



## **OVERVIEW AND SCRUTINY COMMITTEE**

Wednesday 23 September 2015 at 6.30 pm

Council Chamber, Ryedale House, Malton

### **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 the 30 July 2015**

(Pages 3 - 6)

**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 Final Report to Overview and Scrutiny on the 2015 Audit**

(Pages 7 - 30)

**7 Statement of Accounts 2014/2015**

(Pages 31 - 120)

**8 Letter of Representation 2014/2015**

(Pages 121 - 124)

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

## Overview and Scrutiny Committee

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Held at Council Chamber, Ryedale House, Malton  
on Thursday 30 July 2015

### Present

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Councillors Acomb, Joy Andrews, Duncan, Evans, Gardiner, Jowitt, Sanderson, Shields (Vice-Chairman) and Wainwright (Chairman)

### In Attendance

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Audrey Adnitt, Peter Johnson and Max Thomas (Veritau)

### Minutes

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14 **Apologies for absence**

Apologies were received from Councillor Cussons.

15 **Minutes of the meeting held on the 23 April 2015**

**Decision**

That the minutes of the Overview and Scrutiny Committee held on the 23 April 2015, be approved and signed by the Chairman of a correct record.

16 **Urgent Business**

The Chairman advised that there would be one item of urgent business to be considered under Item 11 on the agenda.

17 **Declarations of Interest**

There were no declarations of interest.

18 **Fuel Poverty and Affordable Warmth Scrutiny Review**

Considered the report of the Chairman of Overview and Scrutiny.

**Decision**

That the final version of the report be approved, and the recommendations (listed on page two of the Scrutiny Review Report), arising from the review be supported, following further clarification on the following items:

- a. In relation to recommendation 9 (page 3) concern was expressed regarding the level of potential costs. What is the Council's responsibility for Fuel Poverty?
- b. In relation to recommendation 11 (page 3) clarification was sought on how a warmer home can reduce social isolation.
- c. Paragraph 5.3 (page 9) clarification was sought under the heading 'living in larger homes' as to why terraced houses formed the largest percentage.
- d. In relation to recommendation 6 (page 2) a question was asked as to whether this happens anyway through the Planning Committee process.

19 **Home & Communities Agency - Derwent Lodge External Audit**

Considered the Compliance Audit Report produced by the Homes and Communities Agency relating to Derwent Lodge.

**Decision**

That the report be received.

20 **Annual Internal Audit Report 2014/15**

Considered the report of the Finance Manager (s151).

**Decision**

That the report for 2014/15 be approved.

21 **Annual Governance Statement 2014/15**

Considered the report of the Finance Manager (s151).

**Decision**

That the Annual Governance Statement be approved for inclusion in the Statement of Accounts.

22 **Treasury Management Annual Report 2014/15**

Considered the report of the Finance Manager (s151).

**Decision**

That the following recommendations be made to Full Council.

- a. That the treasury management report for 2014/15 be noted.
- b. That the actual 2014/15 prudential and treasury indicators in this report be approved.

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

The Chairman reported that following the recent decision of High Court Judge Mr Justice Dove to quash the planning permission granted for the petrol filling station and supermarket at Wentworth Street Car Park in Malton, he had asked the Council's External Auditor KPMG to provide an Audit Assurance on the Council's procedure in relation to this planning application.

The Chairman was meeting with KMPG on the 27<sup>th</sup> August 2015 to discuss the scope for the review, which would include advice given and to what extent money may have been wasted.

The meeting closed at 7.30pm.

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Ryedale District Council

Final Report to the Overview and Scrutiny Committee on  
the 2015 Audit

23 September 2015

the  
Distinctive  
audit

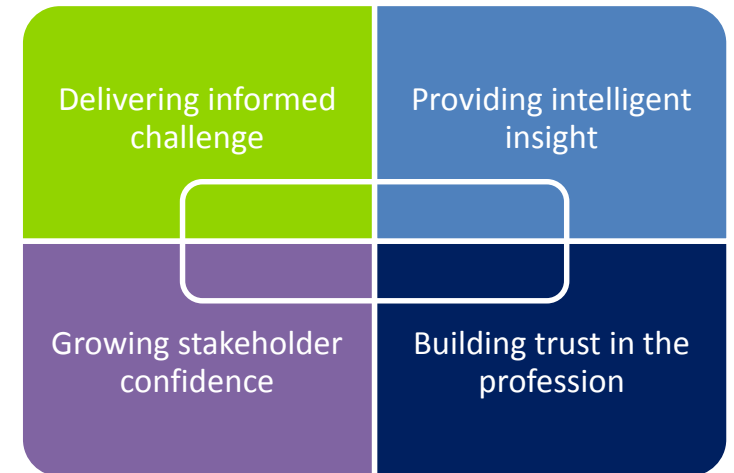
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## A reminder of our audit plan:

- We determined materiality as £407k and a reporting threshold of c.£20k
- We identified 5 significant risks in our Audit Plan and have not made any changes from the scope set out in the Audit Plan.
- We have taken a fully substantive approach to testing the financial statements.





# The big picture

# The big picture

We anticipate issuing an unmodified audit opinion upon completion of our work.

## Audit work

- We have discussed our initial comments on the draft financial statements with management.
- From our audit work on the financial statements we identified one material misstatements but no significant deficiencies in internal controls at the Council. The misstatement related to a property valuation and resulted in an increase of £750,000 to the valuation of the Council's office buildings which has been adjusted in the financial statements. There were a small number of minor disclosure deficiencies identified which were corrected by management. Two immaterial unadjusted items over our reporting threshold are included in Appendix 1.

