£000)	75,907	74,524 77,316	76,044 75,771	77,207 74,632	78,379 73,462
Change in Present Value of Total Obligation (%)		-1.8 1.9	0.2 -0.2	1.7 -1.7	3.3 -3.2
Projected Service Cost (£000)	1,815	1,753 1,878	1,815 1,815	1,878 1,753	1,885 1,746
Approx Change in Projected Service Cost (%)		-3.4 3.5	0.0 0.0	3.5 -3.4	3.9 -3.8

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

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The North Yorkshire Pension Fund has an investment strategy in place to address the funding deficit over a 30 year period, based on an appropriate level of employers' contributions, producing a positive cash flow into the fund. The Council is currently nine years into this period.

Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

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

The Authority paid £1,263,000 expected contributions to the scheme in the year to 31 March 2020.

The weighted average duration of the defined benefit obligation for scheme members is 18.4 years 2019/20 (17.5 years 2018/19).

41. CONTINGENT LIABILITIES

At 31 March 2020, the Authority had no material contingent liabilities.

42. CONTINGENT ASSETS

At 31 March 2020 the Authority had no material contingent assets to report.

43. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority'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 Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

The Authority's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations, standing orders and constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The councils overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates; and
 - Its maximum and minimum exposures to the maturity structure of its debt; and
 - Its maximum and annual exposures to investments maturing beyond a year; and
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings services. The Annual Investment Strategy also considers the maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

This Authority uses the creditworthiness service provided by its treasury advisers. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies;
- 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 Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £3m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. The risk of non recovery applies to all of the authority's deposits but there is no evidence at 31 March 2020 that this was likely to occur.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability in previous financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2020	Historical Experience of Default	Historical Experience adjusted for market conditions at 31 March 2020	Estimated maximum exposure to default and uncollectabil ity at 31 March 2020 £000	Estimated maximum exposure to default and uncollectabi lity at 31 March 2019 £000
	£000	%	%		
Deposits with Banks and Financial Institutions	21,597	0%	0%	-	-

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available when needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

	31 March 2020 £000	31 March 2019 £000
Up to 20 years	559	599
21 to 50 years	1,014	1,014
	1,573	1,613

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

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate borrowings and investments and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has set an upper limit of 5% of its borrowings in variable rate loans and an upper limit of 50% of its investments in variable rates. However, all investments and borrowings are currently fixed rate, which helps to reduce uncertainty. The authority continues to keep a proportion of its investments short term to allow for flexibility in interest rate movements.

Price Risk

The Authority does not generally invest in equity shares and is therefore not subject to any price risk, that is, the risk that the authority will suffer loss as a result of adverse movements in the price of financial instruments.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies, therefore it has no exposure to loss arising as a result of adverse movements in exchange rates.

2018/19			2019/20		Note
Council Tax £000	Business Rates £000		Council Tax £000	Business Rates £000	
		INCOME			
(38,647)		Council Tax	(41,309)		
-		Transfers from General Fund - Council Tax Benefits	-		
	(16,472) 474	Income collectable from business ratepayers Transitional Protection Payments		(18,516) 514	
(38,647)	(15,998)	Total Income	(41,309)	(18,002)	
		EXPENDITURE			
		Precepts and Demands:			(2)
27,112		North Yorkshire County Council	28,528		
5,054		North Yorkshire Police & Crime Commissioner	5,566		
1,502		North Yorkshire Fire & Rescue	1,551		
5,115		Ryedale District Council	5,316		
55		Street Lighting Expenses	50		
		Business Rates:			(3)
	-	Payment to National Pool		-	
	8,413	Central Government		3,765	
	6,731	Ryedale District Council		8,517	
	1,514	North Yorkshire County Council		3,557	
	168	North Yorkshire Fire & Rescue		160	
	110	Allowance for cost of Business Rate Collection		109	
(196)	(30)	Allowance for Impairment	125	42	(4)
	(1,679)	Provision for Appeals		390	(4)
83	14	Write Off of uncollectable amounts	71	23	(4)
38,725	15,241	Total Expenditure	41,207	16,563	
78	(757)	(Surplus) / deficit for the year	(102)	(1,439)	
(235)	1,266	(Surplus) / deficit at 1 April	(157)	509	
(157)	509	(Surplus) / deficit at 31 March	(259)	(930)	

1. General

This statement 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 Collection Fund accounts are consolidated with the other accounts of the Council. Transactions are prescribed by legislation and are prepared on an accruals basis. The costs of administering collection are accounted for in the General Fund.

The surplus or deficit on the Collection Fund at the end of the year is required to be distributed to or made good by contributions from the Council, Central Government, North Yorkshire County Council, North Yorkshire Police & Crime Commissioner and North Yorkshire Fire and Rescue Authority in a subsequent financial year.

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 business rates came into effect on 1 April 2013. Billing authorities act as agents on behalf of the major preceptors (22.5% 2019/20; 10% 2018/19), central government (25% 2019/20; 50% 2018/19) and themselves (52.5% 2019/20; 40% 2018/19).

2. Council Tax

The Council Tax is a tax levied on all domestic properties, in a proportion, which is determined by the valuation band allocated to a property. The Council Tax base, i.e. the number of chargeable dwellings in each valuation band converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	No of Chargeable Dwellings	Ratio	Band D Equivalent Dwellings
A	1,966	6/9	1,311
B	5,683	7/9	4,420
C	5,463	8/9	4,856
D	4,169	1	4,169
E	3,294	11/9	4,026
F	1,981	13/9	2,861
G	1,099	15/9	1,832
H	106	18/9	212
TOTAL	23,761		23,687
Empty Property Premium			40.35
Cost of LCTS Scheme			(1,650.45)
Less adjustment for Collection Rate			(265.12)
Council Tax Base			21,811.78

Precepts and demands for 2019/20 are analysed as follows:

	Ryedale DC £000	NYCC £000	NYPCC £000	NYFRA £000
2019/20 Precept/Demand Payment in respect of 2018/19 deficit	5,329 (13)	28,599 (71)	5,579 (13)	1,555 (4)
	5,316	28,528	5,566	1,551

The balance of Council Tax within the Collection Fund is available for funding the precept requirement for the authorities as follows:

	£000
Ryedale District Council	(34)
North Yorkshire County Council	(180)
North Yorkshire Police & Crime Commissioner	(35)
North Yorkshire Fire & Rescue Authority	(10)

3. Income from Business Rates

The Authority collects business rates for its area, which are based on local rateable values multiplied by a uniform rate.

Additional information is as follows:

Total National Non Domestic Rateable Value in £ at 31 March 2020	49,071,478
NDR Rate in £ for 2019/20	50.4p
Small Business Rate in £ for 2019/20	49.1p
Number of Business Premises (Hereditament) at 31 March 2020	3,085
Number of Local Council Tax Support Claimants at 31 March 2020	3,091

Business Rate Yield for 2019/20 is analysed as follows:

	Ryedale DC £000	NYCC £000	NYFRA £000	Government £000
2019/20 Estimates Yield Payment in respect of 2018/19 deficit	8,892 (375)	3,642 (85)	169 (9)	4,235 (470)
	8,517	3,557	160	3,765

The balance of Non domestic rates within the Collection Fund is apportioned as follows:

	£000
Ryedale District Council	(435)
North Yorkshire County Council	(146)
Central Government	(340)
North Yorkshire Fire & Rescue Authority	(9)

4. Bad and Doubtful Debts and Provision for Appeals

The figures show any movement on the provision for bad and doubtful debts. Provision has been made for Council Tax payers of £269,000 (2018/19: £144,000) and Business Ratepayers of £62,000 (2018/19: £20,000) and is included within Debtors in the Authority's Balance Sheet. Provision has been made for the cost of successful business rate appeals of £1,632,000 (2018/19: £1,242,000).

Scope of Responsibility

Ryedale District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money allocated to it is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

RYEDALE
DISTRICT
COUNCIL



The Code of Governance sets out the principles of good governance and describes the arrangements the Council has put in place to meet each of these principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**
- B. Ensuring openness and comprehensive stakeholder engagement**
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits**
- D. Determining the interventions necessary to optimise the achievement of intended outcomes**
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**
- F. Managing risks and performance through robust internal control and strong public financial management**
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability**

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, but it seeks to provide reasonable rather than absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework has been in place at Ryedale District Council for the year ended 31 March 2020 and up to the date of approval of the annual statement of accounts.

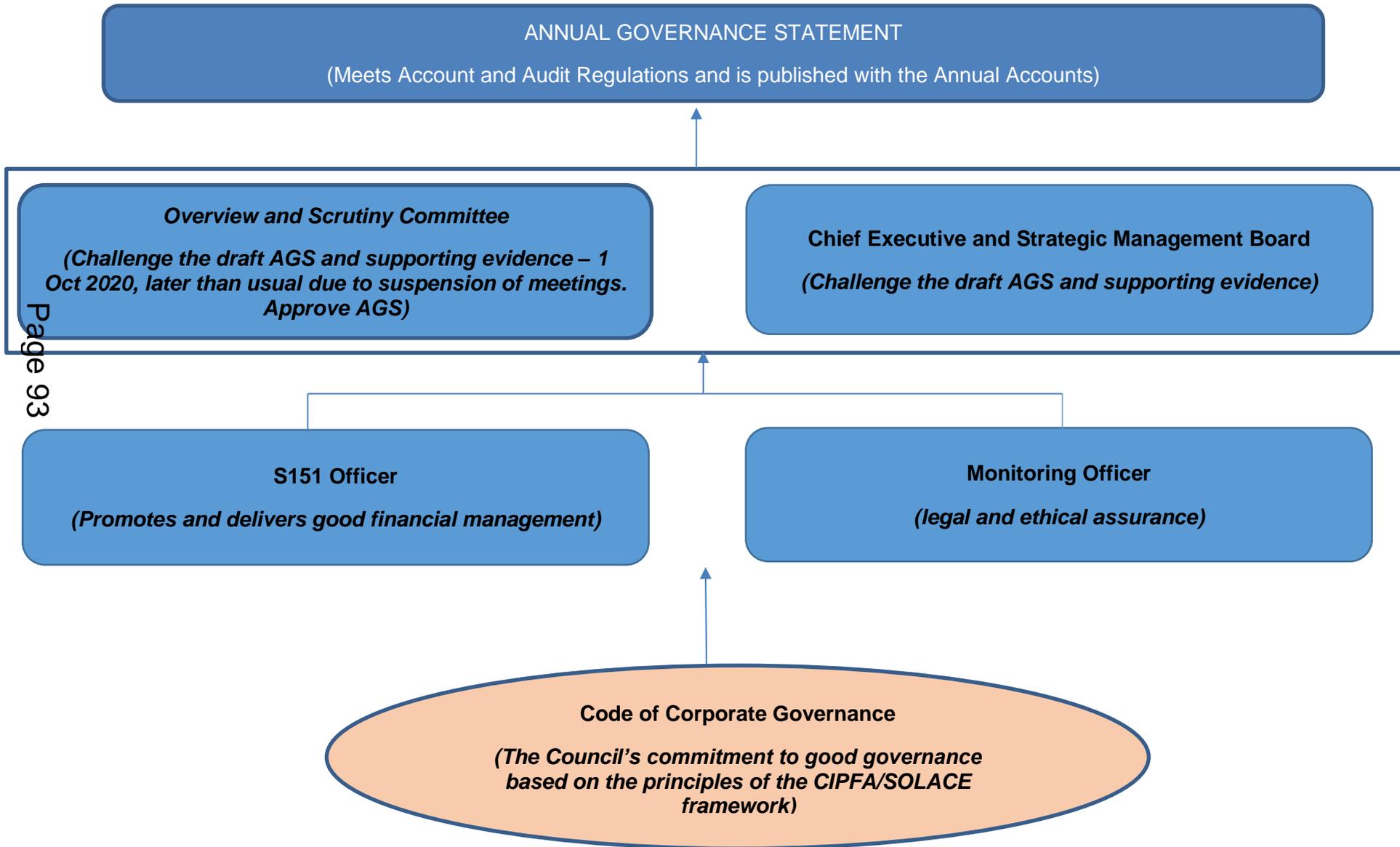
The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focused upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Corporate Plan. To improve the effectiveness of this, the Council has built on the Health Checks commissioned in 2018 and 2019 by implementing action plans and strengthening capacity in areas described below. Further reviews - such as by SOCITM - have been undertaken in a spirit of continuous improvement and a new Council Plan has been drafted.

The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. Following the appointment of a new Chief Executive and Section 151 Officer in Autumn and Summer 2018, this task is now managed by the Strategic Management Board and other senior managers, who have commissioned and taken action to address governance related issues. This includes briefing relevant Committees for consideration. Overview and Scrutiny have also pursued a robust approach to strengthening governance arrangements in key areas such as risk management. A review of capacity in Corporate Governance has also taken place and a new structure is now being implemented.

The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives.

The process for drawing up and approving the AGS is set out below. However for the 2019/20 statement, this process has been severely impacted by the Coronavirus Pandemic and this is explained in more detail below.



Code of Corporate Governance

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Constitution
Code of Conduct
Scheme of Delegation
Complaints Process
Equality and Diversity

- Standards Annual Report to O&S Committee
- Complaints Summary Reports
- Public Consultations
- Local Government and Social Care Ombudsman Report
- Equality in Employment Policy

Council Plan
Policies and Procedures
Business Planning
Performance Results
Partnership Protocol

- Performance Reports
- Committee Reports
- Annual Audit Opinion (Internal)
- Overview and Scrutiny Committee
- Corporate Programme

Financial Management Framework
Budget Monitoring Process
Compliance with CIPFA Guidelines

- Medium Term Financial Strategy
- Treasury & Investment Strategy
- Statement of Accounts
- Annual Audit Letters (External)
- Finance & Contract Procedure Rules

HR Policies
Pay Policy
Risk Management

- Corporate Risk Register
- Service Risk Registers
- Mandatory Training
- Bribery, Anti-Fraud & Corruption Policy
- Speak Out Policy
- HR & OD Health Check and Improvement Programme
- #zerotolerance Policy
- Health and Safety Policy
- Safeguarding Policy
- Resolving Issues at Work Policy

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the Annual Internal Audit Assurance opinion, as provided by Veritau North Yorkshire;
- comments made by the external auditors and other review agencies and inspectorates;
- the Overview & Scrutiny Committee review that the elements of the governance framework are in place and effective, to ensure compliance with the principles. They also reviewed the system of internal audit and concluded it was effective and remained a key source of assurance for the Council in 2019/20.

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In accordance with the Code of Practice on Local Authority Accounting for 2019/20, Ryedale's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2010).

The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. In 2019/20 the Monitoring Officer was supported by additional capacity to ensure the efficiency and effectiveness of all arrangements relating to Council and Committee meetings, working groups, and the required officer support. A review of Corporate Governance and implementation of a new structure and a change of Monitoring Officer with additional support has strengthened this area, and the impact of the pandemic is being monitored.

The Overview and Scrutiny Committee acting as a Corporate Governance Standards Committee has monitored standards of conduct of Members and advised the Council on probity issues. Entries made in the Register of Members' Interests were reviewed by the Monitoring Officer.

Other key officers have also been consulted for their views on the standards of governance within the Council - specifically the:

- S151 Finance Officer
- Monitoring Officer
- Head of Internal Audit (Veritau)

The Performance Management Framework has operated effectively during the year but is being reviewed to align with newly adopted policies and the Council Plan. Monitoring information on key areas of performance has been provided to the Strategic Management Board for review and action. Performance management outputs have also been reviewed by the Overview & Scrutiny and Policy & Resources Committee.

Review of Effectiveness

The Overview and Scrutiny (O&S) Committee process has provided challenge and has monitored the Council's policies and performance on an ongoing basis. During 2019/20 the Members of O&S have worked together, adopting a non-political approach, developing and using their knowledge and expertise, and that of others to the best effect. An evidence-based approach to the O&S work has been instrumental in achieving good results. Highlights have included:

Scrutiny

- Treasury Management
- Statement of Accounts
- Complaints
- Performance

Scrutiny Reviews on

- Equalities (Interim Report)
- Climate Change
- Universal Credit
- Historical allegations of bullying and the publication of the Raine/Dunstan Report

Monitoring Reports from Key Partnerships and External Bodies (Everyone Active – July 2019).

The Council is dedicated to ensuring that its resources are utilised in the most effective and efficient manner whilst delivering continuous improvement. Work has been undertaken during the current year to ensure members are fully informed of, and involved in, shaping the budget strategy ahead of key meetings in February 2020.

The new financial monitoring arrangements introduced part way through 2018/19 have been and were in place for the full financial year, giving outturn estimates to members on a quarterly basis which can now be seen as being consistent with the final actual outturn position.

To improve the Council's effectiveness of this, capacity and additional support is now in place in services such as Health and Safety, Corporate Governance and Finance, IT, Communications, Transformation, Legal and Procurement. Additional support for Strategy and Performance was due to be implemented in 2020/21, progress has been delayed as a consequence of COVID management and mitigation.

Review of Effectiveness

Based on the assurance work undertaken by Internal Audit, the Head of Internal Audit (Veritau) has provided an opinion on the adequacy of the control environment which concluded that this gave reasonable assurance and also recognised that the Council has made good progress in the last few years to improve its governance arrangements. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute. Areas in which controls were below the required standard are reported initially to the relevant Manager who ensures prompt corrective action is taken, and ultimately to the Overview & Scrutiny Committee who monitor progress with improvements via follow up reports from Internal Audit.

All key systems were audited in 2019/20 and a total of 13 audit reports and other pieces of work provided to management and the O&S Committee. We have built on our improvements to Risk Management and a new Corporate Risk Register by rolling out our approach to all services. A new Corporate Governance service has been established, with a new Head of Service, to help drive these changes.

In November 2020 the Council's external auditors (Grant Thornton) are expected to provide the Council with an unqualified opinion on the Council's accounts within their Annual Audit and Inspection letter. We expect that the Auditors' opinion will note a full year's worth of progress in areas such as financial monitoring and risk management that commenced only partway through the previous financial year.

A new Council Plan was adopted in September 2020; the corporate programme to deliver this, and its underpinning performance framework is currently in development. Progression through the democratic process will take place in due course. The Council's People and Culture Plan and Council Plan, details key milestones and measures for success relating to organisational development. We are delivering well against the targets set out in this Plan resulting in a more positive organisational culture.

In the 2018/19 Annual Governance Statement, seven key issues were identified. Some of these are ongoing and will be continued (but amended) in the new version.

Coronavirus

There has been a significant impact on Council services of the coronavirus pandemic from March 2020. Despite the challenges, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible.

A decision was taken on 20 March 2020 to suspend Council meetings. Since then the Chief Executive has been taking decisions on urgent matters after consultation with the Leader of the Council, and where appropriate, the Chairman of the appropriate Committee and the relevant Ward Member(s). Committee and Council meetings resumed in September 2020.

Meetings follow government guidance on making these COVID secure and comply with relevant legislation.

Returns to MHCLG, decision-notices and a financial tracker were maintained throughout the use of urgency powers to track the detail of decisions made and the financial impact. These were reported to Full Council in September 2020.

Key Issues

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, a number of issues have been identified that need to be addressed to ensure continuous improvement in the Governance Framework. The aim is to address these weaknesses during the 2020/21 financial year, by way of an action plan for improving the governance framework and system of internal control. This will be subject to monitoring by the Overview and Scrutiny Committee.

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Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
Brought Forward and updated	<p>Financial Sustainability. On-going and future changes to the Council's financial framework including several changes to national and local funding regimes will increase the financial pressure on the Council and risk profile.</p> <p>This needs to be matched with effective financial management on the part of members and officers.</p> <p>This Control Issue has been revised to</p>	<p>The agreed Medium Term Financial Strategy of the Council highlights the expected need to make future savings. This informs the budget process for future years.</p> <p>The s151 Officer considers the risk as part of the closure of accounts including the need to make appropriate provisions and reserves at the year-end.</p> <p>Ensure effective budget management is in operation across the Council, including accurate data and</p>	Chief Finance Officer (s151).	Ongoing.	<p>This is a Key Issue which has formed part of the AGS for a number of years, and it is expected that this will continue to be the case.</p> <p>A revised Financial Strategy was approved by Council in October 2019 and members were consulted during the preparation of the budget through reports and briefings.</p> <p>Financial monitoring is now fully in place. This was successful in 2019/20 with the spend against the</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
	include dealing with the ongoing impact of the Coronavirus Pandemic. Current analysis suggests that the resources announced so far from central government do not cover the full costs to Ryedale District Council of the pandemic. The Council needs to ensure that the additional spending and loss of income are fully recovered from central government.	<p>forecasting and reporting to members. Ensure that members are kept aware of all relevant financial information to assist in budget setting in future years.</p> <p>The MTFS will also take into account the ongoing impact of the Coronavirus pandemic (see below).</p> <p>A full review of the impact of the coronavirus will be ongoing in 2020/21.</p>			<p>budget set breaking even.</p> <p>Like all other councils, RDC will overspend as a result of Covid-19. The Council is maintaining a tracker of all spending commitments and income losses relating to the Covid-19 pandemic to enable full accountability. This reflects the impact of Decision Notices and other costs.</p> <p>Returns are made to Government (MHCLG) on a monthly basis to show the impact of Covid -19; these returns are used by Government to determine their approach to additional funding packages.</p> <p>The costs associated with COVID continue</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
					<p>to accumulate as additional responsibilities are placed on councils (e.g. payment of grants) and increasing service demands (e.g. housing, environmental health etc.).</p> <p>Reviews have started on individual service areas to look at longer term impact and following the review of year end results. The quarterly monitoring reports will pick this issue up in more detail.</p> <p>EU transition, and potentially, Local Government Reform, will also require careful consideration with regard to use of resources and financial impact.</p> <p>A revised MTFS will be brought to P&R on 12 November and</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
					will continue to be updated over the following months until formal approval is expected in February by Council.
2019/20 and ongoing	Waste and recycling review - ensuring that RDC achieves efficient and effective waste and recycling collection.	<p>Implementation of new optimised household waste and recycling collections linked to new recycling vehicles and waste transfer station.</p> <p>A piece of work on route optimisation will be completed.</p> <p>Delivery programme of new recycling vehicle to be completed in 2020/21.</p>	To be completed.	To be completed.	<p>This was highlighted as a Key Issue in the 2018/19 AGS (for action in 2019/20). The actions proposed were that the new waste transfer site would be operational and that the new recycling vehicle would be in place.</p> <p>The new waste transfer site is now operational.</p> <p>The new vehicle is not yet in place, but is expected in the coming months, due largely to modifications required to it.</p> <p>In the last year, we have undertaken a Waste and Recycling service review and</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
					<p>an improvement plan will be put in place during 2020/21 to ensure efficient and effective waste and recycling collection.</p> <p>Waste and recycling rounds have been updated and optimised to reflect increased tonnages in Q1 and Q2 2020/21 due to covid lockdown which will be completed by the end of October.</p> <p>Looking ahead, the Environment Bill will set targets in key areas, like air quality, residual waste and water quality.</p>
2019/20 and ongoing	<p>Local Plan requires review and adoption.</p> <p>Project is ongoing into 2020/21 and beyond until adoption. Estimated to be 2024/25.</p>	<p>Review of the development plan as the Local Plan Strategy is currently nearly seven years old.</p> <p>This will highlight expected levels of development that will take place in the District</p>	Head of Planning and Regulatory Services.	Some delay in early stages of the review by the Local Plan Working Party arising from the Covid outbreak and capacity in the officer team. Second meeting of the LPWP has occurred and a	<p>This was highlighted as a Key Issue in the 2018/19 AGS (for action in 2019/20). The action was for the Sites Document to be adopted.</p> <p>The Sites Document was formally adopted</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
		<p>and will set out the specific types of new development required to meet Ryedale’s needs.</p>		<p>timetable for future meetings established. Formal adoption of the review is likely to be in 2024/25. This was previously estimated to be 2023.</p>	<p>on 29 June 2020 as scheduled.</p> <p>Member approval of the new Local Development Scheme and Statement of Community Involvement will be sought by the end of 2020.</p> <p>The Government is currently proposing radical reform to the planning system, including reforms to plan-making (Planning For the Future White Paper – August 2020). The formal procedural requirements relating to the production of plans will be considered by members once a clearer picture emerges of which elements of the</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
					<p>proposed reforms will be taken forward.</p> <p>Meetings of the Local Plan Working Party are scheduled to the end of the year. Work on the collation of evidence to inform initial public consultation and a call for sites in 2021 is on-going.</p>
<p>2019/20 and Ongoing</p>	<p>Resilience and Capacity - to ensure sufficient capacity to enable the Council to carry out strategic and/or operational objectives.</p> <p>This also includes HR policies and procedures - review and approval, including Equality and Diversity.</p>	<p>Continuous review of the new arrangements now in place.</p> <p>Many of the current HR policies were outdated and not fit for purpose. Documents should grow and adapt with an organisation. Policy review and revision is a crucial part of an effective policy and procedure management plan.</p>	<p>Head of HR.</p>	<p>Ongoing.</p>	<p>This was highlighted as a Key Issue in the 2018/19 AGS (for action in 2019/20). The Action was that actions from the Health Checks were followed up and implemented.</p> <p>As a result, capacity and additional support is now in place in services such as Health and Safety, Enforcement, Planning & Regulatory Services, Corporate Governance and</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
					<p>Finance, IT, Communications, Transformation, Legal and Procurement. Additional support for Strategy and Performance was planned for implementation in 2020/21, but has been delayed by the need to prioritise Covid-19.</p> <p>A number of HR policies have been reviewed and approved by Council with a rolling programme of others coming through democratic meetings for approval during 2020/21.</p> <p>Additional resources have been secured during the Covid-19 pandemic to support key areas of the business to function e.g. customer services advisors.</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
2019/20 and ongoing	Economic Recovery and Growth.	<p>Delivering a strong, sustainable economy will need to now take account of the recovery required post-Covid to address the long-term, sustainable economic success of the district. This includes addressing the needs of those who are experiencing poverty and severely reduced income as a consequence of the pandemic.</p> <p>York/North Yorkshire devolution asks will be presented to Elected Members for consideration. If supported, a negotiation process with Government will begin to determine a deal for the area that ensures thriving businesses, strong job opportunities, robust infrastructure, and strong culture, tourism and low carbon sectors.</p>	<p>Programme Director - Economic Development.</p> <p>Head of Customer Services and Communities.</p>	Ongoing.	<p>This was highlighted as a Key Issue in the 2018/19 AGS (for action in 2019/20) but has been revised from “Economic Development” to take account of the recovery required post-COVID</p> <p>2019/20 actions completed were: recruitment to boost capacity on economic growth, building strong external partnerships, especially with the LEP, and monitoring any potential impact of Brexit.</p> <p>The focus at this time remains mainly in response. For example, handling increased service demands (e.g. environmental health, community officer roles in Covid secure management,</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
		<p>A plan for leaving the European Union is also critical given the impact this may have on many businesses.</p> <p>Inclusive growth is also key to mitigate the increasing levels of poverty that are arising from the consequences of Covid -19. This includes a focus on partnership initiatives with other key bodies including Town and Parish Councils, NYCC and the voluntary and community sector.</p>			<p>increased benefits claims and housing applications). It is also about ensuring that grants to business and individuals are made as quickly and effectively as possible to ease distress and protect lives and livelihoods (e.g. self-isolation, a variety of business grants).</p> <p>In addition, there has been work on the next stage of activity. The RCG 's economic recovery plan outlines York and North Yorkshire approach to economic recovery. A chapter on Ryedale is included within this; the contents aligns to the Economic Development work programme and Council Plan.</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
					<p>Ryedale is also playing a key role in the management of poverty across York and North Yorkshire, with the Head of Customer Services and Communities acting as the Deputy Chair.</p> <p>A devolution asks proposal will be presented to Elected Members for consideration and decision-making following the commencement of democratic meetings.</p> <p>We are developing a plan to ensure that opportunities from leaving the European Union are maximised - UK leaving the EU 31/12/20.</p>
2019/20 and ongoing	Delivering agreed Climate Change Action Plan to ensure that Ryedale District Council can contribute towards	Action Plan delivery progressing - for example Low Carbon Staff Travel Plan approved June 2020, with further actions in	Programme Director - Economic Development.	Ongoing.	This was highlighted as a Key Issue in the 2018/19 AGS (for action in 2019/20) and specifically to review and enact the

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
	the reduction in global temperature rise.	development, including review of previous Biodiversity Action Plan.			<p>Action Plan. This has been done and taken into account in the update below.</p> <p>Cross-Council Climate Change Action Plan delivery group in place. We plan to deliver 277 lights in Malton and Norton, including LED bulbs.</p> <p>Agreed three year revenue budget in place to support delivery.</p> <p>Climate Change Officer now recruited and in post.</p>
2019/20 and ongoing	Council Plan - A Council Plan is a necessary strategic document for guiding the work programme for the organisation and its employees. The current Council Plan was adopted in September 2020.	Now the Council Plan is adopted, a corporate programme and underpinning performance framework is being developed. This will be subject to democratic decision-making in due course.	Head of Communications, Technologies and Business Transformation.	Ongoing.	<p>This was highlighted as a Key Issue in the 2018/19 AGS (for action in 2019/20) and specifically noted that there would be a revision of the Plan and its priorities. This was achieved.</p> <p>A series of engagement sessions took place</p>

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
					<p>with Elected Members and officers to produce the new Council Plan, which was adopted by Council in September 2020. It highlights four main priorities as below:</p> <ol style="list-style-type: none"> 1. Our communities: strong, inclusive and attractive 2. Our economy: harnessing Ryedale's unique economy to deliver growth, homes and jobs 3. Our environment: a sustainable, safe and clean place to live 4. Our organisation: an innovative, enterprising council. <p>A corporate programme is currently being developed.</p>

Approval of the
Annual
Governance
Statement

Through the action referred to on the previous page, we propose over the coming year to address the issues that have been identified, with a view to further enhancing our governance arrangements. These steps will identify improvements that are needed and we will monitor their implementation and operation as part of our next annual review.