We have undertaken a risk assessment in line with the Audit Commission guidance on assessing the delivery of Value for Money and have concluded that there are no specific risks to the delivery of Value for Money.

A representation letter will be circulated separately for consideration by management.

From our work undertaken so far we expect to issue an unmodified opinion in line with your specified deadlines.

We have the following principal matters to complete:

- Report from Pension Scheme auditors to support the valuation of Pension Scheme Assets;
- Finalisation of our Value for Money work;
- Final review and close down procedures;
- Subsequent events review; and
- Receipt of signed letter of representation.

# Significant audit risks

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This section explains the nature of significant risks, how these risks have been addressed by our audit work and our conclusions. We also explain related presentational and/ or disclosure matters within the financial statements.

# Summary of significant audit risks

## Key areas of judgement focused upon during the audit

| Description of the risk         |  | ← Acceptable Range → |  |  |   |   |  |  |  |  |  | Findings |   |   |
|---------------------------------|--|----------------------|--|--|---|---|--|--|--|--|--|----------|---|---|
| Revenue Recognition             | Overly cautious and/or likely to future credit |                      |  |  |   | ✓ |  |  |  |  |  |          | Overly optimistic and/or likely to future debit | G |
| Management Override of Controls |  |                      |  |  |   | ✓ |  |  |  |  |  |          |   | G |
| Valuation of PPE                |  |                      |  |  | ✓ |   |  |  |  |  |  |          |   | A |
| Bad Debt Provisioning           |  |                      |  |  |   | ✓ |  |  |  |  |  |          |   | G |
| NDR Appeals Provision           |  |                      |  |  |   | ✓ |  |  |  |  |  |          |   | G |

### ✓ Current Year Assessment

|   |                            |   |                       |
|---|----------------------------|---|-----------------------|
| G | No issues noted            | A | Adjustment identified |
| R | Material unresolved matter |   |                       |

Preparing financial statements requires management to exercise significant judgement and make reasonable and supported estimates. In many of these areas there is inevitably a range of possible judgements and estimates for management to consider, and we set out above our assessment of where in that range the key judgements lies for the group financial statements. The table above shows, on a range of acceptable outcomes from less conservative to more conservative, where management's key assumptions and valuations relating to significant estimates lie.

Our independent assessment of these judgements is outlined in this section.

# 1. Revenue Recognition

## Revenue recognition is consistent with the Code

### Nature of risk

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition; evaluate which types of revenue, revenue transaction or assertions give rise to such risks.

Our focus for the risk of revenue recognition is the risk in relation to the early recognition of grant income where conditions exist.

### The key judgement areas and their potential impact on the financial statements

Key controls are required to ensure that all grant income, for which the Council is eligible, is recognised appropriately within the period to which it relates. The key judgement is focused upon whether the Council is eligible to recognise relevant grant receipts, and whether the grant conditions have been met.

### Audit work completed to address the significant risk

We have performed testing by selecting a sample of grant income items, confirming that all income has been recognised in line with the prescribed terms of the grant documentation and in line with the provisions of the CIPFA Code 2014/15.

Further to this, we have compared the Council's grant income with that of its local peers, to ensure that all common grant income recognised by peers has also been recognised by the Council, where appropriate.

### Deloitte view

We do not consider there to be evidence of management bias in the revenue recognition policies adopted.

The revenue recognition policies are in line with other Local Government entities and the CIPFA Code.

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## 2. Management override of controls

### Management estimates appear reasonable and free from bias

#### Nature of risk

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

#### The key judgement areas and their potential impact on the financial statements

Management is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Management may override controls through:

- recording fictitious journal entries;
- applying inappropriate judgment;
- omitting, advancing, or delaying recognition of events and transactions;
- engaging in complex transactions that are structured to misrepresent financial position or financial performance;
- omitting disclosure of related parties and transactions; and
- altering records related to significant and unusual transactions.

Management's key judgements involve instances where estimates are required in the absence of definitive evidence, for example the NNDR appeals provision covered elsewhere in this report.

#### Audit work completed to address the significant risk

We have performed the following audit procedures:

- reviewed the processes and performed design and implementation work on the controls management have in place;
- used our 'Audit Analytics' software to test a risk focused sample of journals to ensure the appropriateness of journal entries;
- reviewed accounting estimates for evidence of bias;
- review of various committees' minutes; and
- stayed alert to the possibility of significant transactions that are outside the normal course of business for the Council.

#### Deloitte view

From our testing we do not consider management's estimates to be unreasonable and nor have we identified any evidence of bias and significant transactions outside the normal course of business.

### 3. Valuation of PPE and Investment Property

#### PPE and Investment Property appear to be valued appropriately

##### Nature of risk

There has been a clarification of the Code of Practice for 2013/14, the Council is required to revalue property, plant and equipment with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Investment properties are required to be carried at fair value at each balance sheet date.

##### The key judgement areas and their potential impact on the financial statements

The Council engaged City of York Council to undertake a valuation exercise of land and buildings as at 31 March 2015 on an Existing Use Value, Market Value and Depreciated Replacement Cost value basis in accordance with the Code of Practice. The key judgements made by management are the adoption of the assumptions made by the valuer.