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Signed:

Councillor K C Duncan
Chairman of Policy and Resources Committee

Date: 12 November 2020

Signed:

Stacey Burlet
Chief Executive

Date: 12 November 2020

Auditors report to follow

This analysis provides supplementary information to the audited accounting statements. It provides details of the expenditure and income for each individual service for the Cost of Services line in the Comprehensive Income and Expenditure Statement:

2018/19 Net Exp. £000	Service	2019/20 Expenditure £000	2019/20 Income £000	2019/20 Net Exp. £000
	Central Services to the Public			
87	Grants, Bequests & Donations	92	-	92
39	Emergency Planning	81	-	81
470	Local Tax Collection	829	248	581
178	Elections	312	21	291
15	Local Land Charges	117	72	45
789	Net Expenditure Central Services to the Public	1,431	341	1,090
	Cultural & Related Services			
65	Culture & Heritage	72	-	72
130	Open Spaces	186	1	185
618	Recreation & Sport	625	-	625
123	Tourism	98	7	91
936	Net Expenditure Cultural & Related Services	981	8	973
	Environmental & Regulatory Services			
4	Closed Churchyards	1	-	1
18	Community Safety (CCTV)	-	-	-
64	Community Safety (Crime Reduction)	72	2	70
5	Community Safety (Safety Services)	-	-	-
113	Flood Defence & Land Drainage	131	-	131
409	Recycling	1,840	1,022	818
840	Regulatory Services	1,150	226	924
314	Street Cleansing	516	30	486
(21)	Trade Waste	834	798	36
624	Waste Collection	692	13	679
2,370	Net Expenditure Environmental & Regulatory Services	5,236	2,091	3,145
	Planning Services			
(30)	Building Control	249	266	(17)
90	Business Support	69	-	69
83	Community Development	81	-	81
165	Development Control	900	363	537
138	Economic Development	206	57	149
92	Environmental Initiatives	112	-	112
258	Planning Policy	334	-	334
796	Net Expenditure Planning Services	1,951	686	1,265

2018/19 Net Exp. £000	Service	2019/20 Expenditure £000	2019/20 Income £000	2019/20 Net Exp. £000
	Highways & Transport Services			
(560)	Parking Services	322	858	(536)
52	Transport Support	51	-	51
(508)	Net Expenditure Highways & Transport Services	373	858	(485)
	Housing Services			
53	Enabling	88	-	88
177	Homelessness	590	442	148
102	Housing Advice	75	-	75
269	Housing Benefits Administration	556	158	398
50	Housing Benefits Payments	7,860	7,751	109
106	Housing Strategy	160	272	(112)
174	Other Council Property	83	46	37
27	Other Welfare Services	270	258	12
139	Private Sector Housing Renewal	809	656	153
1,097	Net Expenditure Housing Services	10,491	9,583	908
	Corporate & Democratic Core			
633	Corporate Management	667	28	639
581	Democratic Representation & Management	669	-	669
1,214	Net Expenditure Corporate & Democratic Core	1,336	28	1,308
	Other Corporate & Non Distributed Costs			
12	Other Services	81	-	81
472	Non Distributed Costs	20	-	20
484	Net Expenditure Other Corporate & Non Distributed Costs	101	-	101
7,178	COST OF SERVICES	21,900	13,595	8,305

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 1 April. The end of the accounting period is the balance sheet date, 31 March.

Accounting Policies

Accounting Policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the Authority 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 accruals where there is uncertainty over the amount.

Accruals

Sums included in the final accounts to cover income or expenditure, whether revenue or capital in nature, attributable to the accounting period but for which payment has not been made/received 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 actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Amortisation

The gradual elimination of a debt by periodic payments over a specified number of years.

Asset

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

Assets Under Construction

This is the value of work on uncompleted tangible fixed assets at the balance sheet date.

Balance Sheet

A statement of the recorded assets, liabilities and other balances of the Authority at the end of the accounting period.

Business Rates Retention Scheme

A new scheme introduced from April 2013 which provides for local authorities sharing any surplus or deficit in Business Rates Income above or below a pre-determined baseline funding level set by Central Government.

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 fixed assets that will be of use or benefit to the Authority in providing its services beyond the year of account or expenditure that adds to, and does not merely maintain, an existing fixed asset.

Capital Expenditure charged to Revenue Account (CERA)

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

Capital Financing

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

Capital Programme

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

Capital Receipts

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

Cash Flow Statement

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

Charging Authority

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

Collection Fund

A fund administered by the Charging Authorities into which is paid council tax and NNDR income and outstanding community charge 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 Authority intends to hold in perpetuity that have no determinable useful life, or that may have restrictions on their disposal. Examples of such items are parks and historic buildings.

Consistency

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

Contingent Asset

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

Contingent Liability

A possible liability that can be the result of either 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 Authority's control or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

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

Council Tax

A charge on residential property within the Authority's area to finance a proportion of the Authority's expenditure.

Creditors

Amounts owed by the Authority for work done, goods received or services rendered 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 (cease to have material value) during the next accounting period.

Current Liabilities

Amounts that will become due or could be called upon during the next accounting period.

Current Service Cost (Pensions)

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 (due to ceasing an activity) 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 Authority for goods or services provided within the accounting period but not received at the balance sheet date.

Deferred Debtors

Amounts due to the Authority that are not expected to be repaid in full within the next accounting period.

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 Contribution Pension Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed 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.

Expected Rate of Return on 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.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Financial Reporting Standards (FRSs)

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

Financial Year

Period of time to which a Statement of Accounts relates. The financial year of the Authority runs from 1 April to 31 March.

Fixed Assets

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

General Fund

The main account of the Authority that records the costs of service provision.

Going Concern

The concept that the Authority 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 Local Authority services either specifically (e.g. improvement grants) or generally (e.g. revenue support grant).

Impairment

A reduction in the value of a fixed asset below its carrying amount on the Authority's balance sheet.

Income and Expenditure Account

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

Infrastructure Assets

These are fixed assets that are inalienable, i.e. expenditure on assets that cannot be sold, but where there is economic benefit over more than one year to the Council. Examples of infrastructure are highways and footpaths.

Intangible Fixed Asset

These are assets which do not have a physical substance, e.g. 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)

Accounting standards set by the International Accounting Standards Board. The standards provide guidance and advice for the preparation of financial statements.

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 the above criteria should be classified as current assets.

Investment Properties

An interest in land and/or buildings where construction work and development has been completed and which is held for its investment potential, any rental income being negotiated at arms length.

Leasing

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

Liability

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

Liquid Resources

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

Long-Term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Minimum Revenue Provision

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

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 Authority decision making. Councils may choose who to designate as Monitoring Officer except that it may not be the Head of Paid Service (Chief Executive).

National Non-Domestic Rates (NNDR)

An NNDR poundage is set annually by central government and collected by Charging Authorities. The proceeds are redistributed by the government between Local Authorities through Top Ups and Tariffs.

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 amounts provided for depreciation.

Non- Current Assets

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

Non Distributed Costs

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

Non-Operational Assets

These are fixed assets owned by the Council, but not directly occupied, used or consumed in the delivery of Authority services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, awaiting sale or redevelopment.

Operational Assets

These are fixed assets held and occupied, used or consumed by the Authority 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 parish councils and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Authorities.

Prior Year Adjustments (or Prior Period Adjustments)

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

Provisions

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

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of 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 local authorities must set as part of their budget process. They are designed to show the affordability of the capital programme and that the local authority borrowing is prudent and sustainable.

Realisable Value

The value of the 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 or 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 changes.

Retirement Benefits

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

Revaluation Reserve

This account contains surpluses and losses arising from the periodic valuation of non-current assets.

Revenue Account

An account which records the Authority'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

Expenditure which may be properly capitalised but which does not result in or remain matched with assets controlled by the Authority.

Revenue Support Grant (RSG)

A general central government grant paid to the Income and Expenditure Account in support of the Charging Authority'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.

Section 151 Officer (s151)

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Authority's budgeting, financial management, and accounting practices meet relevant statutory 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.

Statement of Recommended Practice (SORP)

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

Stocks (inventories)

Items of raw materials and stores purchased by the Authority 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 e.g. Financial Services, Human Resources.

Temporary Borrowing/Investment

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

Useful Life

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

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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12 November 2020

Dear Sirs

Ryedale District Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Ryedale District Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:



-
- a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
 - ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
 - x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
 - xi. *We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end OR list reasons.* The financial statements are free of material misstatements, including omissions. *[To be confirmed – red text to be deleted if no unadjusted misstated – but black text to remain]*
 - xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
 - xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
 - xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xv. We have provided you with:
 - a. 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 matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.



-
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 - xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
 - xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
 - xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
 - xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
 - xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Policy and Resources Committee at its meeting on 12 November 2020.

Yours faithfully

Name..... Name.....

Position..... Position.....

Date..... Date.....

Signed on behalf of the Council

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The Audit Findings (ISA260) Report for Ryedale District Council

Year ended 31 March 2020

14 October 2020

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Contents



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Section

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Appendices

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Ryedale District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<p>Covid-19</p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council from March 2020. Given the impact of the pandemic only started from mid-March, additional costs have not had a major impact on the financial outturn for 2019-20, however, the scale of impact is being felt during 2020-21.</p> <p>There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced activities including leisure services and car parking. In addition, council tax and business rates income have reduced as lock down started, businesses closed, and staff furloughed.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Practice on Local Authority Accounting albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 22 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely, including remotely accessing working papers and financial systems. In addition, meetings have been replaced by telephone and video conferencing arrangements</p> <p>We were provided with the Council's draft 2019-20 statement of accounts on 8 July 2020, ahead of the revised 31 August 2020 deadline.</p>
<p>Financial Statements</p>	<p>Under International Standards of Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and Council's income and expenditure for the year • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July to October 2020. Our findings are summarised on the following pages.</p> <p>We have identified some disclosure amendments to the financial statements which are reported at Appendix C.</p> <p>These are all disclosure amendments and do not impact on the Council's General Fund position. Further details of the audit disclosure amendments are detailed at Appendix C. We have also raised recommendations for management as a result of our audit work at Appendix A. Our follow up of recommendations from the prior year's audit are detailed at Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters:</p> <ul style="list-style-type: none"> • completing our work on PPE, pension fund assets and liabilities, payables and receivables, related party transactions and statement of cash flow • the assurance letter from the auditor of North Yorkshire Pension Fund to give assurance over the significant risk area of pensions

Financial Statements continued

- completion of our internal quality review processes, including final reviews of the file by both the manager and engagement lead, specifically in respect of significant audit risks of land and buildings revaluations and the valuation of pension fund liability
- reviewing the final version of the financial statements, narrative report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.

Our anticipated audit report opinion will be unqualified with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of other land buildings and investment properties as a direct impact of Covid-19. This is due to the Council’s valuers reporting a material uncertainty in their valuation reports and also being reported in the Council’s financial statements. This is a consistent finding across our local authority audits.

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Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council’s value for money arrangements. We have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The VFM risk identified at the planning stage of our audit was embedding risk management and financial monitoring arrangements to support informed decision making. We have not identified any new VFM risks in relation to Covid-19. Based on improvements we have noted in the Council’s arrangements, we anticipate issuing a ‘clean’ unqualified value for money conclusion, as detailed at Appendix E. This is an improved outcome compared to our qualified ‘except for’ VFM conclusion in the prior year. Our findings are summarised on section three of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of our work under the Code. Once all the outstanding work noted on pages 3 and 4 are satisfactorily completed, we anticipate certifying the completion of the audit when we issue our audit opinion following the approval of the accounts by Policy and Resources Committee on 12 November 2020.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

2. Financial statements - Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's operational activities and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls
- substantive testing on significant transactions and material account balances and disclosures, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our Audit Plan, as communicated to you on 22 April 2020, to reflect our response to the Covid-19 pandemic.

Conclusion

We have substantially completed our audit of your financial statements. Subject to the outstanding queries being resolved, we anticipate issuing an unqualified audit opinion including an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of other land and buildings and investment properties as a direct impact of Covid-19. This is detailed at Appendix E.

The outstanding items include:

- completing our work on PPE, pension fund assets and liabilities, payables and receivables, related party transactions and statement of cash flow
- completion of our internal quality review processes, including final reviews of the file by both the manager and engagement lead, specifically in respect of significant audit risks of land and buildings revaluations and the valuation of pension fund liability
- assurance from the North Yorkshire Pension Fund auditor on the 2019-20 Pension Fund accounts
- reviewing the final version of the financial statements, Narrative report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our Audit Plan and Audit Plan Addendum.

Materiality area	Council Amount (£)	Qualitative factors considered:
Materiality for the financial statements	400,000	Materiality has been based on 1.8% of the Authority's gross expenditure
Performance materiality	300,000	Our performance materiality has been set at 75% of our overall materiality
Trivial matters	20,000	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties.
Materiality for specific transactions, balances or disclosures	5,000	The senior officer remuneration disclosure in the Statement of Accounts has been identified as an area requiring a lower materiality due to its sensitive nature.

Significant audit risks

Risks identified in our addendum to the Audit Plan
April 2020

Auditor commentary

Covid- 19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our work we:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported.
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic
- evaluated whether sufficient audit evidence could be obtained through remote technology
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

On the basis of our work, we concluded that our anticipated audit report opinion would be unqualified with an emphasis of matter relating to the material uncertainty around the valuation of other and buildings and investment properties. Note that this change to our opinion is a direct result of the impact of Covid-19. The reporting of a material uncertainty on the valuation of land and buildings is consistent across our local authority audits.

Significant audit risks

Risks identified in our Audit Plan – January 2020	Auditor commentary
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including at Ryedale District Council, mean that all forms of fraud are seen as unacceptable. 	<p>We reviewed our rebuttal of this risk during the final accounts audit and concluded our assessment as detailed in the Audit Plan was still appropriate.</p> <p>As we did not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work has not identified any issues in respect of management override of controls.</p>

Significant audit risks

Risks identified in our Audit Plan – January 2020 and April 2020

Auditor commentary

Valuation of land and buildings

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (c£15 million) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

Update April 2020: The covid-19 pandemic has resulted in the volatility of financial and property markets. This will increase the uncertainty of assumptions applied by management to asset valuations.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our audit work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings are not materially misstated and evaluated the design of the associated controls
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding,
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register in line with LG Code guidance.
- evaluated the assumptions made by management
- evaluated whether sufficient audit evidence can be obtained due to Covid-19 impact to corroborate significant management estimates around land and buildings.

Whilst our audit work remains on-going, our audit work to date has not identified any issues in respect of the valuation of land and buildings (including investment properties), except for the following matters:

The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in note 4 to the financial statements under assumptions made about the future and other major sources of estimation uncertainty. The valuer has also indicated that the less certainty and higher degree of caution should be attached to their valuations. Therefore, we consider it appropriate to include an emphasis of matter in our audit opinion relating to this material uncertainty. It is important to note that this is a national issue, applying to most local authorities with material land and building asset bases.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
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Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in the balance sheet as the retirement benefit obligations, represents a significant estimate in the financial statements.

The Council's pension fund net liability is considered a significant estimate due to the size of the numbers involved (31 March 2019: £15.7m in the balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement

As part of our work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- obtained assurances from the auditor of the North Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

In a new area of focus for our 2019-20 audit we:

- obtained assurances regarding the material experience items. These are material pension related figures that relate to the impact of correcting the estimates made in the years between the triennial revaluations of the pension fund.

Our audit work on the pension fund net liability is nearing completion.

As a result of the pension fund balance being a significant audit risk, we need to be satisfied that we have sufficient and appropriate audit evidence over these material entries. As such we will need to closely consider the updated information that we receive from the actuary and Pension Fund. We also need to review the contents of the assurance from the auditors of the North Yorkshire Pension Fund audit. We are expecting to receive this from the Pension Fund auditors by the end of October.

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Other Land and Buildings - £15.3m	<p>Other Land and Buildings : Other land and buildings (note 14 to the financial statements) comprises specialised assets, such as swimming pools, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged an external RICS qualified valuer to complete the valuation of these properties on a five yearly cyclical basis. A total of 40% of total assets were revalued during 2019-20 and the valuation date was 31 March 2020.</p>	<p>As part of our audit, we performed the following procedures to ensure the estimates used and key judgements applied when valuing the land and buildings and investment properties are prudent and reasonable, including:</p> <ul style="list-style-type: none"> • Assessment of management's expert (external RICS qualified valuers) • Completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method as relevant. There were no significant changes to the valuation method • Consistency of estimate used • Reasonableness of the movement in the estimate • Adequacy of disclosure of estimate in the financial statements • Reperforming the land and building assets not revalued during 2019-20 using Gerald Eve indices and we have not identified any material variations from management estimates. 	 Green
Investment Properties – £2.2m	<p>Management's assessment of assets not revalued in year and assets revalued during the year has identified no material change to the properties current value compared to it's carrying value as at 31 March 2019.</p>	<p>The Council's valuation specialists for both land and buildings and investment properties have included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in note 4 to the financial statements under assumptions made about the future and other major sources of estimation uncertainty. The valuers have also indicated that there is less certainty and a higher degree of caution should be attached to their valuations.</p>	
	<p>Investment Properties : All investment properties (note 16 to the financial statements) have been valued as at 31 March 2020 at fair value based on the highest and best use of value of the asset from market participant perspective. The fair value hierarchy and valuation techniques used to determine fair value of investment properties are further disclosed in note 16 to the accounts.</p>	<p>Therefore, we consider it appropriate to include an emphasis of matter in our audit opinion relating to this material uncertainty. It is important to note that this is a national issue, applying to all local authorities with material land and building asset bases.</p>	

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated (red)
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (amber)
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious (green)

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																					
Net pension liability – £5.4m	<p>The Authority's net pension liability at 31 March 2020 is £13.2m (PY £15.7m) comprising the North Yorkshire Local Government defined benefit pension scheme obligations. The Authority uses AoN to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £2.5m net actuarial movement during 2019-20.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed management's expert Assessed the actuary's roll forward approach and deemed it reasonable Used PwC as our auditors expert to assess the actuary and assumptions made by actuary 																						
			<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.30%</td> <td>2.30%</td> <td>● Green</td> </tr> <tr> <td>Pension increase rate</td> <td>2.00%</td> <td>2.10% - 1.90%</td> <td>● Green</td> </tr> <tr> <td>Salary growth</td> <td>3.25%</td> <td>Value is in line with PWC report</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>23.5 21.8</td> <td>22.5 – 24.7 20.8 – 23.0</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.7 23.9</td> <td>25.0 – 27.2 23.5 – 25.5</td> <td>● Green</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.30%	2.30%	● Green	Pension increase rate	2.00%	2.10% - 1.90%	● Green	Salary growth	3.25%	Value is in line with PWC report	● Green	Life expectancy – Males currently aged 45 / 65	23.5 21.8	22.5 – 24.7 20.8 – 23.0	● Green	Life expectancy – Females currently aged 45 / 65
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		<ul style="list-style-type: none"> Confirmed the completeness and accuracy of the underlying information used to determine the estimate Confirmed the reasonableness of the Authority's share of LGPS pension assets. Confirmed the consistency of the pension fund assets and liability disclosures in notes to the financial statements with the actuarial report from the actuary. 	<p>● Green</p>																					
<p>Our work in this area is still in progress, including the assurance from the Pension Fund auditor.</p>																								

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Significant findings – Going Concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern (ISA (UK) 570).

Going concern commentary	Auditor commentary
<p>Management's assessment process</p> <p>Management has an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, savings required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance now reported to Members on a quarterly basis. Cash flow is also monitored as part of the Council's treasury management arrangements.</p> <p>Before the Covid-19 pandemic, the Council approved a 4 year financial strategy from 2020-24 in October 2019. The Covid-19 pandemic has had a considerable impact on the Council's finances from March 2020. The updated MTFS is in the process of being finalised and will be going to the Policy and Resources Committee on 12 November.</p> <p>In assessing its going concern position, management look ahead twelve months from the accounts are approved and have regard to its future cash flow position including whether current spending is in accordance with budget. At the time of this report, management is updating its' MTFS with a view to presenting this at the Policy and Resources Committee on 12 November 2020.</p>	<ul style="list-style-type: none"> • Following its review of going concern, management has concluded it remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis • The Council set a balanced budget for 2019-20 which was approved by the Council in February 2019. This included planned savings of £528k which was included in the balanced budget. The Council achieved these savings and delivered the 2019-20 budget with a £32k underspend which was transferred to the general fund reserves. The general fund reserve at 31 March 2020 was £15.8m. This was an increase of £0.8m from the prior year. • Before the Covid-19 pandemic, the Council set a balanced net revenue budget of £8.3m for 2020-21 with a savings requirement of £434k. It has to be noted that the Council has general fund reserves which are nearly double its annual revenue budget and is in a relatively healthier financial position than many local authorities at this time, which strengthens the going concern assessment. • Whilst the Covid-19 pandemic did not have a significant impact on the Council's 2019-20 financial performance (given it occurred mid way through March 2020, the scale of impact is being felt during 2020-21 through additional costs to support operational services, lost income through reduced Council activities such as leisure and car parking. • In addition, council tax payments and business rates payments have reduced as lock down continued, businesses closed and businesses furloughed staff. In it's latest publicly reported forecast in September 2020, the Council currently estimates the impact of Covid-19 for 2020-21 to be 2.9m. However, discussions with the s151 officer indicates this is now reduced to £2.7m. The Council has received grants from Central Government of £0.7m which will be used to offset the additional Covid-19 costs for 2020-21. In addition to this, the Council set aside £0.3m of its reserves to further mitigate the impact of Covid. As at the date of this report, the Council has a residual latest funding gap of £1.7m for 2020-21. This is consistent with Council's latest Quarter 1 results up to June 2020, which indicated a £1.8m deficit as at end of March 2021. • Discussions with the s151 officer note that the projected £1.8m deficit will be covered by the use of general fund reserves. This proposal has been agreed by Members.

Significant findings – going concern

Going concern commentary

Work performed

We considered management's going concern assessment including the assumptions used and consideration of its Medium Term Financial Strategy.

Auditor commentary

- The s151 officer routinely monitors the Council's financial position and reports regularly to the Council. This is an improved arrangement and one that has led to the proposed improved VFM conclusion as set out in section three of this report. The revised MTFS covering 2021-22 and capturing Covid-19 impact is currently being finalised and will be reported to Policy and Resources Committee on 12 November for approval.
- We are aware the Council is currently updating its' MTFS with a view to presenting this to the Policy and Resources Committee on 12 November for approval. The s151 officer has agreed to share this document with us in advance of 12 November in order for us to consider this as part of our audit completion steps. We will provide a verbal update to Members on 12 November for any significant issues arising from our consideration of this document.
- As part of our going concern review, we have assessed the remaining general fund reserves balances as at 31 March 2020. It has to be noted the Council has general fund reserves which are nearly double its annual revenue budget and is in a relatively reasonable financial position than many other local authorities. Whilst Covid-19 pandemic has undoubtedly brought in unexpected medium to longer term financial challenges to the Council, its current going concern assumptions have been strengthened by this relatively healthy level of general fund reserves. When we consider the net annual budget at the Council (£c8.2m) and compare that with additional Covid -19 costs and loss revenue 12 months from accounts audit opinion, there are sufficient general funds available for the period covered by a going concern assessment.
- However, it is important to note that reserves can only be used once to cover financial challenges. The routine budget monitoring against financial plans including the savings plan delivery, taking actions on budget variations, regularly reporting to Members, and working with MHCLG and other government departments are vital controls and arrangements that should be continued in 2020-21 and beyond. We have made a recommendation on this at Appendix A. **[Rec 3]**
- Our work confirmed the management's arrangements for assessing going concern are adequate and management's use of the going concern basis of preparation is reasonable.
- Overall, we have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern from 12 months from date of issuing the audit opinion.

Concluding comments

Concluding comments

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 (s151) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer (s151) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority'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.

We are satisfied with management's assessment that the going concern basis is appropriate for the 2019-20 financial statements.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have discussed the risk of fraud with the Chief Financial Officer (s151) and have also written to the Chair of the Audit Committee. We have not been made aware of any material incidents in the year and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed based on our work undertaken to date.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council which is included at Appendix F and in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bank . This permission was granted and the confirmation has been received.
Disclosures	Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix B.
Audit evidence and explanations / significant difficulties	<p>All information and explanations requested from management was provided, acknowledging the fact officers were also working remotely and time taken to provide audit information is taking more time than normal circumstances before the Covid-19 pandemic started. In order to complete our audit, we will continue to work with management in order to obtain reasonable assurances on the outstanding matters included on page 3.</p> <p>Given some element of remote/home working is likely to still be in place for the 2020-21 audit, we will be discussing with the finance team how we can continue to work together to mitigate any remote working challenges next year.</p> <p>We would like to record our thanks to the finance team in providing the information requested despite the challenges of remote working resulting from Covid-19.</p>

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our review of the AGS identified a small number of areas for enhanced disclosure. The Council has accepted our findings on the AGS and a revised version is due to be presented to the Overview and Scrutiny Committee on 21 October 2020.</p> <p>Our review of the Narrative Report also identified some areas for enhanced disclosure. The Council has agreed to update its Narrative Report to take into account our comments.</p> <p>Subject to satisfactory receipt and review of the revised AGS and Narrative Report taking into account our comments, we plan to issue an unmodified opinion in this respect – please see our proposed audit opinion at Appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>Following the updating of the AGS and Narrative report referred to above, we have nothing to report by exception on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>This work is not required as the Council does not exceed the threshold set by the NAO for such specified procedures.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019-20 audit of the Council in the audit opinion, as detailed at Appendix E.</p>

3. Value for Money

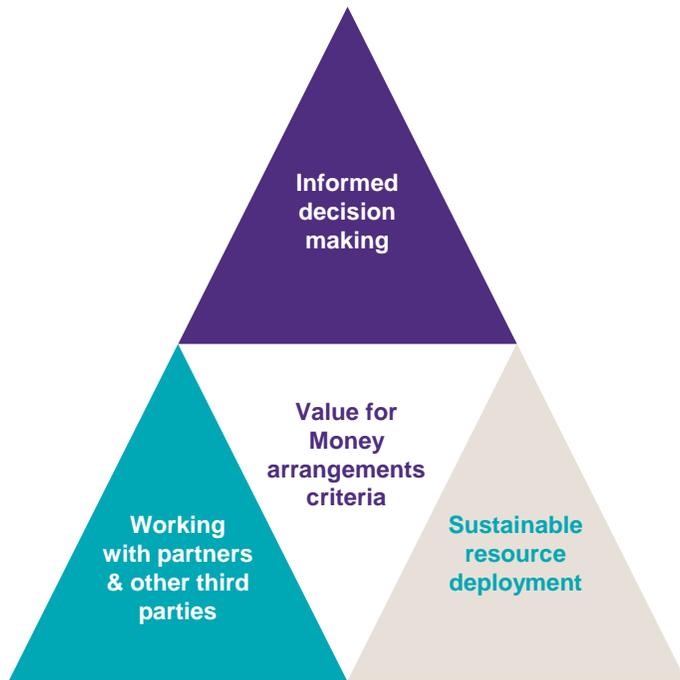
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2020 and identified one significant risk (see page 17) in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated January 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main consideration was the following significant risk:

Embedding risk management and financial monitoring arrangements to support informed decision making

We reported this significant Value for Money (VFM) risk in our Audit Plan reported to the Overview and Scrutiny Committee in January 2020. Further to our Audit Plan, our continued risk assessment process has not identified any additional VFM significant risks.

We also reported that there are no VFM risks arising due to Covid-19 pandemic for 2019-20, in our addendum to the Audit Plan issued in April 2020.

We have set out more detail the risk we identified, the results of the work we performed, and the conclusion we drew from this work on page 18.

Overall conclusion

Based on the work we performed to address the significant risk, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This represents an improved outcome for the Council following last year's qualified 'except for' conclusion that was issued in July 2019.

The text of our report, which confirms this can be found at Appendix E.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Significant risk per our Audit Plan (January 2020)	Findings	Conclusion
<p>Embedding risk management and financial monitoring arrangements to support informed decision making</p> <p>In 2018-19, our work identified that risk management and governance arrangements were not sufficiently embedded and as a result, we issued an 'except for' qualified VFM conclusion in relation to 'informed decision making' VFM criteria.</p> <p>Whilst positive progress had been made to the Council's arrangements in these areas during 2018-19, following the recognition of the issues by the new Senior Management Team, the revised arrangements had not been in place for the duration of 2018-19 and were therefore not embedded.</p> <p>We noted in our 2018-19 Annual Audit Letter that embedding the enhanced arrangements for risk management, financial monitoring and governance continued to be key priorities for the Council in order to support informed decision making in 2019-20 and beyond.</p> <p>As part of our VFM work, we will:</p> <ul style="list-style-type: none"> continue to consider the arrangements, governance structures and internal monitoring processes in place at the Council continue to meet with senior management and Internal Audit to discuss the progress the Council is making around risk management and financial monitoring, for example, reviewing the reporting of the Council's performance against its budget and any level of variances consider how the Council is addressing our 2018-19 audit recommendations on embedding risk management and monitoring arrangements to support informed decision making observe the discussion and level of challenge on governance and risk management issues which take place at the Overview and Scrutiny Committee consider timely financial reporting around Council's financial performance to relevant committees. 	<p>Our focus in this area was around arrangements in place to embed risk management and monitoring arrangements to secure economy, efficiency and effectiveness in Council's use of resources. Our findings were as follows:</p> <ul style="list-style-type: none"> Council's performance against the budget is now a standing agenda item at both Policy and Resources Committee (PRC) and Overview and Scrutiny Committee (OSC) meetings. It covers the budget, the actuals to that quarter, variations to budget, reasons for the variations and final predicted forecast for the year. It also covers the savings against the plan. Council's performance against the Capital Programme is also reported in the same report to relevant Committees covering the budget against the actual and reasons for any variations. The outturn for the year is reported to the Council and relevant Committees covering the annual budget against the variations with detail commentaries for variations and associated actions. As noted in our 2018-19 Audit Finding Report, a Strategic Risk Register (SRR) was formulated, introduced and reported to the Audit and Scrutiny Committee in January 2019. Our work in 2019-20 identified that an updated risk register is also a standard item in Committee Reporting. This work has been recognised and endorsed by Members who see it as an important part of the Council's risk management and improvement strategy. The updating of the SRR during 2019-20 has demonstrated the Council's improvement journey, showing how risks are being managed and mitigated over that period. However, risk management is an ongoing process, and management are aware that the SRR it is a live document that needs to be routinely reviewed, updated and reported to those charged with governance. Our reviews indicated that the SRR covers detail description of the actual risk, risk owner, causes of risks, consequences if it materialises, proactive and reactive controls and mitigation actions required. Covid -19 response: The Council was pro-active in terms of its Covid-19 response and its first report to Policy and Resources Committee was made on 19 March 2020, just prior to the national lockdown. The report outlined the approach to service delivery during Covid-19, noted the delegated powers held by the Chief Executive which can be used in an emergency, and recommended that Council's endorsement of a budget of £250,000 being made available from general fund reserves to support the responses immediately. This is also an indication of how the Authority has progressed embedding risk management and financial monitoring arrangements to support informed decision making and responding to key risks facing the Council. 	<p>We concluded that the Council has proper arrangements in place for embedding risk management and financial monitoring arrangements to support informed decision making.</p> <p>Our overall conclusion on VFM is reported at page 17.</p>

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are included at Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

	Fees £	Threats identified	Safeguards
Audit related:			
Certification of Housing Benefit Subsidy return	*11,500 base fee (see Note 1 below)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,500 base fee in comparison to the total fee for the audit of £44,706 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
Chief Finance Officer Insights and Place Analytics subscription	3,840	Self-Interest (because this is a subscription)	This service is provided by a separate team within Grant Thornton UK LLP. There is no exchange of information relating to the audit between the two teams and therefore no impairment of auditor independence. The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,840 per annum in comparison to the total fee for the audit of £44,706 and in particular relative to Grant Thornton UK LLP's turnover overall.

Note 1:

* The £11,500 is the base fee for Housing Benefit Subsidy certification plus for each 40+ testing undertaken:

£2,200 – where the work is completed by the Council

£4,200 – where the work is undertaken by Grant Thornton

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings (ISA260) report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

We have not provided any other services to the Council in 2019-20

Appendix A: Action Plan

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020-21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>●</p> <p>High</p> <p>Page 150</p>	<p>1. Regular meetings of Overview and Scrutiny Committee:</p> <p>Our cumulative audit knowledge and experience during 2020 has highlighted that last Overview and Scrutiny Committee meeting was held on 23 January 2020. We understand other Committee meetings were held since March 2020 lockdown including the full Council and Policy and Resources Committee meetings. These were held as virtual or actual physical meetings to discuss key governance and risk management matters facing the Council.</p> <p>However, the Council could not reconvene the Overview and Scrutiny Committee where external and internal auditors are attending and reporting on a regular basis.</p> <p>Whilst we understand the Council has responded to Covid-19 pandemic in a timely and proactive manner since March 2020, importance of Overview and Scrutiny Committee and its' contributions are vital part of Council's governance, internal controls and risk management framework. Failure to meet regularly as a Committee may adversely impact the Council's governance, internal controls and risk management framework in the future.</p>	<p>With the objective of continuous operation and improvement of governance, internal controls and risk management of the Council, management and Members need to ensure that regular meetings of Overview and Scrutiny (& Audit) Committee are held in the remainder of 2020-21 and beyond.</p> <p>Management response, responsible officer and implementation date:</p> <p>Committee meetings have now resumed and the first Overview and Scrutiny meeting was held (virtually – with 100% attendance) on 1 October 2020. Further meetings are scheduled as below:</p> <p>22 Oct 2020 19 Nov 2020 21 Jan 2021 11 Feb 2021 25 March 2021</p> <p>Anton Hodge, Chief Finance Officer (s151)</p>

Appendix A: Action Plan

Assessment	Issue and risk	Recommendations
<p>Medium</p> <p>Page 151</p>	<p>2. Accuracy and completeness of Aged Debtors listing:</p> <p>As part of our testing of the year end debtor balance, we identified some instances where cash had been received before the year end however, the original debtor balance in the aged debtors listing had not been updated correctly at the year end.</p> <p>However, on further investigation we noted that cash receipts had been posted to a relevant ledger code that would reduce the overall debtor balance at the year end resulting in the Council reporting the correct total debtors (receivables) at the year end.</p> <p>Though the overall impact is £nil for total debtors, identifying who actually owes the Council at a cut off date with the amount owed is important for timely debt collection.</p>	<p>We recommend the Council further improves the timeliness of review process of the aged debtors recording system to ensure the aged debtors listing shows an accurate and complete reflection of what monies are outstanding from respective debtors as at any cut off point and also at the year end.</p> <p>Management response and responsible officer</p> <p>The adjusting items at year end related to a particular account which the finance team were working on resolving with the service area over the year end cut off. Whilst we do not believe this to be a recurring issue, and is now resolved, we will endeavour to ensure matters are dealt within a timely fashion.</p> <p>Michelle Oates, Senior Accountant – 31 March 2021</p>
<p>Medium</p>	<p>3. Covid -19 Impact and budget monitoring 20-21 and beyond:</p> <p>There have been significant financial challenges as the Council responded to the Covid-19 pandemic through additional costs to support operational services, lost income through reduced activities including leisure and car parking income. In addition, council tax and business rates income have reduced as lock down started, businesses closed, and staff furloughed. This is expected to continue during 2020-21 and beyond.</p> <p>Budget monitoring, taking appropriate actions on variations and working with the government to address shortfalls in income and increased expenditure are central to sustainable financial planning and management. The Covid-19 pandemic and associated financial pressures have further highlighted the importance of sound financial management in Local Government. Failure to effectively plan and monitor the finances and not dealing with the government and MHCLG on a timely basis could have serious consequences in relation to sustainable resource deployment.</p>	<p>We recommend the Council continues to update its budget setting and budget projections as the challenges and impact from Covid develop. Officers should continue to report in a regular and transparent manner to Members in terms of any corrective actions required in delivering the budget, the impact of Covid on costs and income, achieving the required savings and in terms of liaising with MHCLG and the government.</p> <p>Management response and responsible officer</p> <p>This information will continue to be reported to members as part of budget monitoring and also as part of the MTFs Progress reports.</p> <p>Anton Hodge, Chief Finance Officer (s151) – on going</p>

Appendix B: Follow up of prior year recommendations - continued

Assessment	Issue and recommendation previously communicated (Interim Audit 2018-19)	2019-20 update on actions taken to address the issue
✓	<p>Bank and Cash:</p> <p>Our Interim work on bank and cash identified the Council has a process of keeping signed cheques in a safe. Cheques are pre-numbered and the system highlights when the consecutive number is not being used. However, we noted that the entire Accounting, Business and Democracy team have access to the safe.</p> <p>Rec 3: As part of proactive fraud prevention activities, the Council should consider further strengthening the process around safekeeping of signed cheques by giving access to only limited number of senior officers.</p>	<p>The Council has further strengthened the process around safekeeping of signed cheques by giving access to only limited number of senior officers.</p> <p>Action completed and no further follow up required.</p>
Page 153 ✓	<p>Authorisation of re-coded journals:</p> <p>Our interim audit work on journal controls identified that journals are re-coded when the initial posting is identified as incorrect. This is a standard practice and there is nothing unusual about journals being re-coded when required.</p> <p>However, we observed that there is no authorisation control when journals are re-coded. This may give rise to unauthorised journals being posted which may result in inaccurate journals being included in the Council's financial position, increasing the risk of errors in the Council's financial reporting.</p> <p>Rec 4: The Council should consider further strengthening the journal control environment by implementing an authorisation control when re-coding journals.</p>	<p>This is now implemented and there is now an authorisation process around re-coding of journals.</p> <p>Action completed and no further follow up required.</p>

Appendix B: Follow up of prior year recommendations – continued

Assessment	Issue and recommendation previously communicated (Interim Audit 2018-19)	2019-20 update on actions taken to address the issue
<p>X (partially implemented)</p>	<p>Governance documents:</p> <p>Our interim work highlighted that key Council documents have not been updated for a number of years, for example, the Code of Conduct (last updated in 2010), the Whistle Blowing Policy (last updated 2006)</p> <p>These are key documents forming part of the Council's wider governance and control environment.</p> <p>Rec 5: The Council should perform a review of all the key governance documents to ensure they are relevant and up to date, taking into account any changes in legislation or regulations.</p>	<p>Whilst progress has been made during 2019-20 this recommendation is not fully implemented as at 31 March 2020 and some key documents have not being fully updated, finalised and published on Council Website.</p> <p>Actions are still work in progress.</p> <p>Management response: The Whistleblowing Policy was replaced by the new Speak Out Policy which was agreed by Council in February 2020. This was one. The others were:</p> <ul style="list-style-type: none"> - Equality in Employment - #zerotolerance - Resolving Issues at Work - Volunteering <p>Work continues on updating all policies, and a further two (Capability; Disciplinary) were agreed by Policy and Resources in September 2020.</p> <p>The Member Code of Conduct was planned to be reviewed during 2019 but as the Government had promised revised guidance this was held back. However it will now be prioritised.</p> <p>The Council's website will be updated to include the most recent policy where this is not the case.</p> <p>Anton Hodge, Chief Finance Officer (s151) – on going</p>
<p>✓</p>	<p>Resourcing in the accounts production team:</p> <p>We noted the predecessor auditor in their 2017-18 Audit Findings (ISA260) Report, issued in July 2018, raised a recommendation to consider capacity and adequate resourcing in the accounts production team.</p> <p>As a result, we understand that additional part time senior resource was added to the team during 2018-19.</p> <p>Our interim audit highlighted that there are still gaps in experienced financial professionals that would assist in day to day book keeping and also help contribute to the final accounts production process. We understand that there is more scope for formal training to individuals who have taken on new roles and responsibilities in 2018-19.</p> <p>Rec 6: The Council should consider whether the current finance team and those supporting the finance team, are sufficiently resourced and experienced in order to compile the 2018-19 financial statements and deal with the audit process in June and July.</p>	<p>More resources have been introduced to strengthen the current finance team during 2019-20, this has helped delivery of the draft accounts and audit process. This is despite the additional challenge this year posed by remote working of both the finance and audit teams.</p> <p>Action completed.</p>

Appendix B: Follow up of prior year recommendations - continued

Assessment	Issue and recommendation previously communicated (Interim Audit 2018-19)	2019-20 update on actions taken to address the issue:
<p style="text-align: center;">X (partially implemented)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 155</p>	<p>Service Organisations:</p> <p>The Council uses other service organisations to provide key services. Some of these are highlighted below:</p> <ul style="list-style-type: none"> • North Yorkshire County Council (NYCC) provides finance, payroll and HR • Scarborough Borough Council provides Collection Fund, (Council Tax and Business Rates), procurement and car parking services. <p>Our Interim audit highlighted there is scope to enhance the communication between the Council and its use of service organisations mainly around services provided by Scarborough Borough Council. As a result, we noticed there was some level of staff ambiguity around certain responsibilities.</p> <p>We understand that the governance arrangements relating to the range of services provided by these service organisations is still developing. Original signed SLAs are being re-examined to ensure they meet organisational requirements, alongside proposals for governance of any over-arching collaboration agreements.</p> <p>Rec 7: In order to strengthen the arrangements in place to monitor the quality of the work delivered by the service organisations, the Council should:</p> <ul style="list-style-type: none"> • R1: Ensure all Service Level Agreements between the Council and its service providers are signed and dated – this will ensure clarity on both sides in terms of expectations on delivery and quality, reducing the risk of any ambiguity • R2: Ensure there is regular communication and monitoring of the services provided by Service Organisations (mainly around Scarborough Council) to enable they are providing what has been agreed and at an acceptable quality and standard, with appropriate levels of governance in place • R3: Ensure that if it is not receiving the agreed level of service and quality from its service providers, it holds them appropriately to account. 	<p>During 2019-20, work took place to formalise the previous SLAs between RDC and NYCC into an overarching Collaboration Agreement. This would also set out the governance arrangements between the two councils and would sign-off all subsequent service agreements as one.</p> <p>Overarching Collaboration Agreement was produced in July 2019 which captures the intended overarching agreements.</p> <p>We acknowledge that progress has been made during 2019-20 regarding signing and agreeing individual SLAs. The overarching Collaboration Agreement between the Council and NYCC is still being discussed .</p> <p>In terms of services relating to Scarborough BC, the SLA has not been agreed or finalised.</p> <p>Management response:</p> <p>The Revenue and Benefits Service (services relating to Scarborough BC) was terminated at the end of 2019-20 and it was not possible to agree a respective SLA for it.</p> <p>Discussions will continue regarding the overarching Collaboration Agreement, but in the absence of that, individual SLAs will continue to be used and these include Performance Indicators.</p> <p>Anton Hodge, Chief Finance Officer (s151)</p>

Appendix B: Follow up of prior year recommendations - continued

Assessment	Issue and recommendation previously communicated (Final Audit 2018-19)	2019-20 update on actions taken to address the issue
<p style="text-align: center;">✓</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 156</p>	<p>Embedding governance, risk management and financial monitoring arrangements to support informed decision making</p> <p>As noted in our VFM section, we identified that Council's risk management and governance arrangements were not sufficiently embedded during 2018-19.</p> <p>Our work in this area identified the 'Health Checks' undertaken by the Council. The Health Checks highlighted key risks to the Council's strategic objectives as well as day to day operations.</p> <p>Effective risk management is at the heart of good governance and vital to informed decision making to secure good value for money of Council's resources.</p> <p>Not embedding sound risk management and monitoring arrangements for informed decision making could have significant consequences to the Council's operations and the outcomes delivered to the people it serves.</p> <p>The senior management team, newly established in 2018-19, understand this and have been actively engaged in reviewing the Council's approach to governance, risk management and financial management. The reviews performed and changes initiated during 2018-19 should help to strengthen the Council's arrangements in 2019-20.</p>	<p>Actions completed.</p> <p>See our Value for Money conclusion work on pages 16-18 in section three.</p>

Appendix B: Follow up of prior year recommendations

Assessment	Issue and risk previously communicated (Final Audit 2018-19)	2019-20 update on actions taken to address the issue
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 157</p> <p>✓</p>	<p>Valuation of Land and Buildings:</p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. As part of this process, certain land and buildings were valued during 2018-19.</p> <p>Our audit work highlighted that the outcome of this exercise in relation to upward valuations and impairments were not appropriately accounted for in the draft financial statements.</p> <p>Further to our discussions with the management, material adjustments were made to correct this issue in the financial statements (see Appendix B).</p> <p>Land and buildings form a key part of Council's total asset base. In addition, valuation of Land and buildings is considered as a significant risk in the Audit Plan for 2018-19 and appropriately accounting for valuation is an important aspect of the accounts preparation process.</p> <p>A detailed review of the draft accounts by someone who is experienced in local government accounting but are not involved in the detailed production of the accounts, before publishing the draft accounts could help to mitigate such omissions in the future.</p>	<p>No such issues identified in Land and Buildings audit work during 2019-20. Our work indicated that valuation outcomes have been appropriately accounted for in the financial statements.</p> <p>No further follow up or recommendations required.</p>

Appendix C: Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

There are no unadjusted misstatements at the time of this report.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

It is important to note that none of the amendments listed below have any impact on the level of useable reserves of the Council.

No.	Description and value	Amended ?
1. Page 158	<u>Narrative Report:</u> <ul style="list-style-type: none"> Expanding the real purpose of the Narrative Report Expanding the explanation of financial statements to capture the purpose of notes to the accounts Further clarifying capital expenditure section Expand note 11 on Covid-19 impact to capture Tranche 3 funding of £83k which was received in July 2020. 	✓
	Referencing the Movement in Reserves Statement to other notes to the accounts for further clarification of reserves movements to the reader of the accounts	✓
	Events after the reporting period (note 6): <ul style="list-style-type: none"> Expanding this note to capture Covid-19 implications and explain these events are un-adjusting. 	✓
	Additional note added in line with LG Code guidance to capture effective date of revaluations on land and buildings to capture the 5 year cycle of revaluations (note 14).	✓
	Non operational property plant and equipment (surplus assets) need to be valued using fair value hierarchy methodology under IFRS13 . An additional note has been added to capture surplus assets valuation methodology.	✓
	Note 33 was updated to reflect the actual costs in relation to 2019-20 External Audit fees.	✓
	Various comments and enhancement made to update the AGS to reflect Council activities during 2019-20.	✓
	Updating the Financial Instruments note to capture the appropriate financial instruments balances as at 31 March 2020.	✓

Appendix D: Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee per Audit Plan £	Final fee £
Council Audit	44,706	TBC+
Total audit fees (excluding VAT)	44,706	TBC

+ We wish to note that there is the potential for further audit fees in relation to the additional work we have performed on pension and PPE balances, the VFM conclusion work and the level of work done to follow up last year's recommendations. In addition, further costs have been incurred due to the additional time taken to deliver the audit this year as a result of the Covid pandemic. We have discussed this likelihood with the Chief Financial Officer and we will provide a full breakdown of proposed fees on completion of our audit and this will be included in the Annual Audit Letter later this year.

Total audit fees (rounded to thousands) reconciled to the revised financial statements (note 33)

Non-audit fees for other services	Proposed fee £	Final fee £
Audit Related Services:		
Housing Benefit Subsidy return 2019-20	11,500*	TBC
Non-Audit Related Services:		
Chief Finance Officer Insights and Place Analytics subscription	3,840	3,840
Total non- audit fees (excluding VAT)	15,340*	TBC

NOTE:

* The £11,500 is the base fee for Housing Benefit Subsidy certification plus for each 40+ testing undertaken:

£2,200 – where the work is completed by the Council

£4,200 – where the work is undertaken by Grant Thornton

Appendix E: **Draft** Audit Opinion

We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings and Investment Properties as a direct impact of Covid-19.

Independent auditor's report to the members of Ryedale District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ryedale District Council (the 'Authority') for the year ended 31 March 2020 which comprise, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and the notes to the financial statements including a summary of significant accounting policies. The notes to the financial statements include the Expenditure & Funding Analysis, the Core Financial Statements Notes and the Notes on the Collection Fund. 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 the Authority as at 31 March 2020 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019-20
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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 for the audit of the financial statements' section of our report. We are independent of the Authority 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Finance Officer (s151) and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Audit opinion (**Draft**) – continued

We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings and investment properties as a direct impact of Covid-19.

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 (s151)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer (s151) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority'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.

In our evaluation of the Chief Finance Officer (s151)'s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and investment properties

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2020. As, disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's reports. Our opinion is not modified in respect of this matter.

Other information

The Chief Finance Officer (s151) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement 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 of the Authority 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.

Audit opinion (**Draft**) – continued

We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings and investment properties as a direct impact of Covid-19.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Finance Officer (s151) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of 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 the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer (s151). The Chief Finance Officer (s151) 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, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer (s151) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer (s151) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Overview and Scrutiny Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Audit opinion - continued (Draft)

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

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

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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 the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority 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 under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature and date – *To be included*

Gareth Mills, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Appendix F: Management letter of representation (**Draft**)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

Grant Thornton UK LLP
No 1 Whitehall Riverside
LEEDS
LS1 4BN

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12 November 2020 (Date Policy and Resources Committee approves the financial statements)

Dear Sirs

Ryedale District Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Ryedale District Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged

- Page 165
- a. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
 - i. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
 - ii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
 - iii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
 - iv. We have considered the unadjusted misstatements schedule included in your Audit Findings Report **and attached**. We have not adjusted the financial statements for these misstatements brought to our attention as *they are immaterial to the results of the Council and its financial position at the year-end OR list reasons*. The financial statements are free of material misstatements, including omissions. **[To be confirmed by GT]**
 - v. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
 - vi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
 - vii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- i. We have provided you with:
 - a. 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 matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.
- iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- iv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- i. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or

- a. others where the fraud could have a material effect on the financial statements.
- i. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- ii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- iii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- iv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

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Annual Governance Statement

- i. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- i. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Policy and Resources Committee at its meeting on 12 November 2020.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

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PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	22 OCTOBER 2020
REPORT OF THE:	SECTION 151 OFFICER (ANTON HODGE)
TITLE OF REPORT:	INTERNAL AUDIT AND COUNTER FRAUD ANNUAL REPORT 2019/20
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 In accordance with part 5 of the council's Audit Charter, 'The Head of Internal Audit is required to provide an annual report to the Overview and Scrutiny Committee. The report will be used by the Committee to inform its consideration of the Council's annual governance statement.'
- 1.2 The report summarises the outcomes of audit work undertaken in 2019/20 and provides an opinion on the overall adequacy and effectiveness of the council's internal control arrangements.
- 1.3 The report also updates the committee on counter fraud work undertaken in 2019/20.

2.0 RECOMMENDATION(S)

- 2.1 Members are asked to:
- a) note the results of the audit and counter fraud work undertaken in 2019/20.
 - b) note the overall opinion of the Head of Internal Audit regarding the overall framework of governance, risk management and control operating within the Council.
 - c) note the significant control issues identified through internal audit work in 2019/20.
 - d) note the outcome of the quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards.

3.0 REASON FOR RECOMMENDATION(S)

- 3.1 The committee is responsible for considering reports on the results of internal audit work, in accordance with its terms of reference and the council's audit charter; and in line with the requirements of Public Sector Internal Audit Standards.

4.0 SIGNIFICANT RISKS

- 4.1 The council will fail to comply with proper practice requirements for internal audit, and the council's Audit Charter, if the results of audit work are not considered by an appropriate committee.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 The work of internal audit supports the council's overall aims and priorities by promoting probity, integrity and honesty and by helping support the council to become a more effective organisation.

6.0 REPORT DETAILS

- 6.1 The results of completed audit work have been reported to relevant officers during the year. Summaries of all finalised audit reports have been presented to this committee as part of regular monitoring reports. Details of the audits finalised since the last report to this committee in January 2020 are included in appendix 2 to the supporting report contained in annex A.
- 6.2 The overall opinion of the Head of Internal Audit on the framework of governance, risk management, and control operating in the council is that it provides **Reasonable Assurance**. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 6.3 The report notes that we recognise that the Council has made good progress in the last few years to improve its overall governance arrangements. Once these improvements are embedded and sustained, the Council can expect to see a higher rate of assurance.
- 6.4 This opinion is however qualified in light of the current coronavirus pandemic and the impact of this on the council. The opinion is based on internal audit work undertaken, and substantially completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control.
- 6.5 The Head of Internal Audit is required to highlight any significant weaknesses in control that need to be considered for inclusion in the Annual Governance Statement (AGS). The Head of Internal Audit has highlighted that there are no significant control issues to recommend for possible inclusion in the 2019/20 Annual Governance Statement.
- 6.6 On an ongoing basis, internal audit follow up previous audit findings to ensure control weaknesses have been addressed. We have highlighted one area in paragraph 3 of annex A relating to the Transparency Code work from 2018/19 which was included in last year's AGS. It is expected that actions to address the issues raised in that report will be fully completed in 2020/21.
- 6.7 Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards.

These quality assurance arrangements include ongoing operational procedures, annual internal self-assessment against the PSIAS, and periodic external assessment. The outcomes from the QAIP demonstrate that the service provided by Veritau conforms to professional standards. Further details are included in appendix 4 to the supporting report contained in annex A.

6.8 The report enclosed in annex B summarises counter fraud work undertaken in 2019/20.

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
None
- b) Legal
None
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental and Climate Change, Crime & Disorder)
None

Anton Hodge
Section 151 Officer

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RYEDALE
DISTRICT
COUNCIL



Ryedale District Council

Internal Audit Annual Report 2019/20

Assistant Director – Audit Assurance:
Head of Internal Audit:

Stuart Cutts
Max Thomas

Date: 22 October 2020



Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015, relevant professional standards and the District Council's Internal Audit Charter. The applicable standards for local government are the Public Sector Internal Audit Standards (PSIAS). These comply with the international standards issued by the global Institute of Internal Auditors (IIA).
- 2 In connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)¹ should provide an annual report to the board². The report should include:
 - (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
 - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
 - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

Internal audit carried out in 2019/20

- 3 During 2019/20, internal audit work was carried out across the full range of the Council's activities. The main areas of internal audit activity included:
 - **Strategic risk register** – reviewing key risk areas as highlighted by the Council's risk register.
 - **Financial systems** – work in this area provides assurance to the Council on the adequacy and effectiveness of financial system controls. This work helps to provides assurance to the Authority that the risk of financial loss and error is minimised.
 - **Operational Systems and Risk Management** – providing assurance on operational systems and systems to manage risks to the achievement of corporate objectives.
 - **General Advice and Support** – We provide regular advice and support to officers on a range of specific business and internal control issues. This work helps to provide 'real time' feedback on areas of importance to the Council.

¹ The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Audit and Performance Review Committee.

- **Follow up of previous findings** – it is important that agreed actions are followed up to ensure that they have been implemented. Veritau follows up agreed actions on a regular basis, taking account of the timescales previously agreed with management for implementation. Good progress has continued to be made by management to address control issues identified through audit work. In May 2019, we highlighted some areas for improvement to ensure compliance with the Transparency Code. This was included as an action in the 2018/19 Annual Governance Statement. It is expected that the findings from this audit will be fully addressed during 2020/21. A Corporate Governance Team has now been established and an officer from this team will be appointed to oversee compliance with the Code. Progress will also be monitored by the Head of Corporate Governance and the s151 Officer.
- 4 **Appendix 1** provides a summary of the audit work carried out in the year, and the opinions given for each completed audit. Work has been reported to this committee during the course of the year as part of regular monitoring reports. Details of work not previously reported to the committee are included in **Appendix 2**. The opinions and priority ratings used by Veritau during 2019/20 are detailed in **Appendix 3**.

Compliance with Professional Standards

- 5 Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. As well as undertaking an annual survey of senior management in each client organisation and completing a detailed self-assessment to evaluate performance against the Standards, the service is also subject to a periodic external assessment. As previously reported to the Committee, an external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the southwest of England. The assessment concluded that Veritau's internal audit activity generally conforms to the PSIAS³ and, overall, the findings were very positive.
- 6 The outcome of the QAIP demonstrates that the service conforms to Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*. Further details of the QAIP and an Improvement Action Plan prepared by Veritau are given in **Appendix 4**.

³ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

2019/20 Audit Opinion and Assurance Statement

- 7 The overall opinion of the Head of Internal Audit on the framework of governance, risk management, and control operating in the Council is that it provides **Reasonable Assurance**. In giving this opinion we recognise that the Council has made good progress in the last few years to improve its overall governance arrangements. This has included:
- agreeing a new Council Plan
 - improving budget management and medium term financial planning processes with quarterly reporting to all members
 - implementing a new Corporate Governance service structure
 - improving service planning and monitoring
 - adopting a new risk management strategy and updated corporate risk register
 - introducing new or updated policy frameworks in key areas
 - developing a new corporate programme and project management structure
 - developing a new ICT strategy
 - addressing issues related to historic allegations of bullying
 - improving the approach to organisational development, including a new People and Culture Plan, internal communications and engagement and the roll out of a comprehensive approach to training, learning, development and individual performance management
 - completing a root and branch review of pay, terms and conditions, job evaluation and concluding a new collective agreement
 - increasing capacity to deliver statutory and policy obligations including in legal, finance, HR, procurement, and health and safety.

We will review these areas as part of future audit work, and provide assurance to management that the changes are fully embedded and operating effectively.