##### Audit work completed to address the significant risk

We have obtained a copy of the latest valuation report. The valuation resulted in a decrease to investment properties of £340k and a net reduction in operational land and buildings of £365k. We challenged the assumptions and basis of valuation used by the valuer, by reviewing a sample of valuations in detail. We found that one property, the Council's offices, had been undervalued by the application of an inappropriate discount to the valuation. An adjustment to increase the valuation by £750,000 has been made in the Statement of Accounts. We have no other comments on the valuation. We reviewed the accounting policies in respect of componentisation and consider that these continue to be appropriate.

We have tested the design and implementation of controls management has put in place to ensure land and buildings are materially fairly stated in the balance sheet and we have tested the disclosure of PPE balances in the accounts, particularly with reference to the disclosures of valuation methodologies and the date of valuation. Since the entire portfolio has been revalued this year, there was no need to consider whether noted impairments should be applied more widely to other assets.

##### Deloitte view

Our work in relation to the valuation of non-current assets has been completed. Except for one item, the results of our testing were satisfactory with the valuation exercise being completed in line with the Code of Practice.

One item resulted in an audit adjustment of £750,000 to adjust the valuation of the Council's offices where an inappropriate discount had been applied.

## 4. Calculation of bad debt provision against debtors

### The bad debt provision appears reasonable

#### Nature of risk

In the current climate there is likely to be more pressure on the Council's rate-payers' financial resources. Therefore, it follows that there is likely to be a higher level of unpaid debts at the balance sheet date and, potentially, more bad and/or doubtful debts occurring.

#### The key judgement areas and their potential impact on the financial statements

The following provisions are included in the financial statements:

|                          |                |                              |
|--------------------------|----------------|------------------------------|
| Sundry debtors           | £86,000        | 47% of balance (2014: 47%)   |
| Housing benefit          | £301,000       | 59.5% of balance (2014: 57%) |
| Council tax/NNDR arrears | <u>£62,000</u> |                              |
| Total                    | £449,000       |                              |

#### Audit work completed to address the significant risk

We have challenged management's methodologies and assumptions used to calculate the bad debt provision and the evidence to support the approach.

We have considered whether provisions appropriately reflect the impact of the changing economic conditions and welfare reforms by reference to recent collection performance and trends.

We have tested the integrity of the ageing data which the Council uses to profile debtors by age, to confirm that the base data which is provided against is accurate.

#### Deloitte view

From our testing we do not consider management's provisions against bad debt to be unreasonable and have not identified any non-compliance with the Code.



# 5. Completeness of NNDR appeal provisions

## Provisions for NNDR appeals have a rational basis of calculation

### Nature of risk

From our initial inquiries, we understand a number of significant business ratepayers have appealed against the ratings provided by the Valuation Office Agency (VOA).

The Council entered a risk pooling arrangement for NNDR with a number of North Yorkshire councils from 1 April 2014. The risk pooling arrangement does not impact the provision to be recognised by the Council each year, rather it realises a surplus or deficit for pool participants based on actual settlements in any given year.

### The key judgement areas and their potential impact on the financial statements

The full value of the NNDR appeals provision is £1,390,000, of which 40% is the Council's proportion, being £556,000.

The underlying assumption is an appeal success rate of 4.3% based on past experience. Two atypical properties are provided for on specific bases following management's discussions with appeals officers and experts.

### Audit work completed to address the significant risk

We have challenged management's methodologies and assumptions used to calculate the appeals provision and the evidence to support the approach, and considered whether provisions appropriately reflect the historical trends for NNDR claims of this nature.

We have reviewed VOA data and trends, in order to formulate a best-estimate of the provision and use this to determine whether management's approach is reasonable.

### Deloitte view

From our testing we do not consider management's provisions against NNDR appeals to be unreasonable and have not identified any non-compliance with the Code.

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# Value for Money and the Annual Governance Statement

# Value for Money Conclusion

## Requirement

Under the Audit Commission Code of Audit practice, as appointed auditors, we are required to draw a conclusion regarding the Council's arrangements to secure economy, efficiency and effectiveness of its use of resources (the Value For Money (VFM) conclusion). As was the case in previous years, we will have regard to the specified criteria, published by the Audit Commission, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

## Audit work completed

We have reviewed the risk assessments for the savings proposals in the 2015/16 budget and arrangements for the on-going management of those risks. Progress in developing the budget for 2016/17 is on-going with the next meeting expected to be in November to discuss planned budget savings. Whilst the Council has coped well with previous government funding cuts, the anticipated future reductions in funding from 2015/16 onwards will be a significant challenge involving difficult decisions around resource prioritisation.

During the course of this work, we have considered the effectiveness of arrangements to assess the implications of savings measures and to manage their impact on the delivery of strategic priorities. In particular, we have considered the outcome, in July 2015, of the Judicial Review of the Wentworth Street car park planning decision and do not consider this to represent a significant risk to the Value For Money conclusion. We note the action taken by the Council to engage KPMG to review the outcome of the Judicial Review and recommend that the Council take steps to address any recommendations arising from that review to strengthen their governance arrangements in the area of planning.

We completed our risk assessment and concluded that there were no specific risks to the Value for Money conclusion for 2014/15 and, as a consequence, have not undertaken any locally determined risk based work.

We have considered the results of our work on the Annual Governance Statement, the results of our audit work and the findings of internal audit.