- 8 No reliance was placed on the work of other assurance bodies in reaching this opinion. This opinion is, however, qualified in light of the current coronavirus pandemic and its impact on the Council. The opinion is based on internal audit work undertaken, and substantially completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control.
- 9 There are no significant control issues to recommend for possible inclusion in the 2019/20 Annual Governance Statement.

Other Matters

Supporting on Covid-19 risks

- 10 Veritau set up a Covid-19 Response Team to provide timely advice and support to our member councils to help manage the fraud risks and other challenges caused by the pandemic. A specific Covid-19 fraud risk assessment was completed for the

Council with targeted actions to reduce the emerging fraud risks. We are working closely with officers during 2020/21 and providing guidance and support (including individual case review) to help manage the emerging risks linked to the pandemic.



Max Thomas
Director and Head of Internal Audit
Veritau Ltd

22 October 2020

Appendix 1

Area	Status	Assurance Level	Audit Committee
Strategic Risks			
Human Resources	Final report	Reasonable Assurance	October 2020
Data Quality – Health and Safety	Cancelled	-	-
Revenue and Capital Budgeting	Final report	Substantial Assurance	October 2020
Data Protection and Information Security visit	Final report	Substantial Assurance	January 2020
ICT – contract management	Final report	Substantial Assurance	October 2020
Contract Management and Procurement	Final report	Substantial Assurance	October 2020
Financial System Audits			
Payroll and Personnel	Final report	Reasonable Assurance	July 2020
Creditors	Final report	Reasonable Assurance	October 2020
Sundry Debtors	Final report	Substantial Assurance	October 2020
Operational Audits			
Risk Management	Final report	Reasonable Assurance	October 2020
Policy Framework	In progress	-	-
Relationships and agreements with other bodies	In progress	-	-
Projects / other work			
Assurance Mapping	Completed		
2018/19 audits			
Safeguarding	Final report	Limited Assurance	October 2020

Summary of Key Issues from audits completed not previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
Human Resources (HR)	Reasonable Assurance	<p>Since August 2018, Ryedale District Council's (RDC) Payroll & Human Resources (HR) services have been provided by North Yorkshire County Council (NYCC) as part of collaborative working arrangements.</p> <p>We reviewed the procedures and controls in place which ensure that:</p> <ul style="list-style-type: none"> HR policies and procedures are being reviewed and updated appropriately managers are using suitable records management techniques there is an appropriate, timely and secure flow of information between NYCC and RDC. 	July 2020	<p>Strengths All HR policies are now in the process of being reviewed. HR policy will become a standing item on the forward plan with a view to presenting revised policies to Policy and Resources Committee on a regular basis. For all updated policies and procedures a document control has been introduced to track revisions. All policies and procedures are due to be placed on a rolling review basis, to ensure all have a set review date.</p> <p>There are appropriate, timely and secure flows of information between NYCC and RDC.</p> <p>Key areas for improvement Key HR tasks such as sickness, annual leave and appraisals are recorded, monitored and managed using inconsistent and manual methods.</p> <p>Managers are still not storing HR documentation in a consistent and secure manner. This may result in HR documentation not being able to be traced and the Council may not be compliant with GDPR legislation.</p> <p>The current organisational structure is not reflected in the HR system and this prevents functionality within the system being used effectively by managers.</p>	<p>A new performance management system is due to be launched Autumn 2020 called Immerse Works. This has been purchased and is currently at the trialling stage. The system can do more than appraisals. However the contract is only for 12 months so current HR and document management practices will not be changed until a wider corporate decision is taken on this system.</p> <p>More managers are now using MyView (the HR system) to record sickness absence but it is still not fully utilised. Training for managers on many HR processes will be covered in a programme of events due to take place in Quarter 3 & Quarter 4 of 2020.</p> <p>Annual leave is now booked through MyView. This commenced in April 2020 when new pay and allowances were introduced.</p>
Revenue and Capital Budgeting	Substantial Assurance	A review of procedures and controls to ensure that:	August 2020	<p>Strengths Since the introduction of the joint finance working arrangements with NYCC there has been an improvement in the quality and relevance of</p>	Budget manager finance training has been delayed for a number of reasons, but the requirements will

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
		<ul style="list-style-type: none"> improvements to address the 2018/19 audit findings had been made and are embedded into Council processes and controls, resulting in the revenue budget setting, monitoring and reporting being robust there was an approved capital programme which was being regularly monitored and progress was being reported to members in accordance with the financial strategy. 		<p>budget monitoring information. Accurate monitoring reports are now being issued every month to budget managers, who are expected to review them and provide explanations for actual or expected budget variances to finance on a quarterly basis. The monitoring reports are used to provide information to members in reports presented to P&R.</p> <p>The capital programme is approved by Full Council as part of the Financial Strategy and there is a named officer responsible for each scheme.</p> <p>Key areas for improvement Finance are not always kept informed about proposed staffing and structural changes, so are unable to calculate any cost implications.</p> <p>Budget managers have not received financial training and some do not feel competent using the financial system to oversee their areas of budgetary responsibility.</p>	be reviewed and the training delivered during 2020/21.
ICT Contract Management	Substantial Assurance	<p>A review of procedures and controls to ensure that:</p> <ul style="list-style-type: none"> there are clear roles and responsibilities in place for managing ICT systems and service contracts contract management processes and procedures deliver value for money the performance of ICT contracts are monitored 	September 2019	<p>Strengths Overall, there was no concern with supplier performance for the contracts reviewed. Contract managers formally discuss performance issues with the suppliers on an annual basis.</p> <p>Sufficient and appropriate levels of licenses were being purchased, and monitored.</p> <p>Key areas for improvement Some contracts for systems we reviewed had been rolled forward for a number of years without going through a re-tender process. When these were extended, contracts were not fully and appropriately updated so now have some omissions when compared to best practice. For</p>	<p>All ICT systems and services that are delivered by third party organisations will have a contract in place clearly setting out the roles of the supplier and will facilitate performance management of the supplier. The contract will be updated if there are changes to the service provided by the supplier.</p> <p>The performance of third party suppliers will be formally reviewed each year and the review will be documented. Input from the service department and ICT team</p>

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
				<p>example where sensitive data is stored the contracts need to be updated to ensure data protection contract variations are included.</p> <p>Contract managers formally discuss performance issues with the suppliers on an annual basis. However, these conversations are not documented. It is recommended that formal records of the discussions be kept so that any arising issues with the performance of suppliers are recorded.</p>	<p>will be included in the review and it will be signed off by appropriate members of the senior management team.</p>
Contract Management – Contracts Register	Substantial Assurance	<p>A review of procedures and controls to ensure that:</p> <ul style="list-style-type: none"> the contracts register accurately records details of all services which should be provided using a formal contract the agreed actions from our audit of RDC's contract register in 2016 have been implemented, and the action plan presented to RDC's Strategic Management Board (SMB) in March 2019 is being implemented in accordance with the agreed timescales. 	July 2020	<p>Strengths Ryedale DC has documented procedures to ensure all relevant procurements have been included within the contracts register, which include details of how and when the contracts register should be updated.</p> <p>The vast majority of expenditure reviewed had been included in the register.</p> <p>Key areas for improvement A small number of contracts (three) had not been included in the register that should have been.</p> <p>We found two actions had not been implemented from our previous work. These were included, amongst others, in a procurement and contract management action plan presented to RDC's SMB in March 2019. At the time of our audit seven recommendations within that contract management action plan had yet to be implemented.</p>	<p>The new procurement service, led by NYCC but overseen by the Head of Corporate Governance, will draw up a revised contracts register which will also link to a forward procurement plan. Guidance will be agreed to ensure that all relevant entries are made to these two documents.</p> <p>The new service will also look at the lessons arising from this audit and any outstanding actions from previous audits and will ensure that any relevant remedial actions are taken. These will feed through into the corporate governance service plan as appropriate.</p>
Payroll and personnel	Reasonable Assurance	The Council's payroll services have been provided by NYCC since August 2018.	July 2020	<p>Strengths The majority of findings raised in the previous audit have either been fully addressed or work is</p>	Once the establishment is confirmed by SMB the pay run can be established and

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
		<p>Our work reviewed the adequacy of procedures and the strength and controls in place for managing the Council's payroll. Specifically, it sought to ensure that:</p> <ul style="list-style-type: none"> • actions raised in the 2018/19 audit have been appropriately addressed • current Payroll procedures and controls are robust and reliable • processes are in place to ensure the new pay structure is implemented accurately. 		<p>ongoing to progress the necessary actions. A pay and allowances restructure has been completed and appropriate checks for the implementation of the new structure were found to be in place. Contracts have been addressed as part of the pay review and a revised template for RDC contracts is in place.</p> <p>Sufficient checks on pay run data were found to be carried out by ESS each month via a number of error and exception reports. Any unusual cases highlighted on these reports are reviewed and checked using evidence of changes processed by ESS. Appropriate segregation of duties in the payroll process was found to be in place.</p> <p>Key areas for improvement Improvements to address control weaknesses in the monthly pay run process have not yet been completed. The process for checking the monthly pay run internally at RDC cannot effectively identify errors or issues in payroll data.</p> <p>A number of reports are sent to RDC finance staff for review but no exception reports are received. RDC officers do not have access to HR information to confirm the validity of changes made. Only a sense check can be completed to identify any significant variances which are then queried with ESS. Therefore, there is minimal benefit to these checks as issues cannot be effectively identified or checked adequately.</p> <p>Authorisation of the pay run from RDC is required before the pay run can be processed but as minimal checks are carried out at RDC this authorisation cannot provide adequate assurance that the pay run is valid and correct.</p>	<p>appropriate exception reporting developed. Any queries on exceptions will be discussed with NYCC HR and ESS. Overall responsibility for authorisation will remain with the Programme Director for Economic Development as the officer with overall responsibility for the payroll.</p>

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
Creditors	Reasonable Assurance	<p>A review of procedures and controls to ensure that:</p> <ul style="list-style-type: none"> effective checks are in place to prevent duplicate payments being processed invoices are only paid if supported by an official purchase order credit cards are used in accordance with policy actions from the 2018-19 audit have been addressed. 	July 2020	<p>Strengths The 2018/19 Creditors audit report included two agreed actions relating to the verification of changes to suppliers details and a delay in goods receipting, leading to late payments. These actions have been implemented in accordance with the timescales included within the previous audit report.</p> <p>Key areas for improvement We highlighted four duplicate invoice payments totalling £24,238 which had not been prevented by Council controls. The creditors system automatically highlights the potential of a duplicate payment but in each case this control had been manually overridden. Monies are being recovered via credit notes with suppliers.</p> <p>There is an agreement signed by each senior officer and a representative of the Council which states the terms of credit card use. However, this is a single sided document, which lacks the detail of a formal policy.</p> <p>Our review of a sample of 20 credit card transactions saw 6 were not supported by receipts. Of the 14 that were, only 4 of these transactions were in line with the terms and conditions of use that spend should relate to travel and subsistence only.</p>	<p>Additional support and training will be provided to staff who are overriding the control and a procedure document will be drawn up outlining actions required when the system flags up a potential duplicate payment.</p> <p>Management will continue with current procurement and purchasing training to ensure that managers are aware of how the process should operate and will also consider the practicalities of whether a contract reference would be useful.</p> <p>Current guidance will be reviewed as to whether a more detailed policy on credit card use is required.</p>
Sundry Debtors	Substantial Assurance	<p>A review of procedures and controls to ensure that:</p> <ul style="list-style-type: none"> debt recovery arrangements are appropriate and applied consistently 	July 2020	<p>Strengths Debt recovery processes were found to be appropriate and applied consistently. Accounts can only be put on hold if requested by the service contact, and for a maximum of 30 days, after which the normal recovery process resumes.</p>	<p>The sundry income and debt guidance will be reviewed and updated as appropriate.</p> <p>As part of the new Council Plan and/or Joint Finance Team Service Plan, effective and</p>

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
		<ul style="list-style-type: none"> appropriate actions are taken when accounts are not paid within specific time scales issues raised in the previous Sundry Debtors audit from 2018 had been addressed. 		<p>Customers are encouraged to pay for services in advance and supporting processes are in place to encourage timely payments for services.</p> <p>Key areas for improvement Sundry income and debt guidance has not been updated since May 2014 and includes a process for referring debts to legal services which no longer takes place (aged debts are now sent to a collection agency).</p> <p>Statistics are not currently being calculated or monitored in respect of debt collection targets. There is no Key Performance Indicator (KPI) in place to monitor compliance with collection rates.</p> <p>There is inconsistency across service areas in chasing debts, partly because of the nature of the services but also partly due to staffing issues.</p>	meaningful performance indicators will be established.
Risk Management	Reasonable Assurance	<p>A review of procedures and controls to ensure that:</p> <ul style="list-style-type: none"> service risk registers are up to date effective mitigating actions are included in the service risk registers risk reduction and mitigation is evident within the service risk registers actions are up to date and monitored. 	July 2020	<p>Strengths Risk management guidance has been developed and improved since the previous audit to reflect new ways of working and updated reporting arrangements. Service risk registers are reported to senior management on a quarterly basis.</p> <p>The Council is in the process of embedding a new approach to risk management, including the way risks are scored and treated.</p> <p>Key areas for improvement There are areas of the risk management guidance that could be developed to further improve service level risk management. There was a lack of understanding of risk scoring and the framework itself when service managers were interviewed.</p>	<p>SMB will review the detailed risk management guidance and reissue it. This states where and when information is reported and respective responsibilities. The issues set out in this audit will form part of a review paper to take to SMB by September and SMB will consider ways to ensure that service managers understand it and that communication works.</p> <p>The corporate risk Register has been updated but service risk registers will be checked initially and then reviewed on an ongoing</p>

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Not all risk registers were complete and up to date. In addition, some action plans do not contain timescales and identification of responsible officers is incomplete.</p> <p>Service managers were not always confident in risk reduction methods or when scoring their risks. A consequence of this is that risk managers have not been amending risk scores through time or as a result of the completion of effective mitigating actions. Managers felt there was limited guidance available to them.</p>	<p>basis. As part of the review of service risk registers, assurance will be sought about action plans and progress. Further training and assistance from Veritau is planned for 2020/21.</p>
Safeguarding	Limited Assurance	<p>A review of procedures and controls to ensure the following.</p> <ul style="list-style-type: none"> Responsibilities are clearly defined within the Council. Accessible and up to date safeguarding policies and procedures exist and these are supported by other key policies such as the whistleblowing policy. All employees, elected members and others associated with the delivery of Council services are aware of the safeguarding policy and procedure and receive appropriate training. Safeguarding controls are included within recruitment and human resources 	October 2020	<p>Strengths The Safeguarding Policy, available via the intranet, is extensive and, on the whole, responsibilities for safeguarding within the Council are clearly defined.</p> <p>There is useful guidance on the intranet available to managers to help ensure safeguarding is included within the induction process.</p> <p>All except one from a sample of recent new starters had been made aware of the safeguarding policy and had undertaken eLearning training or attended an in-house safeguarding training session.</p> <p>Key areas for improvement Procedures in place and records kept are not adequate to provide assurance that all members of staff and elected members have attended safeguarding training.</p>	<p>Since the fieldwork for this audit was completed, responsibility for safeguarding has been assigned to the Head of Customer Services and Communities. A range of actions, aimed at addressing the key risks, have been undertaken in response to the audit. Work is still underway in some areas and the related actions will be followed up in December 2020 when these become due.</p>

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
		<p>procedures. These controls include appropriate DBS checking, codes of conduct, contracts of employment and the induction process.</p> <ul style="list-style-type: none"> • Access to unauthorised websites in the workplace is monitored and prevented. • Policies and procedures are applied to ensure the Council is fulfilling its responsibilities. <p>Also discussions were held with a sample of recent new starters to establish the awareness of, and the extent to which, safeguarding had been covered during the induction process. Some additional work was also undertaken in relation to Ryecare.</p>		<p>The safeguarding policy requires that services contracted from third party organisations have appropriate safeguarding policies and procedures in place commensurate with their level of contact with children, young people and adults at risk. These requirements are not currently built into contracts. The policy itself needs to be updated as two contacts named within it left the Council in 2018.</p> <p>There is not an approved DBS policy, nor is there an agreed list of posts for which a DBS check is required.</p> <p>The officer code of conduct, dated 2010, needs updating. It does not require employees to report arrest, charges, convictions or other misdemeanours immediately to the Council. There is an area in the staff handbook which instructs staff of the need to inform business improvement of changes to personal information which includes criminal charge, caution or conviction but business improvement ceased to exist at the April 2017 restructure. Other related areas of the staff handbook need to be more widely reviewed as various links no longer work.</p> <p>The Whistleblowing Policy, last updated in 2005, contains references which are out of date.</p> <p>Those who access the Council's systems are not regularly reminded about the requirements of the Council's internet usage policy.</p> <p>There is a lack of formal standby arrangements in Ryecare for dealing with equipment failures that occur outside of office hours, a lack of formal guidance about prioritising equipment repairs and</p>	

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
				an issue with equipment testing and battery replacement not being completed within the prescribed timescales.	

Audit Opinions and Priorities for Actions 2019/20

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.



VERITAU

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual
- the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- the requirement for all audit staff to complete annual declarations of interest
- detailed job descriptions and competency profiles for each internal audit post
- regular performance appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- induction programmes, training plans and associated training activities
- attendance on relevant courses and access to e-learning material
- the maintenance of training records and training evaluation procedures
- membership of professional networks
- agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- the results of all audit testing and other associated work documented using the company's automated working paper system (Galileo)
- file review by senior auditors and audit managers and sign-off of each stage of the audit process
- the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- performance against agreed quality targets monitored and reported to each client on a regular basis
- regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, samples of completed audit files are also subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by a senior audit manager. Any key learning points are shared with the relevant internal auditors and audit managers. The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self-assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment and professional networking are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board⁴ as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

2.0 Customer Satisfaction Survey – 2020

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2020. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 136 surveys (2019 – 171) were issued to senior managers in client organisations. 15 completed surveys were returned representing a response rate of 11% (2019 - 12%).

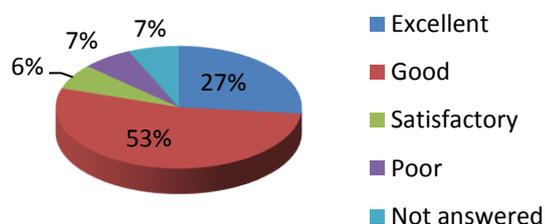
⁴ As defined by the relevant audit charter.

The surveys were sent using Survey Monkey and the respondents were required to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:

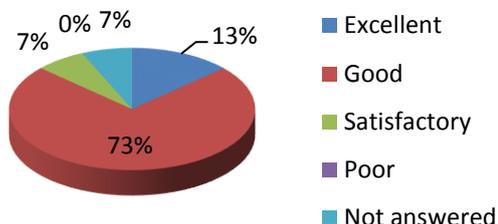
- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below:

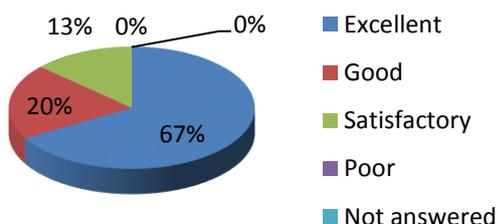
Quality of audit planning / overall coverage



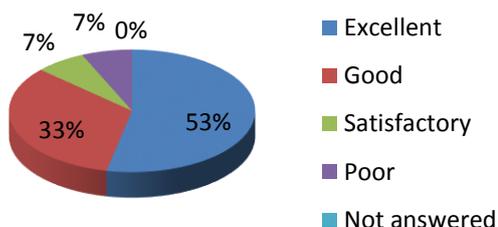
Provision of advice / guidance



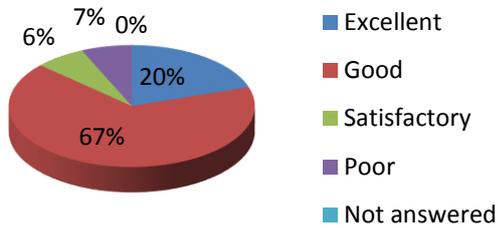
Staff - conduct / professionalism



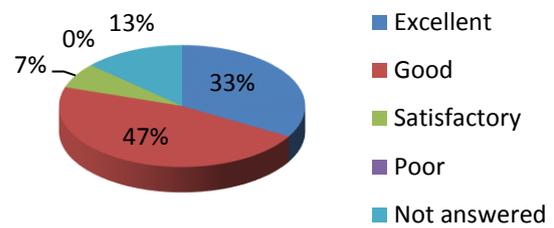
Ability to establish positive rapport with customers



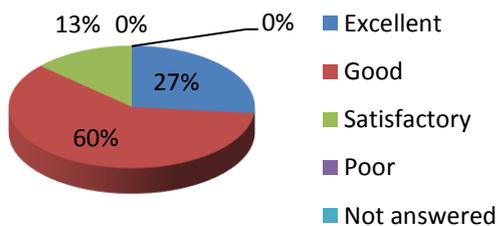
Knowledge of system / service being audited



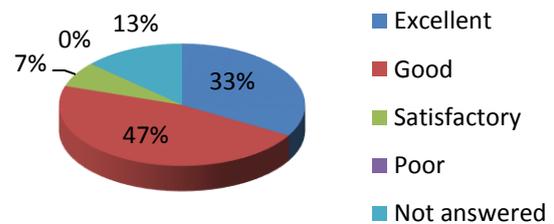
Minimising disruption to the service being audited



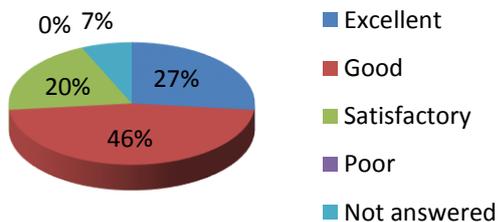
Communicating issues during the audit



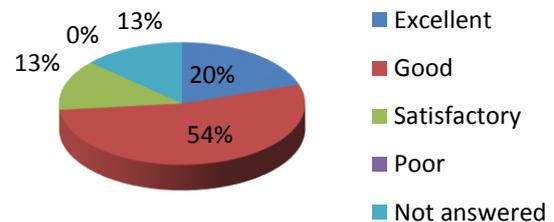
Quality of feedback at end of audit



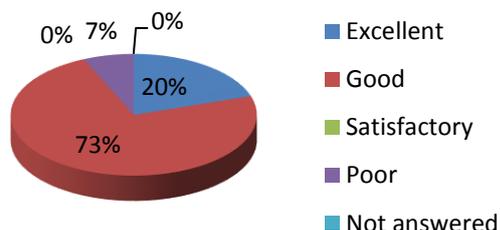
Accuracy / format / length / style of audit report



Relevance of audit opinions / conclusions



Overall rating for Internal Audit service



The overall ratings in 2020 were:

	2020		2019	
Excellent	3	20%	11	55%
Good	11	73%	6	30%
Satisfactory	0	0%	3	15%
Poor	1	7%	0	0%

The feedback shows that the majority of respondents continue to value the service being delivered.

3.0 Self-Assessment Checklist – 2020

CIPFA prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 and has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards. In April 2019, CIPFA published a modified version of the checklist and this has been used to complete the latest self-assessment. The revised checklist includes some additional guidance on what constitutes compliance, and amalgamates a number of relevant checklist areas.

The current working practices are considered to be at standard. However, a few areas of non-conformance have been identified. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant and the existing arrangements are considered appropriate for the circumstances and hence require no further action.

The table below showing areas of non-compliance has been updated to reflect the new checklist.

<u>Conformance with Standard</u>	<u>Current Position</u>
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed

<u>Conformance with Standard</u>	<u>Current Position</u>
the engagement was accepted?	by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Does the risk-based plan set out the respective priorities of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee).
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	An approach to using other sources of assurance, where appropriate is currently being developed (see below).

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed audit committee chairs.

A copy the external assessment report was reported to this committee in March 2019.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS⁵ and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014.

5.0 Improvement Action Plan

The external assessment identified a number of areas for further consideration and possible improvement. An action plan was developed to address these areas. One action remains to be completed, as follows:

Recommendation	Current Position
<p>Whilst reliance may be placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance bodies and limited resources are not duplicating effort. (Attribute Standard 2050).</p>	<p>This work is ongoing. Other potential sources of assurance have been identified for each client. This information is now being used to develop more detailed assurance mapping. A standard methodology and approach is also being developed.</p>

In 2019/20, the Quality Assurance group reviewed internal processes for undertaking and recording testing of internal controls. The review identified that testing methodologies were generally good, were relevant to the controls being tested and that appropriate conclusions were being reached. However, improvements were needed to the documentation of testing in some areas. The review also found some cases where the use of data analytics should have been considered, rather than relying on sample testing. This could have improved the level of assurance obtained and provided more useful data for the client. Further training will be delivered to the internal audit teams, covering these areas, in 2020/21.

The following areas will also continue to be a priority in 2020/21:

- Further development of in-house technical IT audit expertise
- Investment in new data analytics capabilities

We also plan to review the audit opinions used for reporting to ensure they remain aligned with best practice.

⁵ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

6.0 Overall Conformance with PSIAS (Opinion of the Head of Internal Audit)

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms, 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.



Ryedale District Council
Counter Fraud Annual Report
2019/20

Assistant Director – Corporate Fraud: Jonathan Dodsworth
Head of Internal Audit: Max Thomas

Circulation List: Members of the Overview and Scrutiny Committee
Chief Finance Officer (s151 Officer)

Date: 22 October 2020



Background

- 1 Fraud is a significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom.
- 2 Councils are encouraged to prevent, detect and deter fraud in order to safeguard public finances.
- 3 Veritau are engaged to deliver a counter fraud service for Ryedale District Council. The service aims to prevent and deter fraud through maintaining a counter fraud policy framework, helping to maintain and improve controls, and raising awareness of fraud both internally and with the public. The counter fraud team proactively and reactively investigates any fraud or related criminality affecting the council. Veritau deliver counter fraud services to the majority of councils in the North Yorkshire area as well as local housing associations and other public sector bodies.

Counter Fraud work carried out in 2019/20

- 4 Counter fraud work was undertaken in accordance with the approved plan. A summary of activity is included in Appendix 1 of this report. Investigations this year have led to the £33k of savings being produced for Ryedale District Council. Overall, 55% of investigations resulted in a successful outcome.

Counter Fraud Activity 2019/20

The tables below shows the total number of fraud referrals received and summarises the outcomes of investigations completed during the year.

	2019/20 (Full Year)	2019/20 (Target: Full Year)	2018/19 (Full Year)
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, and housing allocations blocked).	55%	30%	60%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£32,641	£20,000	£24,659

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Caseload figures for the period are:

	2019/20 (Full Year)	2018/19 (Full Year)
Carried forward at start of financial year	75	54
Referrals received	41	63
Referrals rejected	32	27
Number of investigations completed	21	15
Active cases and awaiting investigation ¹	63	75

¹ As at 31/3/20 and 31/3/19 respectively.

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>The 2018/19 National Fraud Initiative (NFI) is now complete. Over 500 matches were reviewed, but no fraud or error was detected.</p> <p>Preparations for the 2020/21 NFI exercise are now underway. Data will be sent to the Cabinet Office in October 2020 and matches for investigation are expected in February.</p>
Fraud detection and investigation	<p>The service uses criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity undertaken last year included the following:</p> <p>Council Tax Support fraud – In 2019/20 the team received 29 referrals for possible CTS fraud. Over £7k in falsely or erroneously obtained discounts were detected. Three warnings were issued to members of the public.</p> <p>Council Tax/Non Domestic Rates fraud – Nine referrals for possible Council Tax and NNDR fraud were received last year. Nearly £5k of underpaid Council Tax and NNDR was detected. Three warnings were issued to members of the public.</p> <p>Internal fraud – One investigation of alleged internal fraud was completed last year, but no fraud or wrongdoing was found.</p> <p>External fraud – A scam involving stolen credit cards was detected last year and a potential £7k in losses was prevented.</p>
Fraud liaison	<p>The counter fraud team acts as a single point of contact for the DWP in relation to fraud and is responsible for providing data to support their housing benefit investigations. The team dealt with 28 requests in 2019/20.</p> <p>Joint working with the DWP on benefit fraud cases began in the Yorkshire and Humber region last year but no investigations were instigated under the new arrangements.</p>

Activity	Work completed or in progress
Fraud management	<p data-bbox="421 240 1845 272">In 2019/20 a range of activity has been undertaken to support the Council's counter fraud framework.</p> <ul data-bbox="421 347 2002 954" style="list-style-type: none"><li data-bbox="421 347 2002 416">• The counter fraud team alerts council departments to emerging local and national threats through a monthly bulletin and specific alerts over the course of the year.<li data-bbox="421 440 2002 544">• In May 2019, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2018/19 meeting the council's obligation under the Local Government Transparency Code 2015.<li data-bbox="421 568 2002 671">• The council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey in June 2019. The information provided has contributed to a recently released report which provides a national picture of fraud, bribery and corruption in the public sector and the actions being taken to prevent it.<li data-bbox="421 695 2002 799">• In September 2019, the counter fraud team ran a cybercrime awareness week, delivering cybercrime awareness information to council employees through a number of bulletins provided over the course of the week.<li data-bbox="421 823 2002 895">• In November 2019, awareness was raised internally and with the public as part of International Fraud Awareness Week.<li data-bbox="421 919 2002 954">• In March 2020, anti-fraud leaflets were distributed with annual Council Tax and NNDR bills.