## The VFM Conclusion

Under the Code, auditors are required to include a positive conclusion in their statutory audit report as to whether they are satisfied that, in all significant respects, the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The conclusion has regard to the criteria specified by the Commission and we do not consider all aspects of the Council's arrangements. This conclusion is given within our audit report on the Council's accounts. We are required to report if, in our judgement, matters come to our attention which are significant enough to prevent us from concluding that proper arrangements are in place in the areas considered. In such a circumstance, we qualify our conclusion in relation to particular criteria, either on an 'except for' basis (i.e. the Council has put in place proper arrangements except for...) or in the form of an 'adverse' conclusion (i.e. the Council has not put in place arrangements in that...).

For 2014/15, as at the time of writing this report, we have assessed the Council for both the financial resilience and the economy, efficiency and effectiveness criteria as having proper arrangements in place. We will update on this verbally at our meeting on 23 September 2015 and confirm whether we will be issuing an unqualified conclusion, as is currently anticipated. The format of our opinion can be found in the Statement of Accounts which will be presented separately at that meeting.

**Deloitte view:** Based on our findings to date we anticipate providing a positive conclusion on the Council's Value for Money arrangements.

# Page 20 Insight - Internal control and risk management

In this section we set out our comments regarding your internal control and risk management processes. We communicate any significant deficiencies in the internal control environment to the Overview and Scrutiny Committee.

# Internal control and risk management

We highlight one observation from our audit procedures



| Area  | Observation/Finding  | Recommendation  | Management Comment  |
|---|--|---|---|
| Asset disposals   | <p>Three small pieces of land, with an asset register valuation of £230,000 (2014: £240,000), appear to have been marketed for sale during the year without a documented record of the disposal process.</p> <p>The items were marketed at a total value of £165,000, being £65,000 lower than the asset register valuation, and potentially at under-value.</p> <p>Further enquiry indicates that the items have not received any serious offers to date and therefore the asset register value appears to be overstated as noted in Appendix 1. However, the lack of documented record of the disposal process could have resulted in lost sales revenue since the asset register value would have indicated an initial marketing value of £240,000.</p> | <p>Ensure a formalised document is used to authorise asset sales, including sales value and subsequent price changes.</p>   | <p>We will review the process around asset disposals and introduce formal documentation to monitor the process from start to finish.</p>  |
| Procurement management oversight regarding order processing and conflicts of interest | <p>During the year it became apparent that orders were being split and processed below certain authorisation limits. Furthermore, conflicts of interest for certain members of management were not recorded or reviewed.</p>   | <p>We recommend implementing some data analytics on purchase orders to test for items close to authorisation thresholds (also known as Benford testing) and for recurring items linking the same staff and suppliers which may suggest patterns of procurement.</p> <p>Whilst it is difficult to ascertain all conflicts of interest, we recommend that an annual risk-based review of suppliers is performed, specifically aimed at identifying potential conflicts of interest.</p> | <p>Management have introduced procedures, in line with the recommendation, to report on Officer patterns of procurement.</p> <p>Practically, this will be restricted to a review against Companies House records. It is likely that the Facilities function will be outsourced, which will significantly reduce the risk from this issue going forward.</p> |

# Responsibility Statement

# Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

## What we report

Our report is designed to help the Overview and Scrutiny Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Governance Statement;
- Our views on the effectiveness of your system of internal control relevant to risks that may affect financial reporting; and
- Other insights we have identified from our audit.

## What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements.

## The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan dated 7 April 2015 and the supplementary "Briefing on audit matters" which was circulated as an appendix to the Audit Plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Deloitte LLP**

Chartered Accountants

Leeds

14 September 2015

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

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# Appendices



# Appendix 1: Audit adjustments

## Unadjusted misstatements detail

### Uncorrected misstatements

The following uncorrected misstatements (above reportable threshold of £20,350) were identified during the course of our audit. We will obtain written representations from the Audit, Governance and Standards Committee confirming that after considering all these uncorrected items, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

|  | Comprehensive income and expenditure statement            |   | Reserves                      | Balance sheet                           |
|--|---|---|-------------------------------|---|
|  | (Credit)/ charge to deficit on provision of services<br>£ | (Credit)/ charge to other comprehensive income<br>£ | Brought forward reserves<br>£ | Increase/ (decrease) in net assets<br>£ |
| <b>Actual misstatements</b>  |   |   |                               |   |
| Unaccrued asset for assets acquired under finance lease on 31/03/2015.   | -   | -   | -                             | 109,000                                 |
| Unaccrued liability for assets acquired under finance lease on 31/03/2015.   | -   | -   | -                             | (109,000)                               |
| Impairment in asset held for sale as the recorded balance per accounts exceeds advertised sales price as per estate agent. | 65,000  | -   | -                             | (65,000)                                |
| <b>Total uncorrected misstatements relating to current year items</b>  | <b>65,000</b>   | <b>-</b>  | <b>-</b>                      | <b>(65,000)</b>                         |

No disclosure misstatements are noted.

## Appendix 2: Fraud - responsibilities and representations

### Required representations



We have asked the Committee to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

### Concerns



No concerns have been identified from whistle blowing procedures from the work noted above and our audit procedures.

### Audit work performed



In our planning we identified the risk of fraud in revenue recognition and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance. We have made direct enquiries in relation to any fraud risk factors and instances of fraud during the year. Our testing of journals provides comfort over the risk of management override of controls which was raised as a fraud risk.  
In addition, we have reviewed management's own documented procedures regarding the fraud and error in the financial statements.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

# Appendix 3: Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland), we are required to report to you on the matters listed below:

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## Independence confirmation

We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.

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## Fees

The fees have not varied from those set out in our audit plan. The fees payable for grant claims and returns will be confirmed once the Housing Benefit subsidy return is completed in November 2015.