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REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	22 OCTOBER 2020
REPORT OF THE:	SECTION 151 OFFICER (ANTON HODGE)
TITLE OF REPORT:	INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE PLANS 2020/21
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS). In accordance with those standards internal audit is required to prepare an indicative risk-based audit plan following consultation with the Overview and Scrutiny Committee and senior management. The purpose of this report is to present to members the internal audit plan for 2020/21. The proposed plans of work for counter fraud and information governance are also provided, for information.

2.0 RECOMMENDATION

- 2.1 It is recommended that the internal audit plan for 2020/21 be approved and the counter fraud and information governance plans be noted.

3.0 REASONS FOR RECOMMENDATION

- 3.1 To enable the committee to fulfil its responsibility to approve the internal audit plan as part of its responsibility for overseeing the work of internal audit (as stated within paragraph 7.6 of the Council's Audit Charter).
- 3.2 To ensure that the committee understands the scope and extent of counter fraud and information governance work to be undertaken.

4.0 SIGNIFICANT RISKS

- 4.1 The Council will fail to comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) if the internal audit plan is not approved by the committee, and it may be subject to increased scrutiny and challenge.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 The work of internal audit, counter fraud and information governance supports the Council's overall aims and priorities by promoting probity, integrity and honest and by helping support the council to become a more effective organisation.

6.0 REPORT DETAILS

- 6.1 Once a year the ongoing audit planning process is formalised with the production of the Annual Internal Audit plan. Annex A to this report sets out the proposed plan of internal audit work for 2020/21.
- 6.2 The planned work is based on an initial assessment of risk undertaken by Veritau, alongside discussions with this committee and senior officers. This helps to ensure limited audit resources are prioritised towards those areas which are considered to be the most appropriate and/or which contribute the most to the achievement of the Council's priorities and objectives.
- 6.3 In recognition of the significant change the Council is currently undergoing and the challenges it is facing, the plan has been designed as a high-level document with an allocation of days for key areas. The detailed audits to be included within these areas will be agreed with the responsible officers in the coming months. The plan is also flexible so will be updated if the Council's priorities or risks change during the year. This is particularly expected to be the case during 2020/21 as the Council continues its recovery from the Covid-19 pandemic.
- 6.4 Total planned days for internal audit in 2020/21 are 225. This includes an allocation of days for key systems and service areas within the Council and also includes an allowance for work already undertaken in 2020/21 in response to Covid-19 issues.
- 6.5 In addition to internal audit, Veritau provides the Council with specialist counter fraud and information governance services. For transparency and information purposes we have included the counter fraud (Annex B) and information governance (Annex C) plans for 2020/21 alongside the audit plan within this report. Total planned counter fraud days for 2020/21 are 105 and total information governance days are 25. These plans do not require approval but are presented for the committee's information.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
None
 - b) Legal
None
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None

Anton Hodge
Section 151 Officer

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Background Papers:

Public Sector Internal Audit Standards, CIPFA Local Government Application Note (for the United Kingdom Public Sector Internal Audit Standards)
RDC Counter Fraud and Corruption Strategy Action Plan (July 2019)

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Ryedale District Council

Internal Audit Plan 2020/21

Audit Manager:
Head of Internal Audit:

Connor Munro
Max Thomas

Date: 22 October 2020



Introduction

- 1 This plan sets out the proposed 2020/21 programme of work for the internal audit service to be provided to Ryedale District Council by Veritau. The plan includes an allocation of time for work already undertaken in 2020/21, in response to Covid-19 issues.
- 2 In accordance with the Public Sector Internal Audit Standards (PSIAS) and the Council's Audit Charter, internal audit is required to prepare an indicative risk-based audit plan following consultation with the Overview and Scrutiny Committee and senior management. The work in the audit plan will form the basis for the Head of Internal Audit's annual opinion on the Council's framework of risk management, governance and internal control.
- 3 The plan is a working document, and changes are made throughout the year to reflect changes in risk and issues that may arise. This is the case every year but is more likely to be a factor in 2020/21 due to the need to remain responsive to issues that arise as a result of the impact of Covid-19 on all areas of the Council, and its ongoing recovery from the pandemic.
- 4 The content of the plan has been subject to consultation with this committee, as part of its 23 January 2020 meeting, and with senior officers. It also takes account of the Council's corporate risk register, other known risk areas (for example, areas of concern highlighted by management), significant issues identified elsewhere in local government, the results of recent audit work and other changes in Council services and systems. Proposed audit work is also discussed with the Council's external auditors to ensure there is no duplication of effort.
- 5 The 2020/21 audit plan was originally scheduled to be presented to Overview and Scrutiny Committee for approval in April 2020. Following cancellation of that meeting Veritau has been undertaking work in response to Covid-19 issues. Audit work has also commenced in areas of the Council less involved in response and recovery efforts. The revised 2020/21 plan is submitted for formal approval by the Overview and Scrutiny Committee.
- 6 Future changes to the plan will be agreed through the Council's client management arrangements, via the s151 Officer, and will be notified to the Audit Committee. Further details about the approach to audit planning can be found in the Audit Charter.
- 7 The internal audit plan is based on a total number of 225 days for 2020/21 which is the same as in 2019/20.

2020/21 Internal Audit Plan

- 8 The impact of Covid-19 on the Council will be a significant influence on this year's audit plan. However, the principle remains the same in that the approach adopted is to focus on higher risk systems.
- 9 The Council continues to face budgetary pressures and a high demand for its services, and these are likely to be increased by the impact of Covid-19. Covid-19 also presents many other challenges, including implementing central government legislative and regulatory changes, administering government grants, and different ways of working. In addition to this, the core financial and corporate systems remain vital to the effective operation of the Council.
- 10 To reflect this, the approach adopted is to focus on higher risk systems / areas including those:
- where the volume and value of transactions processed are significant, or the impact if risks materialise is very high, making the continued operation of regular controls essential;
 - areas of known concern, where a review of risks and controls will add value to operations;
 - areas of significant change which may include providing direct support / challenge to projects, reviewing project management arrangements, or consideration of the impact of those changes on the control environment, for example where the reduction in resources may result in fewer controls.

Covid-19 has changed the context in which the Council operates but the above areas remain the appropriate criteria for prioritising audit resources.

- 11 Internal audit resources are limited and the plan is intended to ensure the available resources are prioritised towards those systems which are considered to carry more risk and / or which contribute the most to the achievement of the Council's priorities and objectives.
- 12 The plan is based on a total commitment of 225 days. It includes an allocation of days for key systems and service areas within the Council, and an allowance for work undertaken in response to Covid-19 issues. The scope and objectives of individual audits will be agreed with officers during the year.
- 13 The plan has been structured into a number of sections:

- **Strategic risks;** to provide assurance on areas which have been highlighted as corporate risks, the successful management of which is fundamental to the ongoing success of the Council.
 - **Fundamental / material systems;** to provide assurance on the key areas of financial risk. This helps support the work of the external auditors and provides assurance to the Council that risks of loss are minimised.
 - **Operational / regularity;** to provide assurance on key systems, processes and governance arrangements within the Council. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the Council if they were to materialise.
 - **Technical / projects;** to provide assurance on those areas of a technical nature and/or where project management is involved. These areas are key to the Council as the risks involved could detrimentally affect the delivery of services.
 - **Covid-19 response;** work we have already carried out for the Council during 2020/21. This includes the production of fraud risk assessments and supplier relief guidance. It also includes time spent providing ad-hoc support and advice.
 - **Client support, advice and follow-up;** this includes ongoing support and advice to the Council on risk and control issues, work to provide assurance that findings from previous audits have been addressed, and time necessary to support the delivery of the internal audit service.
 - **Other;** an allocation of time for new and emerging risks.
- 14 At the end of each audit engagement, a report is produced. For assurance audits, we provide an opinion on the strength of the controls in place to mitigate risk.
- 14 In February 2020 CIPFA issued guidance on the use of audit opinions by local authority internal audit teams. The guidance recommends that standard opinions and definitions be adopted by the sector. The rationale is that it will provide more clarity, improve understanding, allow for easier comparison, reduce disruption (if providers of internal audit services change), allow assurances to be shared more readily across public bodies, and help with training.
- 15 Adoption of the standard opinions and definitions is not mandatory. However, Heads of Internal Audit will be expected to justify why they are not using them and it is expected that most local authorities will adopt the new wording. Apart from a reduction in the number of opinions in use the proposed changes are not

considered significant. Where we identify areas of weakness or opportunities for improvement, we will continue to raise findings in our reports and agree actions with responsible officers based on the same priority rating of 1, 2 or 3.

- 16 The main change is that there are now four levels of opinion, compared to the previous five. The s151 Officer has been consulted on the change and the new opinions will be used for all 2020/21 audits. Our opinions and their definitions and our priorities for actions are set out in Appendix 1 to this report.
- 17 Progress against the plan will be monitored throughout the year and key issues reported to the s151 Officer as the Council's client officer for internal audit services. Veritau will also report to the Overview and Scrutiny Committee on a regular basis on progress against the plan.
- 18 Details of the 2020/21 plan are set out on the page below:

Area	Days	Potential audits / activity
Strategic risks	40	Health and safety Information governance ICT Contract management and procurement
Fundamental / material systems	40	Payroll Creditors Debtors Main accounting system
Operational / regularity	48	Waste and Street Scene Risk management Environmental health Local code of corporate governance
Technical / projects	12	Insurance
Covid-19 response	30	Covid-19 related risk assessments and guidance General support and advice
Client support, advice and follow-up	40	Committee preparation and attendance Audit planning, resourcing and client liaison Support and advice Follow-up of previous actions External audit liaison, member and officer training
Other	15	Contingency for new or emerging risks
TOTAL	225	

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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Ryedale District Council

Counter Fraud Plan 2020/21

Assistant Director – Corporate Fraud: Jonathan Dodsworth
Deputy Head of Internal Audit: Richard Smith

Circulation List: Members of the Overview and Scrutiny Committee
Section 151 Officer

Date: 22 October 2020



Introduction

- 1 This plan sets out the activities that the counter fraud service delivers to Ryedale District Council. The plan was originally due to be presented to the Audit Committee for approval in April 2020. Following the cancellation of that meeting Veritau has been undertaking work in response to Covid-19 fraud related issues as well as other types of fraud occurring during this period.
- 2 The Counter Fraud Plan is based on an estimate of the amount of resource required to provide the range of counter fraud activities required by the council. A total of 105 days of counter fraud work has been agreed for 2020/21.

2020/21 Counter Fraud Plan

- 3 A summary of planned areas of work is set out in the table below.

Fraud Area	Scope
Counter Fraud General	<p>Monitoring changes to regulations and guidance, review of counter fraud risks, and support to the council with maintenance of the counter fraud framework. This will include completion of the annual counter fraud risk assessment and review of the counter fraud policy and strategy.</p> <p>The counter fraud team has provided support to the council on counter fraud risks during its response to Covid-19, including preparation of updated fraud risk assessments to reflect current threats.</p>
Proactive Work	<p>This includes:</p> <ul style="list-style-type: none">• raising awareness of counter fraud issues and procedures for reporting suspected fraud - for example through training and provision of updates on fraud related issues• targeted proactive counter fraud work - for example through local and regional data matching exercises• support and advice on cases which may be appropriate for investigation and advice on appropriate measures to deter and prevent fraud.
Reactive Investigations	<p>Investigation of suspected fraud affecting the council. This includes feedback on any changes needed to procedures to prevent fraud recurring.</p> <p>Fraudulent applications for Covid-19 business grants have already come to light nationally and cases at the council may be identified. The team will investigate any</p>

cases identified and support the recovery of funds.

National Fraud Initiative (NFI)

Coordinating submission of data to the Cabinet Office for the NFI national fraud data matching programme and investigation of subsequent matches.

Fraud Liaison

Acting as a single point of contact for the Department for Work and Pensions, to provide data to support their housing benefit investigations.

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Ryedale District Council

Information Governance Plan 2020/21

**Assistant Director - Information Governance:
Head of Internal Audit:**

Rebecca Bradley
Max Thomas

Circulation List:

Members of the Overview and
Scrutiny Committee
Chief Finance Officer (s151)

Date:

22 October 2020



Introduction

- 1 Veritau undertakes information governance work on behalf of Ryedale District Council. Veritau is also the Council's appointed statutory Data Protection Officer which involves the carrying out of specific functions. The service helps to ensure the Council complies with all relevant legislation, including the General Data Protection Regulation (GDPR), Data Protection Act 2018 and Freedom of Information Act 2000. This document summarises the agreed areas of work for 2020/21.
- 2 The Information Governance Plan is based on an estimate of the amount of resource required to provide the range of activities required by the Council. A total of 25 days of information governance work has been agreed for 2020/21.

2020/21 Information Governance Plan

- 3 The following table provides an indicative allocation of time across each element of the service:

Area	Days	Scope
Data Protection Officer Role	5 Days	Monitoring compliance with the Council's policy framework and data protection legislation (including undertaking a programme of audits) as Data Protection Officer. This also includes liaising with the UK Information Governance regulator: the Information Commissioner's Office (ICO) and with data subjects who have concerns with how their data is being processed.
Information Governance Strategy and Support	15 Days	Developing the Council's policy framework, advising on the implementation of new information governance processes and supporting service area projects with information governance consultations.
Provision of Advice and Training	5 Days	The provision of advice and guidance on all information governance related matters. Supporting service managers by providing specific information governance training sessions to officers.

2020/21 Information Governance Strategic Objectives

4 The following strategy objectives will be delivered by Veritau in 2020/21:

Information Asset Management

5 As part of the work on developing the Council's information asset register a comprehensive list of other data controllers who may receive data from the Council has been compiled. Veritau will work with service managers to ensure that these data sharing arrangements are formalised through information sharing agreements as per the requirements of the North Yorkshire Information Sharing Protocol, which the Council is a signatory to.

6 A process map detailing how this work will be undertaken can be found in Appendix 1 of this report.

Law Enforcement

7 Veritau will review all law enforcement activity for the collection of personal information to ensure this is captured as part of the information asset register, an appropriate policy document is in place, and this is reflected in privacy notices.

Special Category Appropriate Policy Document

8 Veritau will ensure an appropriate policy document is developed and is reflective of all special category information processed by the council.

Review Surveillance Systems

9 Veritau will ensure appropriate documentation is in place or reviewed, including policies and privacy notices

2020/21 Information Governance Compliance Review

10 The information governance compliance review will focus on specific requirements of the General Data Protection Regulation (GDPR) and Data Protection Act 2018 which came into force in the UK in May 2018.

11 A key element of the compliance review will be to cross check contracts declared on the corporate information asset register against the Council's contracts register. This will identify where data processing arrangements are in existence to help ensure that contracts have been suitably varied to include adequate GDPR contractual clauses.

12 The outcomes of the compliance review will be published in a report which will determine the information governance strategic objectives for 2021/22

2020/21 Information Governance Training Provision

- 13 The following information governance themes will be covered by specific Veritau delivered training in 2020/21:

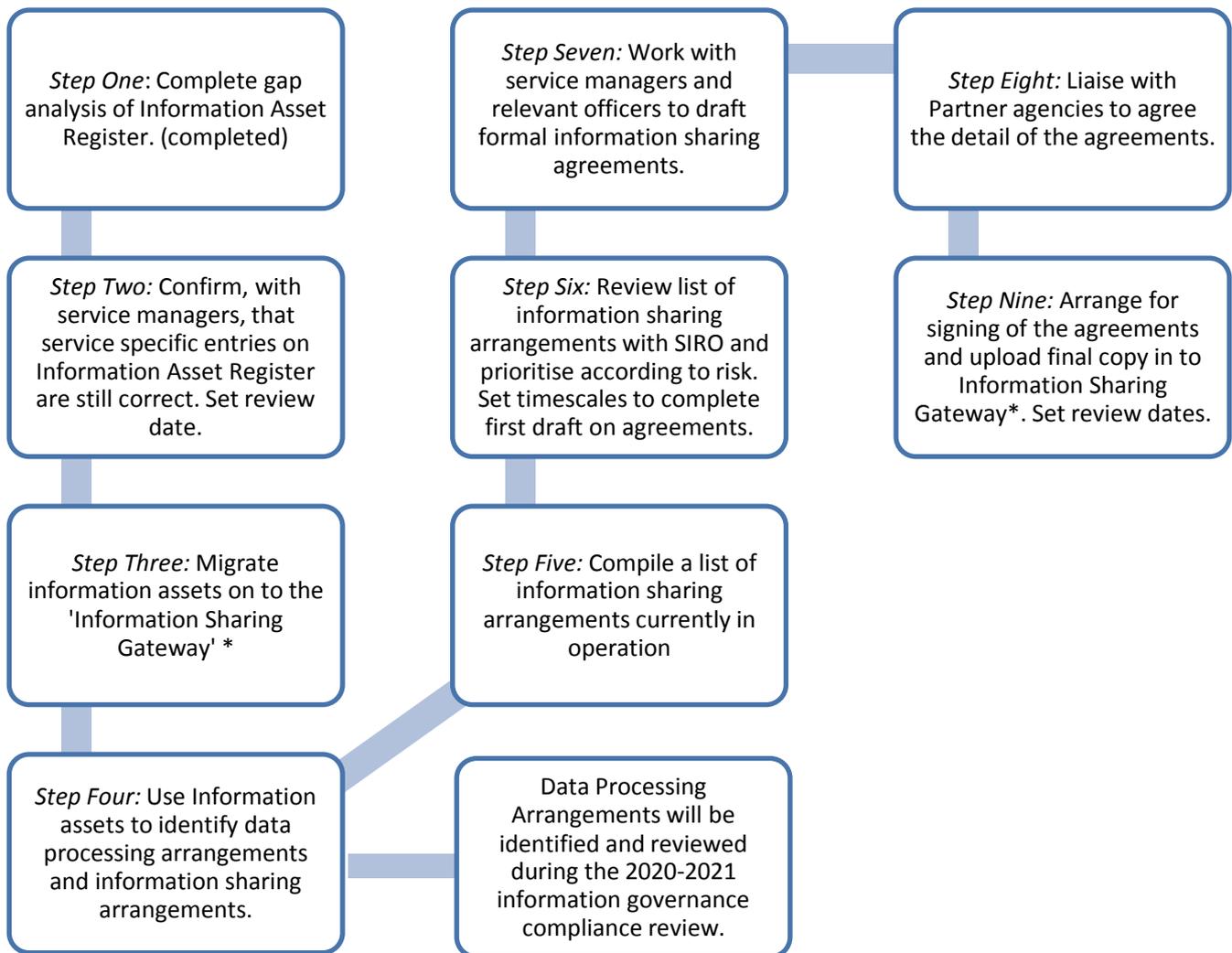
Data Protection Impact Assessment

- 14 Delegates will be introduced to the concept of data protection impact assessments, a now mandatory tool to identify risk, including their purpose and the various aspects that need to be included. The delegates will work through two example DPIAs, one as a whole workshop and one in smaller groups, providing the opportunity to learn how to complete a DPIA and ask any relevant questions.

Law Enforcement

- 15 Delegates will be introduced to part three of the Data Protection Act 2018, they will develop an understanding of the key differences between the law enforcement directive and GDPR in relation to their obligations.

Appendix 1: Process Map detailing development of Information Sharing Agreements across the Council.



* The 'Information Sharing Gateway' is an online framework to support information sharing across a number of organisations. A number of organisations in North Yorkshire are working together to use the gateway to integrate their depositories of information sharing agreements and create a detailed information flow map across the County.

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PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	22 OCTOBER 2020
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) – ANTON HODGE
TITLE OF REPORT:	TREASURY MANAGEMENT ANNUAL REPORT 2019-20
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2.0 RECOMMENDATIONS

- 2.1 That Council is recommended to:
- (i) Note the annual treasury management report for 2019/20; and
 - (ii) Approve the actual 2019/20 prudential and treasury indicators in this report.

3.0 REASON FOR RECOMMENDATIONS

3.1 The Council has adopted the Code. A provision of the Code is that an annual review report must be made to the Full Council relating to the treasury activities of the previous year.

4.0 SIGNIFICANT RISKS

4.1 There are significant risks when investing public funds especially with unknown institutions. However, by the adoption of the CIPFA Code and a prudent investment strategy these are minimised. The employment of Treasury Advisors also helps reduce the risk.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in Local Authorities and this report complies with the requirements under this code.

5.2 The Council uses the services of Link Asset Services – Treasury Solutions (Link) to provide treasury management information and advice.

REPORT

6.0 REPORT DETAILS

6.1 During 2019/20 the minimum reporting requirements were that the full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 21 February 2019)
- A mid year (minimum) treasury update report (Audit, Overview & Scrutiny Committee 24 October 2019)
- An annual review following the end of the year describing the activity compared to the strategy (this report).

6.2 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

6.3 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports by the Overview and Scrutiny Committee before they were reported to the full Council.

6.4 This report summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- Reporting of the required prudential and treasury indicators;
- Summary of interest rate movement in the year;
- Detailed borrowing activity;
- Detailed investment activity.

The Council's Capital Expenditure and Financing 2019/20.

6.5 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

6.6 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2019/20 Actual (£)	2018/19 Actual (£)
Total Capital Expenditure	1,145,556	842,383
Resourced by:		
Capital receipts	56,855	18,592
Capital grants and contributions	590,524	615,307
Reserves	313,076	208,484
S106 Commuted Sums	185,101	-
External Borrowing		-
Total	1,145,556	842,383

The Economy and Interest rates

6.7 The Council's treasury advisors Link Asset Services – Treasury Solutions (Link) summarised the key points associated with economic activity in 2019/20 as follows:

- the focus in the House of Commons was to agree a way forward for the UK over Brexit;
- the general election in December, which gave the Conservative Party an overall majority, enabled the UK to leave the EU on 31 January 2020;
- the uncertainties around Brexit, resulted in the MPC maintaining Bank Rate at 0.75% until March 2020 when two emergency cuts in Bank Rate from 0.75% to 0.25% and then to 0.10% were made as a result of the coronavirus outbreak. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn, and
- the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down due to the coronavirus outbreak. It also put in place a other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses).

6.8 Deposit rates continued into the start of 2019/20 at previously depressed levels and then fell sharply following the cut to base rate in March 2020.

Overall Treasury Position as at 31 March 2020

6.10 The Council's opening and closing treasury position for the financial year was as follows (excluding finance leases):

	31 March 2020	31 March 2019
Total Debt	£1.553m	£1.592m
CFR	£1.702m	£1.865m
Over/(Under) borrowing	-£0.149m	-£0.273m
Total Investments	£26.208m	£22.600m
Net Debt	-£26.059m	-£22.327m

The Strategy for 2019/20

6.11 The Treasury Management Strategy for 2019/20 was approved by members at full Council on 21 February 2019.

6.12 The expectation for interest rates incorporated within the Annual Treasury Management Strategy for 2019/20 was based on officers' views at that time, prepared with assistance from the Council's Treasury Management Advisor (Link Asset Services) and supported by a selection of City forecasts.

6.13 The interest rates for the UK were expected to be as follows:

Bank Base Rate was expected to rise from 0.75% to 1.00%. It was not expected that Bank Rate would increase again in 2019/20 as a result of the major uncertainty surrounding Brexit.

PWLB Borrowing rates were forecast to rise gradually throughout the next three years in all periods. Variable and short term rates were expected to be the cheaper form of borrowing over the period.

6.14 Based on the above, the Strategy adopted by the Council for 2019/20 was as follows:

a) Long Term Debt to Finance Capital Expenditure (borrowing strategy 2019/20)

2019/20 was expected to continue as a year of low bank interest rates, extending the current opportunity for the Council to utilise an internal borrowing strategy. Borrowing in advance of need within the constraints of the Prudential Code and approved Prudential Indicators would only be considered in exceptional circumstances.

Consideration would be given to financing capital expenditure by taking borrowing from PWLB/money markets, but the key treasury strategy was to postpone borrowing and maintain an under borrowed position to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

In considering this option however, day to day cash flow constraints and the loss of longer term interest stability would also be taken into account together with the possibility of having to replace the internal borrowing with external borrowing in a subsequent year at higher interest rates.

b) Investment of Surplus cash (investment strategy 2019/20)

The Council's investment priorities are firstly the security of capital and secondly the liquidity of its investments. The highest return would then be sought provided that proper levels of security and liquidity are achieved. The investment risk appetite of the Council is low in order to give priority to the security of investments.

The Borrowing Requirement and Debt

6.13 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR) (excluding borrowing by finance leases).

	31 March 2019 Actual	31 March 2020 Budget	31 March 2020 Actual
Total CFR	£1.624m	£1.589m	£1.589m

Borrowing Rates in 2019/20

6.14 The movement in relevant UK market interest rates for the year was as follows:

a) For Bank Rate

Period	%
1 April 2019 – 10 March 2020	0.75
11 March 2020 – 18 March 2020	0.25
19 March 2020 – 31 March 2020	0.10

b) For PWLB rates (Inclusive of the 0.20% discount rate)

Item	Range during Year %	Start of Year %	End of Year %	Average in Year %
Fixed Interest Maturity				
1 Year	1.17 - 2.47	1.46	1.90	1.70
5 Years	0.99 - 2.48	1.55	1.96	1.98
10 Years	1.15 - 2.79	1.88	2.17	2.23
25 Years	1.73 - 3.25	2.41	2.65	2.76
50 Years	1.57 - 3.05	2.24	2.38	3.60

Borrowing Outturn for 2019/20

6.15 No new borrowing was undertaken during the year and scheduled repayments were made. At the end of the financial year the debt portfolio was as follows:

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£1.00m	Maturity	3.69%	44 years
PWLB	£0.55m	EIP	2.99%	13 years

Investment Rates in 2019/20

- 6.16 Deposit rates continued into the start of 2019/20 at previously depressed levels and then fell sharply following the cuts to base rate in March 2020.

Item	Range during Year	Start of Year	End of Year	Average during Year
	%	%	%	%
7 day LIBID	0.00 – 0.58	0.56	0.00	0.53
1 month	0.11 – 0.61	0.60	0.12	0.56
3 month	0.26 – 0.72	0.72	0.47	0.63
6 month	0.31 – 0.83	0.83	0.60	0.70
1 year	0.39 – 0.98	0.94	0.74	0.80

Investment Outturn for 2019/20

- 6.17 The Council's investment policy is governed by MHCLG guidance, which has been implemented in the Annual Investment Strategy approved by the Council on 21 February 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).
- 6.18 The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.
- 6.19 The following table shows the result of the investment strategy undertaken by the Council and the relative performance of the internally managed funds against the 7-day LIBID un-compounded rate benchmark:

	Average Total Investment (£)	Gross Rate of Return	Net Rate of Return	Benchmark Return
Internally Managed:				
Temporary & On-Call Investments	£4.610m	0.65%	n/a	n/a
Fixed Term Deposits	£23.450m	0.98%	n/a	0.53%

- 6.19 The interest received by the Council from investments in 2019/20 totalled £262k; this compares to an original estimate of £198k.

6.20 The Council's investment position is organised by the Finance Section in order to ensure adequate liquidity for revenue and capital activities and security of investments. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Treasury Management Practices. At the beginning and the end of 2019/20 the Council's investments position was as follows:

	31 March 2020 (£)	31 March 2019 (£)
Internally Managed Investments	26,208,398	22,250,142

6.21 The maturity of the investment portfolio was as follows;

	31 March 2020 (£)	31 March 2019 (£)
On-call Investments	4,708,398	350,142
Fixed Term Deposits:		
Repayable within 1 month	1,000,000	1,000,000
Repayable 1 month to 3 months	2,900,000	6,400,000
Repayable 3 months to 6 months	13,600,00	10,500,000
Repayable 6 months to 12 months	4,000,000	4,000,000
Repayable 12 months to 24 months	0	0
Total	26,208,398	22,250,142

6.22 Investments were placed with the following institutions:

Type of Institution	31 March 2020 (£)	31 March 2019 (£)
UK Clearing Banks	9,208,398	4,475,142
Foreign Banks	-	3,000,000
Building Societies	-	3,000,000
Local Authorities	17,000,000	11,500,000
Total	26,208,398	22,250,142

Compliance with Treasury Limits

6.23 During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement (annex B).

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
The results of the investment strategy effect the funding of the capital programme.
- b) Legal
There are no legal implications within this report
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder, Climate Change)
There are no additional implications within this report.

Anton Hodge
Chief Finance Officer (s151)

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Background Papers: None

TREASURY MANAGEMENT STATEMENT AND INVESTMENT STRATEGY REPORT- RISK MATRIX – ANNEX A

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Credit risk - associated with investing with financial institutions that do not meet the credit rating criteria.	Could mean loss of principal sum and interest accrued.	2	D	The economic climate is still unsettled, counterparty risk is still a big issue. As a result the Council have adopted a stringent credit rating methodology.	1	D
Market risk - Selection of wrong type of investment for higher return.	The poor performance of the chosen investment.	2	B	The number of investment options is kept to a minimum. Investments are normally restricted to short term fixed rate deposits or instant access accounts.	2	B
Liquidity risk - Use of fixed term deposits and / or instruments / investments with low marketability may mean a lack of liquidity	Unable to take advantage of better investment options. Funds are unavailable to cover capital spend.	1	B	This Strategy specifies the type of instrument the authority is prepared to invest in and maximum term for those investments	1	B

Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaster

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PRUDENTIAL AND TREASURY INDICATORS

Prudential Indicators

	2018/19 Actual	2019/20 Estimate	2019/20 Actual
Capital Expenditure	£0.842m	£0.791m	£1.146m
Net borrowing requirement	-£22.317m	-£16,083m	-£26.208m
Capital Financing Requirement as at 31 March (incl. leases)	£1.865m	£1.702m	£1.702m
Annual change in Capital Financing Requirement	-£0.23m	-£0.163m	-£0.163m

Treasury Management Indicators

	2018/19 Actual	2019/20 Original	2019/20 Actual
Authorised Limit for external debt - borrowing	N/a	£10.0m	N/a
other long term liabilities	N/a	£ 1.0m	N/a
Total	N/a	£11.0m	N/a
Operational Boundary for external debt - borrowing	N/a	£5.0m	N/a
other long term liabilities	N/a	£0.4m	N/a
Total	N/a	£5.4m	N/a
External debt	£1.59m	£1.55m	£1.55m
Upper limit for fixed interest rate exposure			
Net principal re fixed rate investments	N/a	100%	N/a
Upper limit for variable rate exposure			
Net principal re variable rate investments	N/a	50%	N/a
Upper limit for total principal sums invested for over 364 days (per maturity date)	N/a	£1.0m	N/a

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PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	22 OCTOBER 2020
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	UPDATE ON RISK MANAGEMENT
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 This report provides an update on work to revise and review the Council's Risk Management Strategy and Risk Register, attached (Appendix 2) shows the latest draft of the Risk Register. The main content of this report (section 6) includes details which will form part of the Council's Risk Strategy. This is the half-yearly update to the Committee and would normally have been presented in July. However this is the first occasion, since the resumption of meetings, when the Committee has had the chance to receive it. A further update is due to be presented in January, bringing the reporting cycle back on track.

2.0 RECOMMENDATION(S)

- 2.1 It is recommended that the Committee notes the contents of this report and comments on the format and details of the Corporate Risk Register (Appendix 2).

3.0 REASON FOR RECOMMENDATION(S)

- 3.1 This report provides an update on work to revise and review the Council's Risk Management Strategy and Risk Register, following concerns raised by an Internal Audit report earlier this year. Risk Management has been highlighted as a key improvement issue in recent years, and this paper is evidence of improvements made in the process and reporting to members.

4.0 SIGNIFICANT RISKS

- 4.1 The risk of not managing corporate risks are as identified in the Register

5.0 POLICY CONTEXT AND CONSULTATION

5.1 The Authority has a duty to manage Risk.

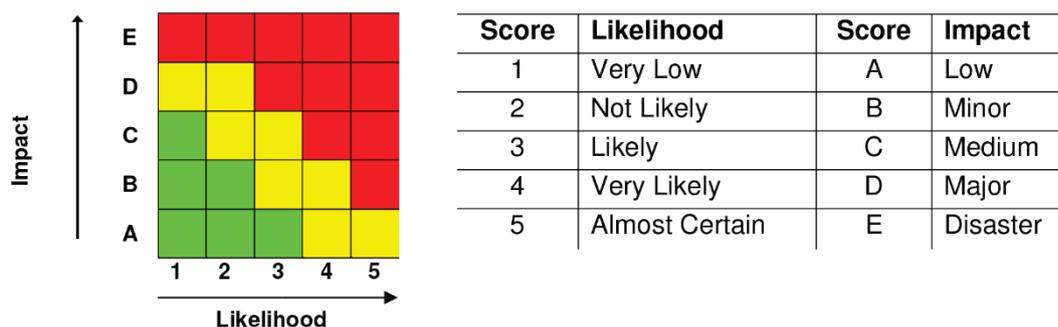
6.0 BACKGROUND AND INTRODUCTION

Introduction

- 6.1 A revised approach to managing risk has been adopted in recent years. This had led to an overhaul of the Corporate Risk Register and also further development of Service Risk Registers. Advice and Guidance has been provided by Veritau and in some cases by North Yorkshire County Council.
- 6.2 This work has been recognised and endorsed by members who see it as an important part of the Council's improvement strategy. As part of that, an update on Risk Management, including the Corporate Risk Register, will be presented to Audit Committee twice a year.
- 6.3 The updating of the Corporate Risk Register over the past year has demonstrated the Council's improvement journey, showing how risks are being managed and generally downgraded over that period. However Risk Management is an ongoing process and the papers presented here will continue to be updated.
- 6.4 Appendix 1 sets out some of the key issues in the management of risk. It is included here as a reminder of our approach to risk.

Corporate Risk Register (Appendix 2)

- 6.5 The Corporate Risk Register is a live document and Members are requested to review this and feed back any comments to officers
- 6.6 To assist with this, Members are reminded that the current scoring matrix is defined as below:



7.0 IMPLICATIONS

7.1 The following implications have been identified:

- a) Financial
As set out in Risk Register
- b) Legal
Failure to manage risk can result in legal action and costs
- c) Other (Climate Change, Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
Failure to manage risk can result in legal action and costs

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Background Papers:

Reports to Overview and Scrutiny 22 Nov 2018, 14 February 2019, 24 July 2019, 24 October 2019
Annual Governance Statement 2018-19, 2019-20, 2020-21

APPENDIX 1

Background Information supporting the Council's Risk Management

Risk Management can be defined as:

“All of the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them and monitoring and reviewing them.”

It is therefore an essential part of effective and efficient management and planning. As a strategic tool, risk management identifies those issues that will act as a barrier to the Council achieving its objectives and also helps to identify opportunities to achieve objectives. This sentiment will be echoed in the Council's Risk Management Strategy which recognises both the downside and upside of risk. Management of risk is a continuous process which involves addressing the full spectrum of risks facing the Council and managing their combined impact as an interrelated risk portfolio.

There are different classifications of risk. These risks may be recorded in risk registers at different levels in the organisation. It is intended that the Council will use four classifications for its risk types, as follows:

Risk Classification	Detail	Risk Register
Strategic	Risks concerning medium to long terms goals and objectives of the Council.	<i>The Corporate Risk Register (CRR)</i>
Operational	Risk involved with specific operational activities of the Council.	<i>Service Based Risk Registers (SBRR)</i>
Project	Risks emerging from project and programme activities of the Council.	<i>Project Risk Registers</i>

A risk register is a risk management tool. It acts as a central repository for all risks that have been identified. At Ryedale District Council, the performance management system (Pentana) serves as the risk register and is used to record the risk management process for its identified risks.

For each risk, the following information will be required:

- An appropriate risk title, which should be clear, succinct and understandable
- A risk description which includes a starting descriptor such as: “Reduction of...”, “Loss of...”, “Disruption to...”, “Inability to...”, “Increase in...” etc. and describes what the risk event would look like to the Council.
- A completed risk profile which will include:

- Causes – the circumstance(s) that could lead up to the event
 - Controls/Mitigation – the risk response measures already in place which reduce the likelihood and/or the impact of the risk occurring or reduce its impact should the risk occur
 - Consequences – what the effect(s) on the organisation would be if the risk materialises
- Each risk must have a risk owner. The risk owner should be someone who understands the risk (including its causes and consequences) and is responsible for the area of the organisation from which the risk arises. The risk owner is responsible for the ongoing monitoring and, where necessary, treatment of the risk and for escalating potential issues.

RISK ANALYSIS

The current system of measurement used in Ryedale District Council echoes that which is generally widely used for analysing risk, although as we review the strategy, we may amend that as appropriate.

Each risk has two elements: the probability of the event occurring (likelihood) and the consequence if it does occur (impact). The aim of risk analysis is to estimate the likelihood and impact of the risk on three different levels.

The first level is the **ORIGINAL RISK** (also known as the ‘gross risk’ or the ‘inherent risk’). This is an estimation of the impact and likelihood of the risk before the effects of any controls¹ that have been put in place are taken into account. The significance of this score is that it provides clear indication as to whether or not the risk has the potential to have a disastrous impact on the Council. Equally importantly, if not more so, is that the score enables an assessment of the importance of the controls acting on the risk.

The second level is the **CURRENT RISK** (known as the ‘net risk’ or the ‘residual risk’). This is the analysis of the impact and likelihood of the risk occurring with all the controls and mitigating actions in place. It is the assessment of the risk at the time the risk analysis was undertaken.

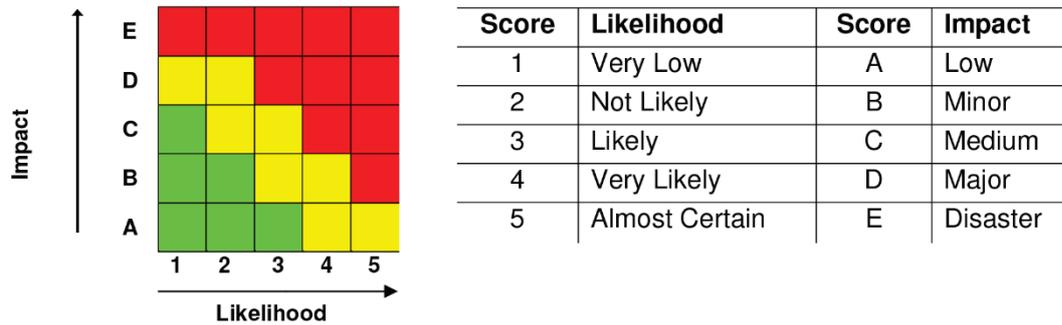
The third level is the **TARGET RISK**. This is a score which reflects the analysis of the impact and likelihood of the risk when all desired controls are fully implemented and are operational. Wherever possible, the target risk score should be set at or below the risk appetite for the risk being analysed. However, the nature of the risk might mean that this not possible. In these circumstances the risk should be managed to a level that is as low as reasonably practical.

RISK SCORES

The final risk scores are currently calculated by using a 5x5 matrix which means that there are 5 levels of likelihood (very low, not likely, likely, very likely and almost certain) and 5 levels of impact (low, minor, medium, major and disaster). The intersection of the likelihood and impact of a specific risk on the matrix will decide its score and, in turn, the requirements for its management. This is shown below.

¹ A control is any preventative (i.e. help to reduce the likelihood of the event) or mitigating (i.e. help to reduce the impact of the consequences of the event) measure that is put in place to reduce the likelihood and/or impact of the risk.

Table 1: Current Risk Matrix for Ryedale District Council



The current guidance identifies that for the purposes of managing its risks the Council has a further classification system. Risks are therefore categorised as one of high, medium or low with each category requiring a different level of monitoring or management. The categories are mapped out on the matrix (Table 1) as colours: **Red** is high; **Amber** is medium and **Green** is low.

For example:

A risk which is classed as having a major impact (D) and is very likely to occur (4) would have an overall risk score of D4 and would be classed as **high risk**. Constant monitoring and an action plan on Pentana would be required for the management of this risk.

A risk which is classed as having a minor impact (B) and is not likely to occur (2) would have an overall risk score of B2 and would be classed as **low risk**. It would not be necessary for an action plan to be in place for this risk but it would be monitored regularly to ensure that the original risk analysis remains unchanged.

This is illustrated below:

Colour	Assessment	Required Action
Red	High (treat)	Constant monitoring, an action plan and measures to be put in place to reduce risk exposure
Amber	Medium (treat)	Frequent monitoring, an action plan and measures to be put in place to reduce risk exposure
Green	Low (tolerate)	Regular monitoring

Appendices 2 and 3 can be referred to when analysing a risk to establish if the score that has been given falls within or outside of the Council's stated risk appetite for that particular type of risk. The requirement for the monitoring and/or management of the

risk is then established by referring to the management expected actions as set out above. This is not an exact science but it is useful to be able to score risks within the context of the organisation's stated risk appetite and tolerance levels (i.e. the acceptable level of variation relative to achievement of a specific objective) so that they are scored appropriately.

In reviewing the strategy and guidance and in developing the Risk Register, we are considering whether this is too prescriptive and whether in fact all risk should be identified with relevant mitigations. The outcome of that could be that

- all risks will be subject to regular monitoring, as identified in the mitigations, and
- the existence, or otherwise, of an action plan will itself be defined within the mitigations

RISK REPORTING AND MONITORING

Risk reporting and monitoring should be part of 'business as usual' for Council departments. However, there are occasions when risks are required to be formally noted. The table below shows the suggested level of monitoring and reporting arrangements. This should be used for guidance only as any risk has the potential to occur at any time. It is important that emerging events that have the potential to trigger any risks are escalated to the attention of the appropriate senior officer.

Risk Level	MONITORING			REPORTING	
	Responsible	Audience	Frequency	Audience	Frequency
Corporate	SMB ²	SMB	Monthly (initially)	Overview & Scrutiny	Bi-annually July/ January
Service	Service Lead or equivalent	Service Lead	Quarterly	SMB	Quarterly By exception
Projects	Project Manager	Programme Board	As per project demands	SMB	By exception

EMBEDDING RISK MANAGEMENT

² Strategic Management Board

For risk management to be an effective and meaningful management tool it needs to be an integral part of key management processes and day-to-day working. This is a key objective of the Council's Risk Management Strategy. As such, identifying risks and the monitoring of associated actions should be considered as part of a number of the Council's significant business processes, including:

- **Budget Planning and monitoring.**
Budget monitoring is about the organisation delivering against each of the constituent elements of the budget, not just the bottom line. Monitoring against budget and accurate forecasting ensures that resources are applied and can be managed in accordance with corporate priorities.
- **Contract Management**
All significant risks associated with all stages of contract management are identified and kept under review.
- **Corporate Decision Making**
Significant risks which are associated with policy or action to be taken when making key decisions are included in appropriate committee reports.
- **Health and Safety**
The Council has a specific risk assessment policy to be followed in relation to health and safety risks.
- **Information Governance**
A Data Protection Impact Assessment (DPIA) is a risk management exercise carried out to assess the risks to individuals' interests associated with the use of their information. The Personal Privacy Policy stipulates when a DPIA should be conducted and who is responsible for the process. The Council's wider Information Governance Policy suite outlines roles, responsibilities and accountabilities in relation to data protection more generally.
- **Organisational Structure and Processes**
The management team set the tone for the risk processes and risk appetite within the organisation. Risk management flows down the organisation through senior officers while control activities flow upwards from the operational functions. Both of these directions of travel help to maintain the Council's risk management framework.
- **Partnership Working**
Partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/or the aims and objectives of individual partnerships.
- **Procurement**
Contract Standing Orders include the requirement that all risks and actions associated with a purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process.
- **Service Planning**
Service planning sets out specific actions and targets that a service needs to achieve, not just to help deliver good services, but to continuously improve. Service

specific risks are identified and monitored throughout via Service Based Risk Registers. These will be produced by 30 April 2019.

- **Performance Management**
Performance management is similar in process, approach, purpose and scope to risk management. It involves ongoing and periodic monitoring, communication and review to ultimately ensure that the strategic objectives of the Council are met. The information generated through the performance management process at both the corporate and service level should be considered when scoring and updating risks so that only the most up-to-date information is used. If properly integrated, a synergism exists between the two processes to the benefit of the organisation.

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RYEDALE DISTRICT COUNCIL: CORPORATE RISK REGISTER

CRR01: Covid - 19	Risk Owner: Stacey Burlet	Risk Score
<p>Description</p> <p>Failure to protect lives and livelihoods in Ryedale during the response and recovery stages of the Covid -19 pandemic and to plan and deliver measures to ensure organisational resilience and staff support though the Covid/post-Covid recovery period</p>	<p>Causes</p> <p>Spread of virus cannot fully be controlled</p> <p>Partnership response means that multiple bodies have overlapping accountabilities and responsibilities</p> <p>Legislation means that the district council has additional accountabilities and responsibilities; frequently these are determined at short notice</p> <p>Fast paced and constantly changing policy environment necessitating the development of immediate procedures</p> <p>Standardised policies and procedures may not be fit for purpose</p> <p>Lack of understanding, buy in and consistency across the Council</p> <p>Inadequate recording</p> <p>Lack of proactive actions</p> <p>Lack of adequate training</p> <p>Subcontractors and commissioned organisations fail / cannot fulfil agreed obligations</p> <p>Lack of /inadequate equipment</p> <p>Poverty and unemployment resulting from the impact of Covid - 19</p> <p>Economic recession arising from the consequences of Covid - 19</p> <p>Staff sickness and the ability to deliver critical services</p> <p>Failure to recognise the scale of the Covid shock upon the operations of the council and its staff and respond accordingly</p> <p>Vulnerable residents not being able to access support</p> <p>Lack of sustainability over the longer term across the voluntary and community sector</p> <p>Failure to support Community Support Organisations effectively</p> <p>Failure to secure sufficient Government funding to address key issues</p> <p>Lack of financial and staffing capacity deliver required actions</p> <p>Lack of effective strategic planning to address response and recovery</p> <p>Lack of effective engagement with partner agencies within and beyond Ryedale</p>	<p>Original</p> <p>5E</p>

CRR01: Covid - 19		Risk Owner: Stacey Bulet	Risk Score
		Lack of financial and staffing capacity deliver required actions Lack of access to testing	
Consequences	Proactive Controls	Reactive Controls	Current
<p>Rate and spread of Covid-19 increases locally</p> <p>Increased deaths</p> <p>Lack of test and trace capacity locally including RDC's failure to support the provision of effective processes</p> <p>Increased risk of and potential consequences of local lockdown</p> <p>Increased levels of poverty, business failure and homelessness across the district</p> <p>Failure to plan for and deliver a strong post-Covid recovery</p> <p>Failure to ensure that vulnerable people are supported through and beyond the Covid emergency</p> <p>Decline in community resilience and physical and mental health of residents</p> <p>Pressures resulting in reduced voluntary and community sector sustainability</p> <p>Potential for community tensions</p>	<p>Full engagement with district, regional and national partners to support COVID response and recovery, including national Government and funding agencies</p> <p>Proactive engagement upon mutual aid issues/bidding or additional government funding through regional working groups - including the Yorkshire and Humber Assembly and York and North Yorkshire Local Resilience Forum - SCG, TCG, public health</p> <p>Organisational workstreams with lead officers - Economy; Community; and People, Democracy and Communications - to enact and plan for response and recovery Progress; progress on actions are monitored and reported to Strategic Management Board and to Elected Members of a regular basis.</p> <p>RCD employee procedures and arrangements including personal and workplace based risk assessments; additional capacity sourced and implemented where required (e.g. Customer Services Advisors); access to PPE; and weekly staff meetings with the CX, supplemented by email and intranet based communications</p>	<p>Additional control measures as identified and put in place as required to ensure COVID secure workplaces, service delivery and to ensure that the district council's role in protecting lives and livelihoods is fully acquitted</p> <p>Daily scrutiny of data and intelligence to determine any actions required</p> <p>Ability to facilitate physical and virtual meetings in accordance with virus prevalence</p> <p>Briefings and communications for Elected Members, Strategic Management Board, and all staff</p> <p>Ongoing participation in district, regional and national working groups, that are coordinating response and recovery</p> <p>Ongoing activity to ensure that strategic plans reflect emerging policy direction</p> <p>Update of Business Continuity Plans to take into account of ongoing Covid/post-Covid demands</p>	3D

CRR01: Covid - 19		Risk Owner: Stacey Bulet		Risk Score
<p>Performance reduction / failures as a consequence of increased demands on services from customers and businesses</p> <p>Failure to deliver key council services</p> <p>Adverse social and health consequences for staff including increased staff absence/reductions in performance</p> <p>Reputational risks – to the council and to the wider district resulting in a loss of public confidence in the Council</p> <p>Breach of obligations relating to legislation e.g. civil contingency, health and safety, data protection, with the risk of claims, prosecution and financial penalties for the organisation and prosecution and personal liability of senior officers (HSE)</p> <p>Loss of revenue to the council and use of reserves to offset the financial consequences of Covid -19</p>	<p>Additional support for the voluntary and community sector including emergency grants; close coordination with the local Community Support organisation; development and delivery of a comprehensive Ryedale Covid Community Connect partnership support programme and post-Covid recovery plan; and participation in regional and national partnerships to identify and support the district’s most vulnerable residents</p> <p>Finance tracker and MHCLG returns are maintained to assess the financial impact of Covid-19 mitigation. This is complemented by proactive lobbying to ensure that the maximum amount of Government funding is secured and appropriate resources are in place</p> <p>Development and delivery of a comprehensive Ryedale post-Covid economic recovery plan</p>	<p>Provision of budgets to ensure appropriate resources are in place to deliver key services following Section 151 advice</p> <p>Regular performance monitoring, with mitigating actions taken</p> <p>Report on an ongoing basis to central Government on Covid/post EU transition community impacts</p>		
Mitigating Actions				
<p>Targeted interventions are being undertaken where required by Environmental Health Officers</p> <p>Increased staffing capacity in stress / high volume areas - e.g. Customer Service Advisors, Waste Operatives, Environmental Health</p> <p>Proactive monitoring of staff and community contraction rates</p>				3C

CRR01: Covid - 19	Risk Owner: Stacey Bulet	Risk Score
<p>COVID - 19 actions are proactively and reactively addressed as required following guidance and, on occasions, instruction for Government and the Director of Public Health, as well from strategic command arrangements that require response from the Local Resilience Forum.</p> <p>Work with businesses, partner agencies, community support organisations and Government to ensure that funding is maximised, support is in place and plans are delivered to support communities through Covid, through the post Covid/post-EU transition periods. This includes community support/recovery initiatives.</p> <p>Continual delivery of effective communications for businesses/Ryedale residents upon the implications of the end of the EU transition period/required actions</p> <p>As part of the budget setting process for 2021/22, consider the impact of post-Covid recovery work and the resulting resource requests</p> <p>Increased investment in resources to support ongoing good staff mental and physical health and well-being; including continuing to ensure that key messages/information on support for staff is publicised internally</p> <p>Ensure provision of appropriate PPE for staff and that appropriate home working facilities and support are in place</p> <p>Ensure staff resilience/appropriate resourcing in the event of concurrent incidents (eg. winter flooding)</p> <p>Put in place appropriate plans to ensure health and safety in all council premises for staff and visitors, including when office based working at RDC facilities takes place</p>		

CRR02: Health and Safety		Risk Owner: Louise Wood		Risk Score
Description Failure to comply with and embed health and safety policy and procedures in the council		Causes Policies and procedures outdated or not fit-for-purpose Lack of understanding, buy in and consistency across the Council Inadequate recording Lack of proactive actions Weak action planning Lack of support capacity Lack of adequate training Subcontractors and commissioned organisations Lack of /inadequate equipment Public health incidents / pandemics		Original 5E
Consequences	Proactive Controls	Reactive Controls	Current	
Resulting in injuries, fatalities, claims Reputational damage Impact on service delivery Risk of prosecution and financial penalties for the organisation Prosecution and personal liability of senior officers and consequences for Leader/Dep Leader Lack of containment of public health emergencies	Health and safety policy Health and Safety Action Plan Quarterly Corporate Health , Safety and Wellbeing Group Mandatory training (SMB monitored) and service-specific training Covid -19 risk assessment and controls in place with regards to service delivery, employee welfare and democratic meetings Democratic meetings policy and risk-assessments	Accident reporting procedure Annual health and safety report Daily COVID-secure workplace monitoring	3C	
Mitigating Actions			Target	
All staff required to confirm understanding of policy on annual basis Delivery of action plan monitored on quarterly basis Provision of specialist health and safety advice to provide up-to-date guidance and lead progression on health and safety activity Communications rolled out across staffing and employee groups and on intranet Fortnightly meetings with UNISON and service managers on COVID-secure workplace				2B

APPENDIX 2

CRR02: Health and Safety	Risk Owner: Louise Wood	Risk Score
Targeted intervention programme in place in Waste and Environmental Services using additional capacity Ongoing health and Safety audit of facilities Implementation of COVID guidance/instruction from government, public health and Local Resilience Forum.		

CRR03: Staffing Resilience and Capacity		Risk Owner: Andrew Ellis		Risk Score
Description Lack of resilience or capacity to achieve strategic and/or operational objectives		Causes Lack of staffing resource to support delivery against strategic and operational objectives Lack of staff development to support succession planning, retention and successful delivery Inadequate budget to fund an appropriate staffing structure Poor reputation as an employer Failure to recruit, particularly in specialist areas where the market is highly competitive Lack of or inadequate workforce strategy Covid-19 pandemic Unprecedented circumstances requiring the reallocation of resources to meet urgent, reactive need e.g. COVID outbreak, natural emergency , BREXIT Failure to plan for any staff/organisational impacts from the EU exit		Original 5D
Consequences Customer and local resident detriment Service failure Special measures if statutory or legislative expectations are unmet Poor customer satisfaction, leading to complaints and requests for compensation Low staff morale Poor productivity among staff Increasing sickness levels Higher staff turnover LGO decisions Damage to reputation Staff wellbeing suffers Legal action	Proactive Controls Refreshed approach to recruitment and resourcing to address current 'gaps' in establishment. Learning Zone access for all employees. Job evaluation process in place. Financial monitoring and reporting - including a new approach to budget strategy development and oversight. Regular CX, SMB, manager & staff communication and engagement sessions taking place to ensure that the pulse of the organisation is taken and responded to. Graduate trainees programme in place.	Reactive Controls Outsourcing to specialist agencies where there is a need to ensure that statutory, legislative or important service need is met e.g. legal advice, dog breeder accreditation Re-prioritisation of service delivery Turn the service off if practical - this course of action has been taken when extreme staff shortages have occurred (e.g. street sweeping so that bin collections occurred) Overtime – exceptional and by agreement. Service Risk Registers incorporate mitigations for resilience and capacity risks	Current 3C	

CRR03: Staffing Resilience and Capacity		Risk Owner: Andrew Ellis	Risk Score
<p>Financial penalties Failure to meet legislative requirements, election and electoral register responsibilities Increasing levels of sickness absence as a result of COVID-19 contraction rates Inability to meet increased service demand as a consequence of additional accountabilities and increased service demand brought about by COVID -19</p>	<p>HR/OD service ensures that organisational development and the employee journey is increasingly focused upon. Elections Risk Register. All staff complete mandatory training requirements, with accelerated levels for managers. Shared service arrangements in place to support organisational resilience where this represents best value and ensures that a focus can be maintained on both short and longer term objectives. Health checks completed in core areas of the business to ensure organisation is fit for purpose (IT, customer service, programmes and projects, strategy and performance, information governance, democratic services, legal services), with increased capacity investment following thereafter People and Culture Plan developed and rolled out with ongoing review of effectiveness. Organisational Development programme initiated with manager & staff involvement as appropriate. New collective agreement and revised pay, terms and conditions package implemented for Grade 10 and below directly employed by the organisation. Senior management appraisal process rolled out.</p>	<p>Historical bullying allegations relating to staff and have reported back to members; zero tolerance actions rolled out Additional control measures as identified / required to ensure COVID secure workplaces and service delivery</p>	

CRR03: Staffing Resilience and Capacity	Risk Owner: Andrew Ellis	Risk Score
	<p>Delivery of HR/OD actions in the corporate delivery programme of the Council Plan.</p> <p>Council Plan and corporate programme in place to determine strategic objectives and the delivery plan for achieving them</p> <p>New partnership arrangement in place for Procurement support.</p> <p>Adoption of new policies and procedures such as zero tolerance</p> <p>Budget strategy development, financial monitoring and reporting includes a strong focus on workforce related issues</p> <p>Covid 19 procedures and arrangements</p>	
<p>Mitigating Actions</p> <p>Appraisal process Grades 10 and below has been refreshed and revised to ensure that there is a focus on issues such as performance against strategic and operational goals and a training, learning and development plan linked to professional and personal goals. This will be rolled out from October 2020 onwards.</p> <p>Training Needs analysis completed; new training and development programme in place for employees and so that managers support and fulfil their responsibilities to employees.</p> <p>Review of commissioned and third party arrangements and obligations.</p> <p>New partnership arrangement in place for Legal support.</p> <p>Rolling programme of review of policies and procedures underway to ensure they are fit for purpose.</p> <p>Undertake review of Senior Manager structure to determine an appropriate operating model to drive forward quality and standards.</p>		<p>Target</p> <p>2B</p>