For the avoidance of doubt, the only non-audit fees were £2,000 in September 2014 where we performed a certification under the Homes & Communities Agency requirements.

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## Non-audit services

In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or of any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

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## Relationships

There are no other relationships with Ryedale District Council which would impact on our objectivity and independence.

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# Appendix 4: Our approach to audit quality

## Our commitment to audit quality

### AQR public reporting

In May 2015 the Financial Reporting Council's ("FRC") issued its Annual Report which provides an overview of the audit quality inspection activities of its Audit Quality Review ("AQR") for the year ended 31 March 2015. It also issued individual reports on each of the four largest firms, including Deloitte. The AQR is part of the Financial Reporting Council, the UK's independent regulator responsible for promoting confidence in corporate reporting and governance. The AQR is responsible for monitoring the audits of all listed and other public interest entities. The AQR currently inspects the four largest audit firms, including Deloitte, annually.

All the AQR public reports on individual firms are available on its website <http://www.frc.org.uk/Our-Work/Conduct/Audit-Quality-Review/Audit-firm-specific-reports.aspx> as is their Annual Report <http://www.frc.org.uk/Our-Work/Conduct/Audit-Quality-Review/Audit-Quality-Review-annual-reports.aspx>.

### AQR comments on Deloitte

Deloitte's policies and processes supporting audit quality were reviewed as were 20 individual audits. The AQR's conclusion on Deloitte was as follows:

"The firm places considerable emphasis on its overall systems of quality control and, in most areas, has appropriate policies and procedures in place for its size and the nature of its client base. Nevertheless, we have identified certain areas where improvements are required to those policies and procedures. These are set out in this report. Our findings relating to reviews of individual audits largely relate to the application of the firm's procedures by audit personnel, whose work and judgments ultimately determine the quality of individual audits. The firm took a number of steps in response to our prior year findings to achieve improvements in audit quality. This included enhanced guidance, technical communications and audit training on the recurring themes. Certain aspects of the guidance could, however, have been issued on a more timely basis."

**2014/15 Audit Quality Inspection Report on Deloitte LLP**

"Our assessment of the audit work we inspected in 2014/15 continues the gradual improvement of prior years with 67% of those audits assessed as either good or only requiring limited improvements. This compares with 60%, 59%, 46% and 48% in each of the preceding four years.

Audits assessed as requiring limited improvements is the most common categorisation and has been for the last three inspection periods. In the two preceding periods, the lower categorisation of improvements required, was the more common assessment.

In respect of ten audits, we concluded that the audit work we inspected required significant improvements. This represented 10% of the audits we inspected in 2014/15, an improvement on three of the four preceding inspection periods. The proportion of FTSE 350 audits requiring significant improvements was lower at only 6%. This is consistent with our general view that FTSE 350 audit work we inspect is of a higher standard than that of other audits."

**AQR, 2014/15 Annual Report**

"Audit is an integral part of the reporting process that ensures that investors have confidence in the information they receive on the performance of the companies they invest in.

We were pleased that firms responded positively to the new extended auditor reporting requirements. We hope to see further improvements in the clarity of reporting by auditors of how they have addressed the assessed risks. We also expect auditors to discuss findings from our inspections with audit committees and will monitor closely how companies report our findings to their shareholders."

**Paul George, Executive Director, Conduct**

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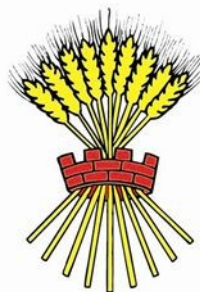
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DISTRICT  
COUNCIL



Photograph by Richard Burdon



## Statement of Accounts 2014/2015

Ryedale District Council  
*Working with you to make a difference*

|  |       |
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## 1. Introduction

This foreword provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.

## 2. Council's Accounts

The Council's accounts for the year ended 31 March 2015 are set out on pages 8 to 70. They have been compiled using the *Code of Practice on Local Authority Accounting in the UK 2014/2015* (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** - which sets out the Authority's and Chief Finance Officer's legal and professional responsibilities for the accounts.
- the **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Authority analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services more details of which are shown in the Comprehensive Income and Expenditure Statement. The net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.
- 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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- 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

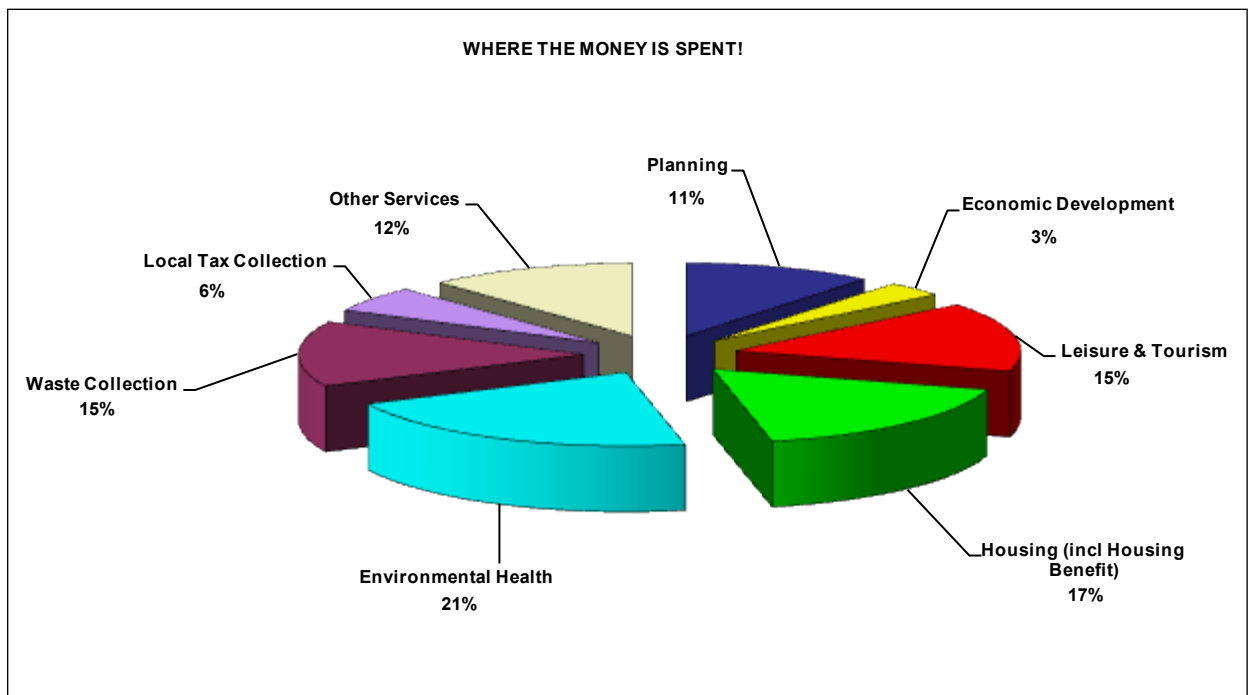
- which cash outflows have been made for resources which are intended to contribute to the authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.
- the **Collection 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.

**Supplementary Statement:**

- 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.

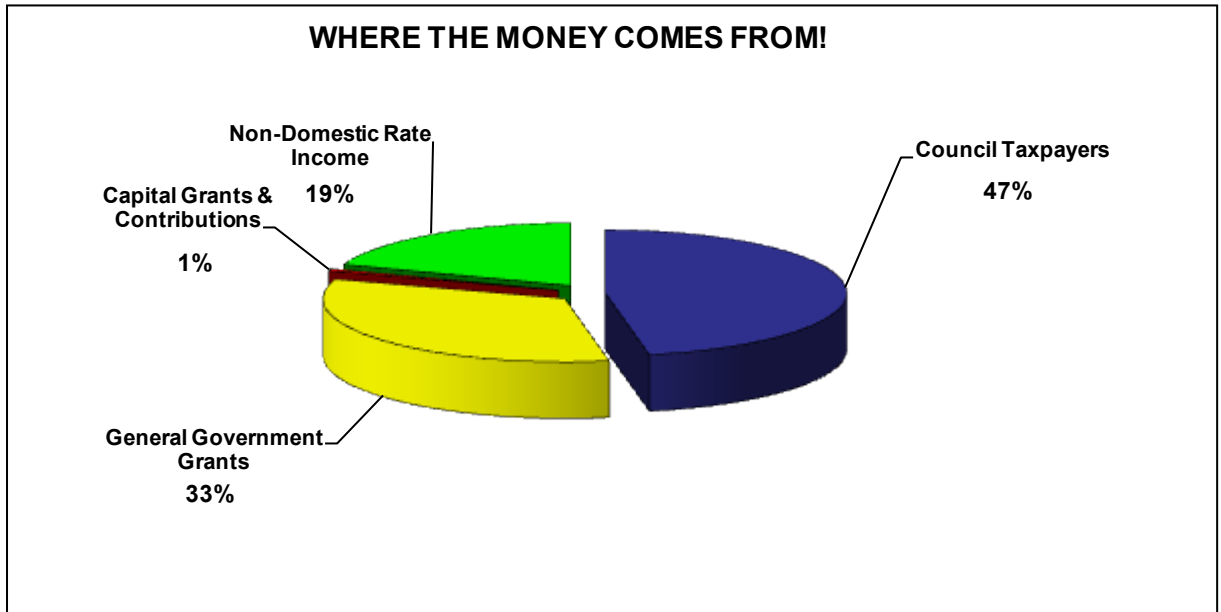
**3. General Fund Revenue Expenditure in 2014/2015**

The net cost of the Authority’s revenue activities was £8.138m, 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 81 and 82 of this document.

After adjusting for the payment of parish precepts of £0.683m, the receipt of investment income (£0.071m) and the net credit from appropriations £0.436m the amount met from Taxation and Non-Specific Grant Income was £9.186m, which is funded as follows:



The above chart shows that, of the funding to meet the Authority's net revenue expenditure, around 47% (£4.324m) was provided by the Council Taxpayers, an additional 19% (£1.791m) from the Authority's share of Non-Domestic Rates from the Business Rates Retention Scheme, some 33% (£3.024m) from non-ringfenced general government grants such as the Rate Support Grant and 1% (£0.047m) from capital grants and contributions.