CRR04: Strategic Planning and Leadership		Risk Owner: Stacey Bulet		Risk Score	
<p>Description</p> <p>Failure to establish, review or deliver against strategic / corporate priorities so that the long-term aspirations and ambitions of Ryedale are achieved, resulting in sub-optimal performance and/or failure to deliver the agreed Council Plan</p>		<p>Causes</p> <p>Lack of and / or inadequate political direction</p> <p>Misalignment of resources and priorities due to unrealistic / undefined targets and objectives</p> <p>Unrealistic expectations relating to timescales, capacity or remit</p> <p>Capacity and skills of the workforce are lacking or inadequate to support the delivery of targets</p> <p>Lack of advice taken from senior officers</p> <p>Unprecedented circumstances requiring the reallocation of resources to meet urgent, reactive need e.g. COVID outbreak, natural emergency , BREXIT</p> <p>Inadequate training and development programmes for member and senior officers</p> <p>Inability of senior officers to focus on core work areas due to capacity issues</p> <p>Lack of clarity or confidence in strategic direction</p> <p>Decision processes ineffective</p> <p>Poor elected member / officer relationships</p> <p>Significant national policy changes / direction e.g LGR, the Future of Planning</p>		Original	5D
<p>Consequences</p> <p>Lack of direction</p> <p>Lack of delivery progress</p> <p>Failure to achieve long term improvements for local residents and businesses</p> <p>Resources not aligned to priorities/misuse of resources</p> <p>Loss of opportunities (e.g. financial - business rates)</p> <p>Lack of accountability</p> <p>Poor customer and stakeholder satisfaction</p> <p>Low staff morale and motivation</p> <p>Poor leadership performance</p>	<p>Proactive Controls</p> <p>Newly adopted Council Plan</p> <p>Strategy and performance management health check</p> <p>Regular Management Board programme determines officer guidance and advice on corporate and strategic matters</p> <p>CEX communications, staff briefings</p> <p>Regular updates to relevant Committees to focus on key areas of development</p>	<p>Reactive Controls</p> <p>As an interim measure, existing performance management indicators are reviewed regularly at Committee</p> <p>Red and amber performance ratings are investigated and addressed where possible, with appropriate elected member scrutiny</p>	Current	3C	

CRR04: Strategic Planning and Leadership		Risk Owner: Stacey Bulet	Risk Score
Reputational damage / poor reputation among stakeholders, communities and partners Poor officer/elected member relationships			
Mitigating Actions A new Council Plan was agreed by Council in September 2020. Now adopted, a new performance framework and corporate delivery programme will be developed to support the tracking of key indicators, milestones and delivery outcomes for 2020/21 and 2021/22.			Target 1A

CRR05: Financial Management		Risk Owner: Anton Hodge	Risk Score
Description Failure to have adequate financial management within the Council		Causes Lack of data or poor system output Finance staff capacity Political/management perception Lack of informed decision making Lack of confidence, engagement, experience and awareness within managers across the council	Original 5E
Consequences Over or underspend Lack of investment Damage to reputation Qualified audits Lack of awareness of resources, leading to impact on performance (spending in 'wrong' areas) Possible external intervention Weak long term planning	Proactive Controls Budget monitoring and reporting Root and branch reviews External support Financial Performance Reports Budget Managers' access to Pentana Financial Strategy Capital Plan Treasury management Report to committees Review and update reports on financial performance More member involvement and transparency in Financial Strategy and Capital Plan	Reactive Controls Budget monitoring and reporting, including capital Continuous cycle of Root and branch reviews Review of Audit arrangements to ensure correct focus on areas of risk Prioritisation of funding/use of reserves Review of commissioned and third party arrangements and obligations	Current 3C
Mitigating Actions Additional External support where appropriate Deliver training/agree expectations of role of budget managers Use of Benchmarking – including financial and service performance Review capacity of financial support In-year review to ascertain impact of Covid and assess reliance on reserves to ensure a balanced outturn for 2020-21 Work with partners and other LAs to determine medium term impact of Covid on income streams and build into refreshed Financial Strategy – due in late autumn			Target 2B

APPENDIX 2

CRR05: Financial Management	Risk Owner: Anton Hodge	Risk Score
Review all financial procedures including contract procedures Focussed reviews on areas of budget vulnerability, including overspends and where savings are expected Work with service managers to ensure required savings are agreed and understood		

CRR06: Information Governance		Risk Owner: Anton Hodge	Risk Score
Description Ineffective data governance arrangements lead to unacceptable levels of unauthorised disclosure of personal and sensitive data, poor quality or delayed responses to FOI requests, and inability to locate key data upon which the Council relies, resulting in loss of reputation and poor decision-making		Causes Lack of staff and expertise Lack of staff development Governance not embedded in organisational culture Information governance arrangements not in place for shared services Simple mistakes	Original 5E
Consequences Service user detriment Service failure Special measures Poor customer and/or staff satisfaction Staff turnover ICO decisions LGO decisions Damage to reputation Staff wellbeing suffers Legal action Financial penalties	Proactive Controls Training, policies in place, regular CIGG meetings, access to expert advice, monitoring systems and audits, information asset register, DPIA template in place Continue to emphasise personal responsibility of staff for all information and consider disciplinary action against breaches Continue to review information asset registers Ensure individual data sharing arrangements are completed for each activity Ensure Data Protection risks are managed to comply with GDPR Separate Information Governance Risk Register Online mandatory training completed by existing staff and by new starters as part of induction	Reactive Controls Breach process in place, FOI review process in place, lessons learnt considered, CIGG reviews	Current 3C
Mitigating Actions Ensure individual data sharing arrangements are completed for each activity Ensure Data Protection risks are managed to comply with GDPR - specifically around contracts and other service agreements Continue communications to staff			Target 3C

CRR06: Information Governance	Risk Owner: Anton Hodge	Risk Score
Continue regular training		

ICT	Risk Owner: Louise Wood		Risk Score
Description Ability to deliver public services is severely compromised or reduced due to ICT failure	Causes Outdated or inappropriate policies Poor corporate controls over ICT system Inadequate contractual arrangements, and poor contract management Over-reliance on third party suppliers Outdated, ineffective or ill-configured ICT infrastructure Ill-configured or inadequate software Limited internal capacity Lack of adequate training in effective system use Lack of/inadequate equipment Inadequate disaster recovery planning System security is compromised through inadequate security controls or cyber attack Insufficient investment reduces ICT capacity and effectiveness		Original 5E
Consequences	Proactive Controls	Reactive Controls	Current
Citizens do not receive a service or a poor service Services are unable to operate, or must operate at a reduced level, for a protracted period of time Services are unable to operate efficiently Data is lost or irretrievable	PSN compliance healthcheck and certification Disaster recovery plans Contract audit Centralization of IT decision-making and budgets IT policies and procedures	DR site available if required Third party support	3C

APPENDIX 2

ICT	Risk Owner: Louise Wood		Risk Score
Organisation loses PSN connection Systems are breached			
Mitigating Actions			Target
External service review and reporting Annual third party healthcheck and implementation of actions Maintenance of software and systems within service support dates Ongoing investment in cloud and SaaS Training and development of staff in appropriate use of systems and software, including security Links with National Cyber Security Centre Testing of DR arrangements			2B

CRR07: ICT		Risk Owner: Louise Wood		Risk Score	
Description Ability to deliver public services is severely compromised or reduced due to ICT failure		Causes Outdated or inappropriate policies Poor corporate controls over ICT system Inadequate contractual arrangements, and poor contract management Over-reliance on third party suppliers Outdated, ineffective or ill-configured ICT infrastructure Ill-configured or inadequate software Limited internal capacity Lack of adequate training in effective system use Lack of/inadequate equipment Inadequate disaster recovery planning System security is compromised through inadequate security controls or cyber attack Insufficient investment reduces ICT capacity and effectiveness		Original	5E
Consequences		Proactive Controls	Reactive Controls	Current	
Citizens do not receive a service or a poor service Services are unable to operate, or must operate at a reduced level, for a protracted period of time Services are unable to operate efficiently Data is lost or irretrievable Organisation loses PSN connection Systems are breached		PSN compliance healthcheck and certification Disaster recovery plans Contract audit Centralization of IT decision-making and budgets IT policies and procedures	DR site available if required Third party support	3C	
Mitigating Actions				Target	
External service review and reporting Annual third party healthcheck and implementation of actions				2B	

CRR07: ICT	Risk Owner: Louise Wood	Risk Score
Maintenance of software and systems within service support dates Ongoing investment in cloud and SaaS Training and development of staff in appropriate use of systems and software, including security Links with National Cyber Security Centre Testing of DR arrangements		

CRR08: Contracts and Procurement		Risk Owner: Simon Copley		Risk Score	
Description Failure to ensure that effective procurement and contract management is carried out across the Council Brexit risk to procurement and supply chain		Causes Lack of awareness and ownership across the Council Outdated policies and procedures The UK leaving the EU (Brexit) with no trading deals in place		Original 5D	
Consequences Inability to deliver Value for Money Risk of breaking procurement law and regulation Financial penalties Less effective contracts/contract management Missed opportunities The result of the Brexit negotiations could have a negative impact on the Council's supply chain, both with direct tier 1 suppliers and their sub-contractor network. Existing supply contracts may be impacted by changes in regulation, or legal requirements. Assurance of Supply - risk that a complete failure in supply of the goods / service (e.g. Carillion) from key suppliers could be felt. Service levels may be impacted negatively by any changes in the Supply Chain or access to workers, particularly in low skilled categories. Financial risk need to consider if any supply changes will drive up costs of the Goods / Services/Works in the short/medium/long term.		Proactive Controls Contracts Register Quarterly update and review Wider Partnership arrangements Supply chain assessment Increasing the regularity of supplier risk assessments, from annual to bi-annual or quarterly. Work with legal services to understand the impact. Early engagement with supply markets when we are looking to tender. Review of the services the council delivers to assess the potential impact on specific supply chains. Early supplier engagement should identify areas of cost increase that need to be factored into budget control and or change in requirements. New partnership in place with NYCC to deliver procurement services		Reactive Controls Review of expired contracts Retrospective permissions applied for Review of projects due out to the market at the time the UK leaves the EU	Current 3C
Mitigating Actions				Target	

CRR08: Contracts and Procurement	Risk Owner: Simon Copley	Risk Score
<p>Review contract procedure rules</p> <p>Ensure all staff with authority for procurement and contracts are appropriately trained and are aware of their responsibilities</p> <p>Draw up new Procurement and Contract Management Strategy (taking into account healthcheck) and Action Plan to ensure that Value of Money is a key requirement and that relevant staff take a commercial approach to purchasing. This will also encompass a detailed spend analysis to identify and deliver savings.</p> <p>Networking with relevant groups and other local authorities to ensure we are aware of important developments and to share and learn from good practice and review shared agreements</p> <p>Regular reporting on performance</p> <p>Review of shared service arrangements to ensure they are fit for purpose, including Internal Audit reports</p> <p>Undertake Supplier analysis, segment and understand our supplier base. See where your critical suppliers are, and even look at who supplies our suppliers. If there are EU companies in that mix, understand how that could impact the rest of our flow.</p>		2B

CRR09: Major Events/Incidents (non-Covid)		Risk Owner: Phillip Spurr	Risk Score
Description Failure to respond to major regional, national and global events and incidents – and to learn from previous incidents		Causes Lack of senior officer and workforce capacity Lack of business support Poor networking Lack of IT capacity Lack of policy and horizon scanning function Unknown and unpredicted events eg. natural disaster Potentially foreseeable events – Carbon emissions Local Government reorganisation Government policy – major change of direction Scale of natural disaster e.g. flooding Sustained periods of inclement weather	Original 5E
Consequences	Proactive Controls	Reactive Controls	Current
Lack of staff capacity to deliver services Lack of funding to deliver services Unable to cope with reduced (or increased) funding Not able to lobby appropriately Delays in responding to / implementing new requirements Costs arising from lack of pre-agreements and agreed policy/process e.g. potential supplier costs at end of EU transition period Missed opportunities Death and / or failure to protect public health Increased risk of flooding and other natural disasters	Membership of regional/sub-regional response structures –Membership of expert bodies that lobby Government and provide updates and guidance during period of crisis e.g. DCN, LGA Allocation of finance to address key issues Cross department and cross-agency working Membership of expert bodies to guide our response to policy development e.g. end of EU transition period Attendance at seminars, workshops and professional development Attendance of various Yorkshire and the Humber/ NY and Yorkshire-wide meetings i.e. Leaders, Chief Executives Group	Briefing papers for Strategic Management Board and Elected Members on immediate and urgent issues relating to major change and incidents Participation in civil contingency planning and delivery – Strategic Command Group, Tactical Command Group for York and North Yorkshire Participation in region/sub-regional response groups Learning form table top exercises/previous events	5D

CRR09: Major Events/Incidents (non-Covid)		Risk Owner: Phillip Spurr	Risk Score
Lack of ability to acquit civil contingency partnership accountabilities Inability to support local communities and businesses to recover from major changes or incidents	Regular liaison with partnership bodies e.g. the LEP Climate Change Action Plan Participation in civil contingency planning and delivery – Strategic Recovery Group for York and North Yorkshire Learning from previous incidents		
Mitigating Actions			Target
Networking with relevant groups and other local authorities to ensure we are consistent and sharing and learn from good practice			4D

CRR10: Economic recovery and growth (to also include planning for York/North Yorkshire Devolution and for the future relationship with the European Union)		Risk Owner: Phillip Spurr : Programme Director	Risk Score
Business & Economy Workstream			
Description Failure to support business and the retention of jobs Failure to plan and deliver a strong post-Covid economic recovery Failure to ensure that Ryedale maximises the benefits accruing from a York/North Yorkshire devolution deal Failure to ensure that plans are in place and delivered to ensure Ryedale’s strong economic performance in Britain’s future relationship with the European Union Failure to ensure that plans are in place and delivered to ensure EU citizens in Ryedale are able to secure Settled Status	Causes Failure to recognise the scale of the Covid economic shock and respond accordingly Failure to recognise the opportunities offered by devolution and from the new arrangements with the EU Lack of effective strategic planning to address these issues Lack of effective engagement with partner agencies within and beyond Ryedale Failure to engage effectively in shaping a final devolution deal Failure to secure sufficient Government funding to address key issues Lack of financial and staffing capacity deliver required actions	Original	5D

CRR10: Economic recovery and growth (to also include planning for York/North Yorkshire Devolution and for the future relationship with the European Union)		Risk Owner: Phillip Spurr : Programme Director	Risk Score
Consequences	Proactive Controls	Reactive Controls	Current
<p>Economic underperformance leading to business failures and job losses</p> <p>Adverse social and health consequences</p> <p>Decline/stagnation in district town centres</p> <p>Decline in key economic sectors, including agriculture/manufacturing/services/retail, leisure and hospitality</p> <p>Inability to deliver key infrastructure improvements</p> <p>Inability to deliver low carbon initiatives</p> <p>Loss of revenue to the council</p> <p>Ryedale becomes an unattractive location for investment, and for people to live, work, invest and visit</p> <p>Increased loss of young people seeking economic opportunities elsewhere</p> <p>Loss of investment/business as it seeks opportunities elsewhere</p> <p>Reputational risks – to the council and to the wider district</p> <p>Loss of public confidence in the council</p> <p>Recruitment difficulties</p> <p>Data protection / sharing</p> <p>Price uncertainty and supply chain difficulties</p> <p>Price pressures from contractors, increased demands on services from customers and businesses</p> <p>Potential for community tensions</p>	<p>New corporate plan reflects opportunities/priorities in each of these areas</p> <p>Development and delivery of a comprehensive Ryedale post-Covid economic recovery plan</p> <p>Effective provision of business support – both financial and non-financial</p> <p>Full engagement with district, regional and national partners to deliver economic recovery – eg. LEP/NYCC/national Government/funding agencies</p> <p>Proactive lobbying to ensure that Government funding support is maximised for all Ryedale economic sectors including manufacturing, services, retail, leisure and hospitality, tourism and culture</p> <p>Proactive engagement to shape the asks of the York/North Yorkshire devolution deal/local government reorganisation to ensure that benefits to Ryedale are maximised</p> <p>Proactive engagement in negotiating the devolution asks with Government</p>	<p>Briefing papers for Elected Members, Strategic Management Board, and all staff provided on a regular basis on each of these issues</p> <p>Ongoing participation in working groups, fora and partnerships helping to direct these activities</p> <p>Ongoing activity to ensure that strategic plans reflect emerging policy direction</p> <p>Regular performance monitoring, with mitigating actions taken</p>	3D

<p>CRR10: Economic recovery and growth (to also include planning for York/North Yorkshire Devolution and for the future relationship with the European Union)</p>	<p>Risk Owner: Phillip Spurr : Programme Director</p>		<p>Risk Score</p>
	<p>Engagement in shaping the work of the Devolution Governance Group Utilisation of guidance upon Britain’s future relationship with the EU on specific areas such as trade/procurement/funding programmes Progress on all actions monitored and reported to Strategic Management Board and to Members of a regular basis Update of Business Continuity Plans to take into account post-Covid/devolution/new EU relationship issues Ensure clarity on future funding arrangements for businesses post EU transition period Full engagement in regional working groups Ensure full compliance with state aid/data protection/procurement and other requirements Integrated communities action plan in place</p>		
<p>Mitigating Actions</p>			<p>Target</p>
<p>Work with businesses, partner agencies and Government to ensure that funding is maximised, support is in place and plans are delivered to support business health, jobs and livelihoods in the post Covid/post-EU transition periods</p>			<p>3C</p>
<p>Engage in partnership groups/fora to ensure effective planning and delivery of cross-North Yorkshire economic recovery initiatives</p>			

<p>CRR10: Economic recovery and growth (to also include planning for York/North Yorkshire Devolution and for the future relationship with the European Union)</p>	<p>Risk Owner: Phillip Spurr : Programme Director</p>	<p>Risk Score</p>
<p>Report on an ongoing basis to central Government on Covid/post EU transition economic impacts</p> <p>Play a full role in negotiations with Government to agree devolution asks and shape local government reorganisation proposals</p> <p>Participate in engagement activities arranged by Government upon planning for the future relationship with the EU; review impact on the Council and report regularly to Members/Strategic Management Board.</p> <p>New EU relationship - continue to receive notification on emerging guidance on areas affecting Local Government, review impact on the Council and report regularly on this to Management Board</p> <p>Workforce: monitor the potential impact on recruitment in particular and put together an appropriate action plan if required</p> <p>Prepare and implement Corporate new EU relationship Readiness Action Plan</p> <p>As part of the budget setting process, consider the impact of post-Covid economic recovery work, devolution/local government reorganisation proposals and the impact of the new relationship with the EU</p> <p>Continue to ensure that key messages/information in each of these areas is publicised both internally and externally.</p> <p>Participate in engagement activities arranged by Government upon planning for the future; review impact on the Council and report regularly to Members/Strategic Management Board.</p>		<p style="background-color: yellow;"> </p>

<p>Communities Workstream</p>		<p> </p>
<p>Description Failure to plan and deliver a strong post-Covid recovery Failure to ensure that vulnerable communities are supported through and beyond the Covid emergency</p>	<p>Causes Failure to support Community Support Organisations effectively Failure to recognise the need to support EU residents within Ryedale Lack of effective strategic planning to address these issues</p>	<p>Original 5D</p>

<p>CRR10: Economic recovery and growth (to also include planning for York/North Yorkshire Devolution and for the future relationship with the European Union)</p>	<p>Risk Owner: Phillip Spurr : Programme Director</p>		<p>Risk Score</p>
<p>Failure to ensure that plans are in place and delivered to ensure EU citizens in Ryedale are able to secure Settled Status Failure to support the provision of effective test and trace processes</p>	<p>Lack of effective engagement with partner agencies within and beyond Ryedale Failure to secure sufficient Government funding to address key issues Lack of financial and staffing capacity deliver required actions</p>		<p style="background-color: red; color: black; text-align: center;">3D</p>
<p>Consequences</p> <p>Lack of support for our vulnerable residents and communities Adverse social and health consequences Decline in community resilience and physical and mental health of residents Loss of revenue to the council Increased demands upon community support resources Reputational risks – to the council and to the wider district Loss of public confidence in the council Increased demands on services from customers and businesses Potential for community tensions Lack of support for test and trace which allows significant Covid resurgence within Ryedale</p>	<p>Proactive Controls</p> <p>New corporate plan reflects opportunities/priorities in each of these areas Development and delivery of comprehensive Ryedale Covid community connect partnership support programmes and post-Covid recovery plan Effective provision of community support - – both financial and non-financial Full engagement with district, regional and national partners to deliver community support and – eg. /NYCC/Community Support organisation/national Government/funding agencies Proactive lobbying to ensure that Government funding support is maximised for all Ryedale communities and residents Engagement in shaping the work of the Community Support Organisations and</p>	<p>Reactive Controls</p> <p>Briefing papers for Elected Members, Strategic Management Board, and all staff provided on a regular basis on each of these issues Ongoing participation in working groups, fora and partnerships helping to direct these activities Ongoing activity to ensure that strategic plans reflect emerging policy direction Regular performance monitoring, with mitigating actions taken</p>	<p>Current</p> <p style="background-color: red; color: black; text-align: center;">3D</p>

<p>CRR10: Economic recovery and growth (to also include planning for York/North Yorkshire Devolution and for the future relationship with the European Union)</p>	<p>Risk Owner: Phillip Spurr : Programme Director</p>	<p>Risk Score</p>
	<p>community/voluntary sector organisations within Ryedale Progress on all actions monitored and reported to Strategic Management Board and to Members of a regular basis Update of Business Continuity Plans to take into account of community needs Integrated communities action plan in place</p>	
<p>Mitigating Actions</p>		<p>Target</p>
<p>Work with businesses, partner agencies, community support organisations and Government to ensure that funding is maximised, support is in place and plans are delivered to support communities through Covid, through the post Covid/post-EU transition periods. Engage in partnership groups/forum to ensure effective planning and delivery of cross-North Yorkshire community support/recovery initiatives Report on an ongoing basis to central Government on Covid/post EU transition community impacts Participate in engagement activities arranged by Government upon planning for the future; review impact on the Council and report regularly to Members/Strategic Management Board. As part of the budget setting process, consider the implications of community support activities and budget requirements Continue to ensure that key messages/information is publicised both internally and externally.</p>		<p>3C</p>

<p>People Workstream</p>		
<p>Description Failure to plan and deliver measures to ensure organisational resilience and staff support though the Covid/post-Covid recovery period Failure to plan for any staff/organisational impacts from the EU exit</p>	<p>Causes Failure to recognise the scale of the Covid shock upon the operations of the council and its staff and respond accordingly Lack of effective strategic planning to address these issues Lack of effective engagement with partner agencies within and beyond Ryedale Lack of financial and staffing capacity deliver required actions</p>	<p>Original 5D</p>

<p>CRR10: Economic recovery and growth (to also include planning for York/North Yorkshire Devolution and for the future relationship with the European Union)</p>		<p>Risk Owner: Phillip Spurr : Programme Director</p>	<p>Risk Score</p>
<p>Consequences</p> <p>Failure to deliver key council services Adverse social and health consequences for staff Increased staff absence/reductions in performance Loss of revenue to the council Reputational risks – to the council and to the wider district Loss of public confidence in the council Recruitment difficulties Data protection / sharing</p>	<p>Proactive Controls</p> <p>New corporate plan reflects opportunities/priorities in each of these areas Development and delivery of a comprehensive Ryedale post-Covid economic recovery plan Delivery of EU exit plan Full engagement with district, regional and national partners to support council working, including mutual aid preparations /national Government/funding agencies Proactive lobbying to ensure that Government funding is maximised to ensure that appropriate resources can be put in place</p>	<p>Reactive Controls</p> <p>Briefing papers for Elected Members, Strategic Management Board, and all staff provided on a regular basis on each of these issues Regular staff liaison corporately and within teams/services Provision of budgets to ensure appropriate staffing resources are in place to deliver key services Regular performance monitoring, with mitigating actions taken</p>	<p>Current</p> <p style="background-color: red; color: white; font-weight: bold; font-size: 1.2em;">3D</p>

<p>CRR10: Economic recovery and growth (to also include planning for York/North Yorkshire Devolution and for the future relationship with the European Union)</p>	<p>Risk Owner: Phillip Spurr : Programme Director</p>		<p>Risk Score</p>
	<p>Proactive engagement upon mutual aid issues/biding or additional government funding reorganisation to ensure that benefits to Ryedale are maximised Progress on all actions monitored and reported to Strategic Management Board and to Members of a regular basis Update of Business Continuity Plans to take into account of ongoing Covid/post-Covid demands Full engagement in regional working group</p>		
<p>Mitigating Actions</p>			<p>Target</p>
<p>Work with Government to ensure that funding is maximised to ensure that sufficient resources are put in place to deliver service needs Ensure support is in place for employees who may be impacted by the end of the EU transition period Deliver effective communications for businesses/Ryedale residents upon the implications of the end of the EU transition period/required actions Ensure support is in place to support staff health, well-being and resilience Engage in partnership groups/fora to ensure effective planning and delivery across-North Yorkshire, including through the LRF Report on an ongoing basis to central Government on Covid/post EU transition economic impacts Workforce: monitor the potential impact on recruitment in particular and put together an appropriate action plan if required As part of the budget setting process, consider the impact of post-Covid economic recovery work and the resulting resource requests Continue to ensure that key messages/information on support for staff is publicised internally Resources in place to support ongoing good staff mental and physical health and well-being Ensure provision of appropriate PPE for staff and that appropriate home working facilities and support are in place Ensure staff resilience/appropriate resourcing in the event of concurrent incidents (eg. winter flooding)</p>			<p>3C</p>

APPENDIX 2

<p>CRR10: Economic recovery and growth (to also include planning for York/North Yorkshire Devolution and for the future relationship with the European Union)</p>	<p>Risk Owner: Phillip Spurr : Programme Director</p>	<p>Risk Score</p>
<p>Put in place appropriate plans to ensure health and safety in all council premises for staff and visitors Develop and deliver plans for a safe return to work for staff at Ryedale House</p>		<p style="background-color: yellow;"></p>

CRR011: Safeguarding		Risk Owner: Margaret Wallace		Risk Score
Description		Causes		Original
<p>Failure to ensure Safeguarding (Children and Adults). Risk of death or injury to children/adults, through inappropriate practices, care or attention.</p>		<p>Lack of awareness and ownership across the Council Outdated policies and procedures Lack of assurance that written policies and procedures are actually being followed Contact details in the Safeguarding Policy are not up to date Training records are not adequate Compulsory attendance at safeguarding training for members has not been monitored and enforced. No clear list of DBS Checks necessary for staff Updating the guidance available to employees in respect of convictions. Safeguarding arrangements are not included in contracts as standard Regular refresher training about information security and internet usage The Whistleblowing Policy needs to be updated.</p>		5D
Consequences	Proactive Controls	Reactive Controls	Current	
<ul style="list-style-type: none"> - Poorer outcomes for children and adults. - Impact on statutory responsibilities and regulatory judgement. - Complaints/claims/litigation - Increased costs - Adverse publicity - Reputation damage - Adverse effect on the Council's partners and providers - Adverse effect on morale 	<ul style="list-style-type: none"> Audit undertaken Quarterly update and review meeting in place with management team Safeguarding action plan in place to mitigate risk and address any issues Safeguarding lead updated Quarterly reports to SMB on safeguarding HR policies updated Training records updated Safeguarding policy read and understood by employees recorded 	<ul style="list-style-type: none"> Annual check on safeguarding terms or reference/ policy Annual review of contract management for safeguarding clause. Annual review of safeguarding training Policies and procedures will be reviewed on an annual basis to ensure they are kept up to date with new legislation/guidance version control will be introduced to ensure annual review undertaken Safeguarding action plan/report will report quarterly to SMB and Overview and Scrutiny council committee 	3C	

CRR011: Safeguarding	Risk Owner: Margaret Wallace	Risk Score
Mitigating Actions	Target	
<p>Quarterly meeting set up and attend by all manager to highlight awareness and ownership across the Council</p> <p>New policy and procedure drafted and distributed to all managers and staff.</p> <p>Record of employee havening read and understood the new safeguarding policy recorded across the council</p> <p>Contact details in the Safeguarding Policy are now updated</p> <p>Guidance drafted from HR of necessity for DBS checks and assessment, all managers checking JD, risk assessing and ensuring safe recruitment practices put in place.</p> <p>The Whistleblowing Policy updated.</p> <p>Senior Management/Heads of service/ managers to include safeguarding in their service/team plans and report back on progress</p> <p>All Head of service/ managers will ensure that all staff have undertaken mandatory safeguarding training and ensured they have been given the policy and procedures</p> <p>This will be recorded at 1-2-1 and Prds</p> <p>Review arrangements for the recovery of the systems following a software crash in line with business continuity/risk plans</p>		2B



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	12 NOVEMBER 2020
REPORT OF THE:	HEAD OF CORPORATE GOVERNANCE SIMON COPLEY
TITLE OF REPORT:	TIMETABLE OF MEETINGS 2021-2022
WARDS AFFECTED:	ALL
FOR INFORMATION TO:	OVERVIEW AND SCRUTINY COMMITTEE 22 OCTOBER 2020
	PLANNING COMMITTEE 27 OCTOBER 2020

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 This report presents the draft timetable of meetings for 2021-2022 for approval.

2.0 RECOMMENDATION

2.1 That Council is recommended to approve the timetable of meetings, attached as Annex A to this report, as a basis for working in 2021-22.

3.0 REASON FOR RECOMMENDATION

3.1 To provide a timetable for all decision making, advisory and overview and scrutiny meetings for use by Members, officers, the public and other interested parties.

4.0 SIGNIFICANT RISKS

4.1 There are no significant risks relating to this recommendation.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 A timetable of meetings is agreed and published for each municipal year. This is an essential part of making the Council's decision making process open and accessible to all interested parties. The timetable of meetings is a working document as additional meetings can be scheduled, under the Rules of Procedure in the Council's Constitution, if and when required to deal with business that has arisen. The legal requirement to publish a public notice of meeting supports transparency and accessibility for any additional meetings.

5.2 Strategic Management Board have been consulted on the draft timetable of meetings

for 2021-2022. Elected members may wish to consider whether they continue to schedule Member development sessions in advance or whether these are arranged as and when they are required.

REPORT

6.0 REPORT DETAILS

- 6.1 The draft timetable of meetings, attached as Annex A of the report, has been based on the meeting cycle used in 2020-21.
- 6.2 Mondays have been kept free of meetings as this is when the majority of parish and town councils meet. Also no meetings have been scheduled to coincide with Maundy Thursday (14 April 2022) and the Ryedale Show (27 July 2021).
- 6.3 Members have the option to approve, amend or reject the draft timetable of meetings attached at Annex A. If the current draft timetable is not acceptable to Members, an alternative will need to be agreed.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
The costs of meetings within the Council are built into existing budgets.
 - b) Legal
None.
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental and Climate Change, Crime & Disorder)
An equality impact assessment was carried out four years ago when start times to meetings were reviewed. As no changes are proposed to the number of meetings, the climate change impact will be unchanged from previous years.

8.0 NEXT STEPS

- 8.1 Once the timetable of meetings has been approved it will be published on the Council's website using the Modern.gov committee management system.

Simon Copley
Head of Corporate Governance

Author: Simon Copley, Head of Corporate Governance
Telephone No: 01653 600666 ext: 43277
E-Mail Address: simon.copley@ryedale.gov.uk

Background Papers:
None.



TIMETABLE OF MEETINGS MAY 2021 TO MAY 2022

COMMITTEE	MAY 2021	JUN	JULY	AUG	SEPT	OCT	NOV	DEC	JAN 2022	FEB	MAR	APR	MAY	Day
Council	20*	24			9	7		2		17 & 24**		7	19*	Thurs
Policy & Resources	27		29		23		11			3	17			Thurs
Overview & Scrutiny (Including Audit)		10	28 (Wed)		30	21	18		20	10	24	21		Thurs
Planning Committee and Licensing Committee		8	6	3	1 (Wed) & 28	26	23	21	18	15	15	12	10	Tues (6pm)
Member Development****					8	13	10	1	12***		9	6		Wed

All meetings start at 6.30pm unless otherwise indicated.

NOTES

- * Annual Council (start time 6.30pm)
 - ** Reserve date for business not transacted on 17 February 2022
 - *** Budget Briefing
 - ****Member Development dates may be subject to change following discussions between the Member Development Task Group and the Strategic Management Board
- Working Parties and Sub-Committees will meet as business requires
The Constitution Working Party must meet at least once a year

Scheduled Elections

Police, Fire and Crime Commissioner Election and North Yorkshire County Council Election	-	Thursday 6 May 2021
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Bank Holidays

Spring Bank Holiday	-	Monday 31 May 2021
Late Summer Bank Holiday	-	Monday 30 August 2021
Christmas Bank Holiday	-	Monday 27 & Tuesday 28 December 2021
New Year's Day Holiday	-	Monday 3 January 2022
Council Offices closed	-	Saturday 25 December 2021 to Monday 3 January 2022 inclusive
Easter	-	Friday 15 April and Monday 18 April 2022
May Day	-	Monday 2 May 2022

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Appendix B – Call-in Proforma

Date: 08/10/2020

Committee: Policy and Resources committee

Decision to be called in: 140: HR Policy Revision

Council’s Constitution – Article 12 Decision Making

Principles of decision-making:

All decision of the Council will be made in accordance with the following principles:

- (a) the rule of law
- (b) clarity of aims and desired outcomes
- (c) proportionality
- (d) due consultation and the taking of professional advice from officers and/or appropriately qualified consultants
- (e) respect for human rights
- (f) a presumption in favour of openness

Reason for calling in the decision:

Section 12.3 of the Disciplinary Policy and Procedure on the composition of an Appeals Panel reverses a decision of Full Council on 7 July 2016. (Under Minute 22, Member Involvement in Appeal Panels)

This form is to be signed by **either** the Chairman of Overview & Scrutiny Committee **or** 3 Members of the Committee

Signature of Chairman of Overview & Scrutiny Committee **or** Councillor

J.S Clark 08/10/2020
.....Date:.....

Signature of Councillor
.....Date:.....

Signature of Councillor
.....Date:.....

Date of meeting to consider the Call in22/10/2020....
(Must be within 10 working days of call in)

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PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	POLICY AND RESOURCES
DATE:	24 SEPTEMBER 2020
REPORT OF THE:	HEAD OF HUMAN RESOURCES ANDREW ELLIS
TITLE OF REPORT:	HR POLICY REVISION
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 To approve revised human resources policies

2.0 RECOMMENDATION

2.1 It is recommended that

(a) The revised policies are agreed for implementation.

3.0 REASON FOR RECOMMENDATION

3.1 Many of the current HR policies are outdated and not fit for purpose. The revision of these policies link into the aims and objectives of the People and Culture Plan.

3.2 Policies and procedures are living documents that should grow and adapt with an organisation. Policy review and revision is a crucial part of an effective policy and procedure management plan.

4.0 SIGNIFICANT RISKS

4.1 There are no significant risks identified with the revised policies. Outdated policies however, can leave an organisation at risk. Old policies may fail to comply with new laws and regulations and may not address new systems or technology, which can result in inconsistent practices.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 Full trade union consultation has taken place and the revised policies have been approved by Strategic Management Board. Final ratification by Elected Members will complete the consultation process prior to implementation.

REPORT

6.0 REPORT DETAILS

6.1 HR policies are a written description of rights and responsibilities of employers and employees. If a policy is well developed and clearly written, it helps communication with employees, clarifies expectations and makes sure that everyone is treated in a consistent and fair way. These are all important factors for creating a desirable culture for the organisation, and they minimise exposure to legal risk.

6.2 The following policies have been revised in line with up to date legislation and recommended best practice and are attached in full to this report as appendices:

(a) Capability Policy: Purpose and Scope

This policy has been put in place to encourage all employees to achieve and maintain the required standard of performance and to ensure consistent and fair treatment for all.

This policy applies to all employees of Ryedale District Council. Any employee on Chief Officer Terms and Conditions will fall within the guidelines of the Joint Negotiation Committee and therefore this policy will not apply. The policy does not apply to any employees in the following circumstances:

- Employees within their probationary period. Please refer to the probationary policy.
- For dealing with issues of misconduct, attendance or grievance, for which separate policies apply and there may be occasions where employees are subject to more than one process at a time.

(b) Disciplinary Policy: Purpose and Scope

This policy has been put in place to encourage all employees to achieve and maintain the required standard of conduct and to ensure consistent and fair treatment for all.

This policy applies to all employees of Ryedale District Council, other than those on Chief Officer Terms and Conditions.

7.0 IMPLICATIONS

7.1 The following implications have been identified:

- (a) Financial
There are no additional financial implications on the Council from the policy revision.
- (b) Legal
Under the repeal of the statutory procedures in April 2009 and the introduction of a recommended code of practice from ACAS (April, 2009) in managing disciplinary matters, which have a direct link to other policies, employment tribunals will expect that we have dealt with matters fairly, openly and consistently. Also, that employees are clear through the procedures, of the potential action they shall face if found in breach of any singular or group of

policies. Failure to follow due process and procedure, may result in Ryedale District Council incurring additional costs above the statutory awards where the Council has been found to not have carried out its full procedures which are deemed fair and consistent for all employees of the Council.

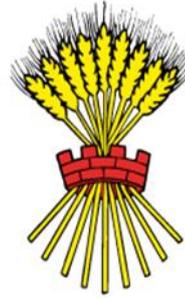
- (c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)
None, other than as stated above

Name of Head of Service **Andrew Ellis**
Job Title **Head of HR**

Author: Marie Lomax, HR Project Officer
Telephone No: 01653 600666 ext: 43395
E-Mail Address: marie.lomax@ryedale.gov.uk

Background Papers:
Appendix A – Capability Policy
Appendix B – Disciplinary Policy

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Capability Policy and Procedure

Document Control Sheet

Reference Number	HRCAP
Version Number	01
Document Author	Senior HR Business Partner
Lead SMB Member	Head of HR
Ratifying Committee	Policy & Resources Committee
Date Ratified	
Date Policy Effective From	
Next Review Date	

Unless this copy has been taken directly from Ryedale District Council's intranet, there is no assurance that this is the most up to date version.

This policy supersedes all previous issues

1. Purpose and Scope

1.1. This policy has been put in place to encourage all employees to achieve and maintain the required standard of performance and to ensure consistent and fair treatment for all.

This policy applies to all employees of Ryedale District Council. Any employee on Chief Officer Terms and Conditions will fall within the guidelines of the Joint Negotiation Committee and therefore this policy will not apply.

The policy does not apply to any employees in the following circumstances:

- Employees within their probationary period. Please refer to the probationary policy.
- For dealing with issues of misconduct, attendance or grievance, for which separate policies apply and there may be occasions where employees are subject to more than one process at a time.

2. Principles

2.1. The following principles will be applied to all capability matters;

- Employees' performance will firstly be regularly appraised informally through regular supervision, which will involve agreeing objectives and setting targets and identifying training and developmental needs. This will feed into the corporate framework for appraisals within the organisation.
- It will be the joint responsibility of the employee and the employee's line manager to ensure that the duties of the post are carried out to the required standard on an ongoing basis.
- The informal stage of the procedure, as detailed above, must be carried out by the line manager before any further action is taken and every effort should be made to resolve the issue at this stage. This must be clearly documented and evidence needs to be available which clearly demonstrates that the employee is aware of concerns in relation to their performance before matters are progressed to this procedure.
- Where a lack of necessary skills are identified, the manager will take all reasonable steps to provide appropriate training, supervision or support which could help the employee to sufficiently improve their performance. Managers should keep a record of all training and development that is provided.

- Employees are to be clearly notified of their expectations and their responsibilities at all stages of the procedure, including the informal stage. The Action Plan (Appendix 1) may be used during all stages.
- It is in the interests of both the Service and the employee that capability issues are resolved as quickly as possible. Therefore action under the appropriate stages of this policy should be taken promptly and no party should unreasonably delay the process being followed.

3. Procedure/Informal Stage

- 3.1. It is expected that managers would raise any performance issues with an employee as part of the normal supervisory process. All records of these conversations should be kept, including additional training needs and support already provided.
- 3.2. If following this, there continues to be issues with an employee's performance or if it is felt the performance issues cannot be addressed through the normal supervisory process, then the following Capability procedure should be invoked.
- 3.3. During all stages of the informal or formal capability process, communication between parties is key to a successful outcome for all concerned. Notes of discussions should be taken and kept securely, support given should be noted and HR advice should be sought about different options of support that may be appropriate and/or available through wider networks.
- 3.4. It may be necessary during both informal and formal stages to have more regular 1-2-1 meetings between the line manager and employee than normal in order to assess improvements and provide an adequate level of support. This should be agreed in advance and should remain supportive.
- 3.5. Managers should be able to evidence a variety of methods, training and additional support that they have considered/implemented or, if this is not suitable or appropriate, annotate the reasons why this decision has taken place. Employees may also suggest additional support that they would like management to consider in order to improve their performance.

4. Stage 1

- 4.1. When it has been concluded that the formal Capability procedure should be invoked the employee should be spoken to by the manager and informed of this. They will then be invited to an initial capability meeting where the process will be discussed. At this point the manager should reiterate to the employee of the areas of performance that are to be addressed.
- 4.2. The manager should provide a copy of this policy to the employee and ensure they are aware that the purpose of the capability procedure is to support the employee to reach the required level of performance.

- 4.3. The manager should invite the employee to the initial capability meeting in writing, confirming the areas of performance that are to be discussed. The letter should be sent in advance of the meeting, allowing the employee time to prepare and arrange for their Union Representative or work colleague to be in attendance.
- 4.4. The employee will have the opportunity to discuss any difficulties they may be having, and together both parties will try to establish and agree appropriate action to be taken which will help to improve performance to the required standard. Specific targets should be clearly set out including what the employee needs to do to achieve them. At this point the length of monitoring period and the regularity of review meetings should be decided upon and relayed to the employee. A written record of the meeting should be taken and a copy provided to the employee.
- 4.5. Specific attention should be paid to any additional support that may be required to enable the employee to reach the required standard. This may be in the form of additional support either inside or outside of the organisation as appropriate to the expertise available, and may take a number of forms, for example, online training, mentoring, attending courses, conversations with high performing departments/individuals. Like objectives, behaviours should be agreed between managers and staff to ensure they are appropriate to the role and understood and are actioned immediately.
- 4.6. The employee's performance will be monitored for a specified period of time, which will be for a minimum of 4 weeks but should be no longer than 8 weeks from the initial meeting date. During that period, both the line manager and employee should meet at an agreed frequency in order to achieve a satisfactory outcome. A written record of all such meetings and the targets set should be retained by the line manager whilst the matter is in progress, and a copy will be given to the employee.
- 4.7. The employee should be informed that if the expected levels of performance are not be met within the monitoring period that the process will move onto the next stage.
- 4.8. It is hoped that with additional support, the monitoring period should enable the employee to achieve a satisfactory level of performance, thus ending this process. However if at the end of the monitoring period, satisfactory levels of performance have not been met then the process should move onto the next stage. The employee should be told at this point that the next stage of the process has been invoked and why this decision has been taken.

5. Stage 2

- 5.1. When it has been concluded that the initial capability meeting and monitoring period has been unsuccessful and the employee has not sufficiently improved their level of performance, the process should be moved onto the second stage and the manager should inform the employee of this. The employee will then be invited to the second capability meeting where the next

stage of the process will be discussed.

- 5.2. The manager should invite the employee to the second capability meeting in writing, confirming the areas of performance that are to be discussed. The letter should be sent in advance of the meeting, allowing the employee time to prepare and arrange for their Union Representative or work colleague to be in attendance.
- 5.3. The letter should recap the areas of the employees performance that are not satisfactory, the targets previously set and outline the support offered to date to the employee to improve performance.
- 5.4. At the meeting the manager will outline the nature of the underperformance and what measures have already been taken to support the employee as set out in the initial capability meeting and monitoring period.
- 5.5. The employee will be given the opportunity to explain why they have not met the required standards during the initial monitoring period, any issues or concerns that they may have and any further support that they think they may need.
- 5.6. At this point the manager will give consideration to a further period of monitoring and if any further support is needed. As in stage 1, specific targets should be clearly set out including what the employee needs to do to achieve them. At this point the length of the further monitoring period and the regularity or review meetings should be decided upon and relayed to the employee. A written record of the meeting should be taken and a copy provided to the employee.
- 5.7. The employee's performance will be monitored for a specified period of time, which will be for a minimum of 4 weeks but should be no longer than 8 weeks from the initial meeting date. During that period, both the line manager and employee should meet at an agreed frequency in order to achieve a satisfactory outcome. A written record of all such meetings and the targets set should be retained by the line manager whilst the matter is in progress and a copy will be given to the employee.
- 5.8. The employee should be informed that should the expected levels of performance not be met within the monitoring period, that the process will move to a hearing where other employment options will be considered including dismissal on the grounds of capability.
- 5.9. It is hoped that with additional support, the further monitoring period should enable the employee to achieve a satisfactory level of performance, thus ending this process. However, if at the end of the monitoring period, satisfactory levels of performance have not been met then the process should move to a hearing, Stage 3 as outlined below.

6. Stage 3

- 6.1. If the further monitoring period has been unsuccessful and the employee has not reached the required level of performance following the second monitoring period, the manager should meet with the employee to discuss this. The manager should inform the employee that a hearing will now be arranged where the future of their employment will be considered.
- 6.2. At the hearing the Manager will describe the unsatisfactory levels of performance and the support offered to date to assist the employee. The employee will have the opportunity to present their case also. The employee has the right to be accompanied by a trade union representative or work colleague at the hearing. The hearing will be chaired by a Head of Service or above who will be accompanied by a member of HR who, when both parties have presented all of their information fully, will decide the appropriate outcome. This can be, but is not limited to;
- Redeployment into a different post within the Authority
 - An extension to the monitoring period and/or further support/training
 - Demotion into a lower graded post without pay protection
 - A change in working hours or duties
 - Dismissal on the grounds of capability
- 6.3. The outcome of the hearing will be confirmed to the employee in writing. The employee will have the right of appeal against the decision. To do this they must write to the chair of the hearing within 10 working days of receipt of the outcome letter, detailing the reason for appeal.

7. Appeals

- 7.1. An employee may appeal against any of the actions listed above.
- 7.2. Appeals against dismissal will be heard by a Member of Senior Management Board and at least one Elected Member as part of the panel to ensure impartiality.
- 7.3. Appeals against any other sanction will be heard by the relevant member of the Council's Strategic Management Board or their representative, accompanied by a member of HR.
- 7.4. Any appeal must be made in writing within 10 working days of the receipt of the letter confirming the outcome. The appeal should be sent in writing to the Manager.

Capability: Action Plan

Employee Name		Job Title	
Line Manager		Department	
Stage <i>(delete as appropriate)</i>	Informal / Formal	Meeting Date	

	Issue (be clear if this is something that the employee is doing or not doing and what is and isn't acceptable)	Action/Training to take place (is this internal or external, consider mentoring, buddying, visits to other Councils if possible)	Dates of meetings/milestones	People involved	Review period
1					
2					
3					
4					

Actions agreed (Manager signature)		Date	
Actions agreed (Employee signature)		Date	

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Disciplinary Policy and Procedure

Document Control Sheet

Reference Number	HRDIS
Version Number	01
Document Author	Senior HR Business Partner
Lead SMB Member	Head of HR
Ratifying Committee	Policy & Resources Committee
Date Ratified	
Date Policy Effective From	
Next Review Date	

Unless this copy has been taken directly from Ryedale District Council's intranet, there is no assurance that this is the most up to date version.

This policy supersedes all previous issues

1. Purpose and Scope

- 1.1 This policy has been put in place to encourage all employees to achieve and maintain the required standard of conduct and to ensure consistent and fair treatment for all.
- 1.2 This policy applies to all employees of Ryedale District Council, other than those on Chief Officer Terms and Conditions.

2 Principles

- 2.1 The following principles will be applied to all disciplinary matters;
 - Disciplinary action will not be taken against an employee until the matter has been fully investigated.
 - At every stage in the procedure the employee will be advised of the nature of the complaint against them and they will be given the opportunity to state their case before any decision is made.
 - At all stages the employee will have the right to be accompanied by a trade union representative or work colleague.
 - No employee will be dismissed for a first breach of discipline except in the case of gross misconduct when the penalty will be dismissal without notice or payment in lieu of notice.
 - All sanctions and the reasons for them will be confirmed to the employee in writing.
 - All employees will have the right to appeal against any disciplinary sanction imposed.
 - Before starting a disciplinary procedure, the line manager should first see whether the problem can be resolved in an informal way or has previously considered this and the employee has failed to achieve the required standards or it would be inappropriate in the circumstances.
 - The application of this policy and procedure complies with the ACAS Code of Practice for Disciplinary and Grievance.

3 Procedure

- 3.1 When minor issues with an employee's conduct are raised, they may be dealt with informally but where the matter is more serious or the informal discussions by supervisors have not been effective, the Disciplinary Policy and Procedure will be applied.
- 3.2 As part of the informal process, managers may choose to issue a 'management instruction'. Before issuing a management instruction, the manager must have undertaken an analysis of the situation and be sure that this course of action is appropriate for the situation.
- 3.3 Management instructions should only be used in lower level disciplinary cases, where a full investigation and potential first written warning in the first instance may seem a

little harsh. Some examples of such situation are listed in Appendix 1 (Minor Misconduct).

4 Notification of Allegation(s)

- 4.1 The employee will be notified in writing of the nature of the allegation or issues in question and that they are subject to a disciplinary investigation.
- 4.2 The nature of the allegations may change during the course of the investigation. The employee should receive correspondence notifying them of any changes to the allegations as soon as reasonably practicable.
- 4.3 Notification of the allegations and any relevant evidence will be provided to the employee in sufficient time for them to be able to state their case as part of the investigation process.

5 Precautionary Action/Suspension

- 5.1 Depending on the nature of the allegations the employee may be subject to precautionary action. This can include but is not restricted to redeployment, variation to duties or suspension whilst an investigation is carried out.
- 5.2 Suspension should only be used in situations where the employee is considered to be a harm to themselves, colleagues, clients/service users, members of the public, or where information or evidence which may be needed as part of the investigation may be tampered with.
- 5.3 Suspension may also be deemed appropriate where there is a concurrent policy investigation, however this will also depend on the nature of the allegations and the relevance of this to their employment.
- 5.4 Alternatives to suspension should be considered – for example, alternative duties, garden leave.
- 5.5 Precautionary action is not prejudicial to the outcome of the investigation, it is to ensure a fair process is applied and all parties are protected when necessary.
- 5.6 Any precautionary action that may be taken will be confirmed to the employee in writing and it will be reviewed throughout the investigation.
- 5.7 The need for precautionary action, the type of precautionary action or revoking precautionary action may become apparent at any time during the course of the investigation.

6 Investigatory Interviews

- 6.1 An investigating officer will be appointed to establish facts, interview witnesses, take statements and gather documentary evidence. The Investigating Officer will need to be impartial and may be a manager from a different service area in the interest of impartiality. The Investigating Officer will need to be appropriately skilled to undertake the investigation and should seek advice and guidance from HR as appropriate.

- 6.2 As part of the Disciplinary Investigation an employee will be invited in writing to attend an investigatory interview where they will be asked questions in relation to the allegation(s) of misconduct. This letter should notify the individual of the allegation(s).
- 6.3 Should the employee or their representative be unable to make the suggested meeting date, they should suggest an alternative date and time within 10 working days of the original date, unless there are exceptional circumstances (e.g. planned holiday out of the country). In exceptional circumstances the meeting should be rearranged to be held at the earliest opportunity.
- 6.4 Notes of this interview will also be taken and then provided to the employee to verify and sign to ensure that an accurate record has been taken. These will then be used in the disciplinary investigation and added to the evidence.
- 6.5 Should the allegations change during the course of the investigation, the employee will be notified at the earliest opportunity in writing and be given the opportunity to respond to the change in allegations.
- 6.6 During the course of the disciplinary investigation, other employees may be called to interviews as witnesses as they may have any information that could aid the investigation. The witnesses will also be notified in advance of the date, time and venue of the meeting and will have the right to be accompanied by either a Union representative or work colleague. Notes of this interview will also be taken and then provided to the employee to verify and sign to ensure that an accurate record has been taken. These will then be used in the disciplinary investigation and added to the evidence.

7 Conclusion of Disciplinary Investigation

- 7.1 Once the Disciplinary Investigation has been concluded and all relevant parties have been interviewed and evidence has been collated, the Investigation Officer will produce a report which will contain the recommendations as listed below:
- Recommend that there is **sufficient evidence** for the case to proceed to a Disciplinary Hearing
 - Recommend that there is **insufficient evidence** for the case to proceed to a Disciplinary Hearing

If there is a recommendation that there is insufficient evidence for the case to proceed to Disciplinary Hearing, the employee will be notified in writing as soon as reasonably practicable, without undue delay.

8 Disciplinary Hearing

- 8.1 Should the case be recommended to proceed to a Disciplinary Hearing, the employee will be required to attend a further meeting. They will be notified in advance of the date, time and venue of the meeting and will have the right to be accompanied by either a Trade Union representative or work colleague. Only in exceptional circumstances will be employee not be permitted to attend. Where there is the potential for the outcome of the hearing to be dismissal, the letter must state this.
- 8.2 The employee will receive all relevant documentation, including the full investigation report and appendices a minimum of 5 working days before the date of the hearing. If there is a significant amount of data, it may be requested by all parties that this timescale be extended and this should be granted if deemed reasonable to do so.

- 8.3 Should the employee or their representative be unable to make the suggested meeting date, they should suggest an alternative date and time within 10 working days of the original date, unless there are exceptional circumstances (e.g. planned holiday out of the country). In exceptional circumstances the meeting should be rearranged to be held at the earliest opportunity.
- 8.4 At the hearing the employee will be notified of the allegations and they will be given the opportunity to answer any of the allegations and set out their case. The meeting will be conducted by an independent Chairperson of sufficient seniority within the organisation, who will normally be advised by someone from HR. The hearing should be recorded for accuracy.
- 8.5 In cases where the outcome of the hearing may result in dismissal, there should be a panel of at least 3 people, one of which may include HR. In all cases, HR should advise the panel.
- 8.6 The employee will be required to attend the meeting whether they are currently in work or not, unless the above mentioned exceptional circumstances apply. In the event that the employee is persistently unable or unwilling to attend the disciplinary hearing or agree an alternative date without good cause, a decision will be made, in their absence, with all the evidence available.
- 8.7 If the employee were to fall sick within this period, they should notify their manager on the first day of absence and then the employee will be required to follow the normal sickness absence reporting procedures.

9 Outcome of Disciplinary Hearing

- 9.1 The possible outcomes from a disciplinary hearing are;
- No further action
 - The meeting is adjourned until a further date, normally pending further information (reason must be given to the employee)
 - Disciplinary action is required
 - Written Warning
 - Final Written Warning
 - Dismissal (with or without notice)
- 9.2 The outcome will be confirmed to the employee in writing as soon as reasonably practicable, without undue delay.

10 Disciplinary Action

- 10.1 The three levels of disciplinary action are detailed below;
- 10.1.1 A Written Warning is given when the employee's conduct has not been of the expected standard. The warning is kept on the employee's personal file for 6 months, but will normally be disregarded for disciplinary purposes following this period of satisfactory conduct.
- 10.1.2 A Final Written Warning is given when the employee's conduct is more serious than a Written Warning, but not serious enough to warrant dismissal. The warning is kept on the employee's personal file for 12 months, but will normally

be disregarded for disciplinary purposes following this period of satisfactory conduct.

10.1.3 Dismissal may happen when the three step process above has been exhausted (Written Warning, Final Written Warning, Dismissal) or where when the employees conduct is so serious that their employment is terminated. Depending on the seriousness of the case will dictate whether the employee receives notice pay following dismissal or is summarily dismissed (without notice).

10.1.4 Contractually the organisation may choose to provide payment in lieu of notice and not require the employee to work their notice period. Any such payment is subject to tax and national insurance deductions in the normal way.

10.2 All disciplinary action will be confirmed to the employee in writing and they will be given the right of appeal.

10.3 Examples of the type of misconduct that would warrant each level of disciplinary action are listed in Appendix 1.

11 Gross Misconduct

11.1 Examples of gross misconduct can be found in Appendix 1. This is not an exhaustive list.

11.2 If the disciplinary investigation concludes that gross misconduct has occurred the outcome will normally be a final written warning or dismissal. Dismissal in cases of gross misconduct may be with or without notice (summary dismissal) where the offence is such that this is deemed appropriate

12 Appeals

12.1 An employee may appeal against any of the levels of disciplinary action listed above.

12.2 An appeal against a Written Warning or a Final Written Warning will be heard by the relevant member of the Council's Strategic Management Board or their representative, accompanied by a member of HR.

12.3 Appeals against dismissal will be heard by a Member of Senior Management Board and at least one Elected Member as part of the panel to ensure impartiality.

12.4 Any appeal must be made in writing within 10 working days of the receipt of the letter confirming the disciplinary action. The appeal should be sent in writing to the Investigating Officer.

Types of Misconduct

Please find listed below the types of misconduct and examples along with probable consequences. Please note this is not an exhaustive list, they are only examples, and they should not be regarded as the only examples of misconduct.

1. Minor Misconduct

- Persistent lateness
- Unauthorised absences
- Failure to follow absence reporting procedures
- Minor conduct issues

These types of misconduct would normally result in a Written Warning. Continued/repeated incidences of misconduct could potentially lead to Final Written Warning or Dismissal.

2. Serious Misconduct

- Verbal assault or threat of violence in the workplace to employees or other people.
- Negligence in carrying out duties in accordance with the Authority's policies and procedures.
- Misconduct occurring outside of the workplace, which is deemed sufficiently serious to affect an employee's position at work.
- Inappropriate use of electronic communications, including email or internet access facilities.
- Failure to abide by professional codes of conduct / standards.
- Repeated minor misconduct where disciplinary action has failed to improve behaviour

These types of misconduct would normally result in a Final Written Warning. Continued/repeated incidences of misconduct could potentially lead to Dismissal.

3. Gross Misconduct

- Unauthorised removal or misuse of the Authority's property
- Stealing from the Authority, it's Members, employees or members of the public and other instances of dishonesty.
- Serious breaches of confidentiality (unless subject to the protection afforded by the 'Speak Out' Policy / Public Interest (Disclosure) Act 1998).
- Serious breaches of safety regulations endangering other people, including deliberate damage to, neglect of and misappropriation of safety equipment.
- Discrimination, bullying or personal harassment of any person including Elected Members, Customers and Colleagues/Co-Workers.
- Being incapable of work, or of working safely due to the influence of alcohol or drugs.
- Behavior which has brought the Authority or its services into serious disrepute.
- The victimization, intimidation or harassment of any co-worker/colleague on the grounds of their gender, ethnicity, sexual orientation, race, age, religious beliefs or disability.

These types of misconduct would normally result in dismissal without notice.

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