#### 4. Revenue Budget Compared to Actual Income and Expenditure

The main components of the revenue budget for 2014/15 and how these compared with the actual expenditure are set out below:

|   | Original Budget<br>£'000 | Actual<br>£'000 | Difference<br>£'000 |
|---|--------------------------|-----------------|---------------------|
| <b>Net Cost of Services</b>   | <b>7,956</b>             | <b>8,138</b>    | <b>182</b>          |
| <b>Other Operating Expenditure:</b>   |                          |                 |                     |
| Precepts paid to Parish Councils  | 683                      | 683             | -                   |
| Capital Receipts unattached to non current assets   | -                        | (20)            | (20)                |
| (Gains) / Losses on disposal of non current assets  | -                        | -               | -                   |
|   | <b>683</b>               | <b>663</b>      | <b>(20)</b>         |
| <b>Financing and Investment Income &amp; Expenditure</b>  |                          |                 |                     |
| Interest Payable  | 99                       | 32              | (67)                |
| Pensions interest cost & expected return on pension assets  | 900                      | 678             | (222)               |
| Income from Investments   | (68)                     | (71)            | (3)                 |
| Income and expenditure in relation to investment properties   | (38)                     | 349             | 387                 |
|   | <b>893</b>               | <b>988</b>      | <b>95</b>           |
| <b>Taxation &amp; Non Specific Grant Income</b>   |                          |                 |                     |
| Council Precept   | (4,231)                  | (4,231)         | -                   |
| Collection Fund Surplus   | (142)                    | (93)            | 49                  |
| Non-Domestic Rate Income  | (1,739)                  | (1,791)         | (52)                |
| Revenue Support Grant   | (1,746)                  | (1,746)         | -                   |
| Other General Government Grants   | (1,254)                  | (1,278)         | (24)                |
| Capital Grants and Contributions  | -                        | (47)            | (47)                |
|   | <b>(9,112)</b>           | <b>(9,186)</b>  | <b>(74)</b>         |
| <b>(Surplus) / Deficit on Provision of Services</b>   | <b>420</b>               | <b>603</b>      | <b>183</b>          |
| (Surplus) / Deficit on revaluation of property, plant & equipment assets  | -                        | (957)           | (957)               |
| Actuarial (gains) / losses on Pensions assets / liabilities   | -                        | 4,436           | 4,436               |
| <b>Total Comprehensive Income and Expenditure</b>   | <b>420</b>               | <b>4,082</b>    | <b>3,662</b>        |
| Adjustments between accounting basis and funding basis under regulations  | (1,178)                  | (5,533)         | (4,355)             |
| Transfers to or from the General Fund that are required to be taken into account – contribution from earmarked reserves | 758                      | 1,451           | 693                 |
| <b>Increase/Decrease in General Fund Balance for Year</b>   | <b>-</b>                 | <b>-</b>        | <b>-</b>            |

Supplementary information for this statement regarding the actual Net Cost of Services is shown at the end of this document on pages 81 and 82.

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

#### 5. Review of the Authority's Financial Position

The balance of General Fund Earmarked Reserves during 2014/15 has increased by £1.451m from £3.605m to £5.056m at 31 March 2015.

Major drawings included a sum of £0.430m from the Collection Fund Equalisation Reserve to offset the deficit from Business Rates Income and a drawdown of £0.116k from the Ryedale Development Fund as contribution towards specific economic development projects.

Major contributions to reserves and balances included the transfer of investment income and New Homes Bonus Grant totalling £0.811m into the Capital Fund to finance the capital programme, the transfer of £0.446m into the New Homes Bonus Reserve, £0.400m into the Restructure Reserve to meet the cost of transformation and £0.324m

into the Improvement, Contingency and Emergency Fund to increase financial resilience.

For further details regarding the purpose and balances of the Authority's reserves see Note 8 in the Notes 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 increased from £15.575m as at 31 March 2014 to £20.440m as at 31 March 2015. This increase of £4.865m is matched by an increase 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 2014/15 totalled £1.375m. During the year there were further re-programming movements approved resulting in an increase of £1.055m and a revised budget of £2.430m.

The total amount invested in the capital programme for 2014/15 was £1.331m. Investment in schemes included essential works to Derwent Pool (£0.322m), Housing Grants (£0.298m) and further contributions towards the Pickering Flood Defence Scheme (£0.350m).

Under spends included Housing Grants and Loans (£0.379m), continued slippage on the Assembly Rooms and Milton Rooms Preservation Works (£0.191m) and Pickering Flood Defence Scheme (£0.200m).

Of the £1.331m capital expenditure incurred some £1.010m was funded through external borrowing, and a further £0.318m being financed by external grants and contributions.

#### 8. **Changes in Accounting Policy**

There were no significant changes to Accounting Policy in 2014/15.

#### 9. **Sustainability**

During the Council's procurement process, impacts on social, economic and environmental wellbeing are recognised equally together. The viability of local business is a key part in achieving the Council's vision for sustainable development and local businesses are given opportunities to enable them to compete for Council contracts.

A number of initiatives have been introduced to reduce greenhouse gas emissions from Council owned buildings, as well as in transportation.

Ryedale District Council HQ and Ryedale Pool are now fitted with efficient gas fired boilers, resulting in lower CO<sub>2</sub> emissions from reduced fuel use.

Staff and Councillor mileage has reduced significantly since 2009. Additionally, almost half the large goods vehicle fleet now benefit from Euro 6 technology, further improving emissions and fuel efficiency. This has been coupled with all LGV drivers being trained on fuel efficient driving techniques.

Changes to the waste collection service are being made with a route optimisation tool

being utilised to streamline collection rounds, leading to time saving, fewer road miles and reduced fuel use.

10. **Further Information**

Further information about the accounts is available from Financial Services, 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 in the local press and 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 the responsibility for the administration of those affairs. In this Authority, that officer is the Finance Manager (s151);
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statements of Accounts.

**The Chief Finance Officer's Responsibilities**

The Finance Manager (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 Finance Manager (s151) has:

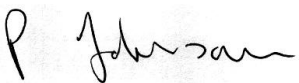
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Finance Manager (s151) has also:

- kept proper accounting records which were up-to-date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities, through the use of Veritau North Yorkshire Ltd.

**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 2015 and its income and expenditure for the year ended 31 March 2015.

Signed:  ..... Dated: 30 June 2015  
P Johnson  
Finance Manager (s151)

**Approval of the Accounts**

This Statement of Accounts was approved by the Policy and Resources Committee on 24 September 2015.

Signed: ..... Dated: 24 September 2015  
Cllr. Mrs L Cowling  
Chairman of Policy & Resources Committee

|   | General Fund Balance<br>£'000 | Earmarked General Fund Reserves<br>£'000 | Capital Receipts Reserve<br>£'000 | Capital Grants Unapplied<br>£'000 | Total Usable Reserves<br>£'000 | Unusable Reserves<br>£'000 | Total Authority Reserves<br>£'000 |
|---|-------------------------------|--|-----------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|
| <b>Balance as at 31 March 2013</b>  | -                             | 2,969                                    | 142                               | -                                 | 3,111                          | (9,040)                    | (5,929)                           |
| <b>Movement in reserves during 2013/14</b>                                      |                               |  |                                   |                                   |                                |                            |                                   |
| Surplus or (deficit) on the provision of services.                              | (594)                         | -  | -                                 | -                                 | (594)                          | -                          | (594)                             |
| Other Comprehensive Income and Expenditure.                                     | -                             | -  | -                                 | -                                 | -                              | 12,149                     | 12,149                            |
| <b>Total Comprehensive Income and Expenditure</b>                               | (594)                         | -  | -                                 | -                                 | (594)                          | 12,149                     | 11,555                            |
| Adjustments between accounting basis & funding basis under regulations (note 7) | 1230                          | -  | 13                                | 62                                | 1,305                          | (1,305)                    | -                                 |
| <b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>           | 636                           | -  | 13                                | 62                                | 711                            | 10,844                     | 11,555                            |
| Transfers to/from Earmarked Reserves (note 8)                                   | (636)                         | 636                                      | -                                 | -                                 | -                              | -                          | -                                 |
| <b>Increase / Decrease in 2013/14</b>   | -                             | 636                                      | 13                                | 62                                | 711                            | 10,844                     | 11,555                            |
| <b>Balance as at 31 March 2014</b>  | -                             | 3,605                                    | 155                               | 62                                | 3,822                          | 1,804                      | 5,626                             |
| <b>Movement in reserves during 2014/15</b>                                      |                               |  |                                   |                                   |                                |                            |                                   |
| Surplus or (deficit) on the provision of services                               | (603)                         | -  | -                                 | -                                 | (603)                          | -                          | (603)                             |
| Other Comprehensive Income and Expenditure                                      | -                             | -  | -                                 | -                                 | -                              | (3,479)                    | (3,479)                           |
| <b>Total Comprehensive Income and Expenditure</b>                               | (603)                         | -  | -                                 | -                                 | (603)                          | (3,479)                    | (4,082)                           |
| Adjustments between accounting basis & funding basis under regulations (note 7) | 2,054                         | -  | 32                                | (62)                              | 2,024                          | (2,024)                    | -                                 |
| <b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>           | 1,451                         | -  | 32                                | (62)                              | 1,421                          | (5,503)                    | (4,082)                           |
| Transfers to/from Earmarked Reserves (note 8)                                   | (1,451)                       | 1,451                                    | -                                 | -                                 | -                              | -                          | -                                 |
| <b>Increase / Decrease in 2014/15</b>   | -                             | 1,451                                    | 32                                | (62)                              | 1,421                          | (5,503)                    | (4,082)                           |
| <b>Balance as at 31 March 2015</b>  | -                             | 5,056                                    | 187                               | -                                 | 5,243                          | (3,699)                    | 1,544                             |



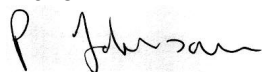
| 2013/14           |               |                 |   | 2014/15           |               |                 |
|-------------------|---------------|-----------------|---|-------------------|---------------|-----------------|
| Gross Expenditure | Gross Income  | Net Expenditure |   | Gross Expenditure | Gross Income  | Net Expenditure |
| £'000             | £'000         | £'000           |   | £'000             | £'000         | £000            |
| 1,241             | 453           | 788             | Central Services to the Public  | 1,240             | 408           | 832             |
| 1,636             | 44            | 1,592           | Cultural and Related Services   | 1,281             | 30            | 1,251           |
| 4,784             | 1,628         | 3,156           | Environmental and Regulatory Services                                       | 4,864             | 1,957         | 2,907           |
| 2,169             | 1,089         | 1,080           | Planning Services   | 2,076             | 927           | 1,149           |
| 395               | 825           | (430)           | Highways and Transport Services   | 370               | 795           | (425)           |
| 13,789            | 12,760        | 1,029           | Housing Services  | 14,475            | 13,076        | 1,399           |
| 1,213             | -             | 1,213           | Corporate and Democratic Core   | 1,247             | 40            | 1,207           |
| 31                | 2             | 29              | Other Corporate and Non Distributed Costs                                   | (180)             | 2             | (182)           |
| <b>25,258</b>     | <b>16,801</b> | <b>8,457</b>    | <b>COST OF SERVICES</b>   | <b>25,373</b>     | <b>17,235</b> | <b>8,138</b>    |
| 630               | 5             | 625             | Other Operating Expenditure (Note 9)  | 683               | 20            | 663             |
| 1,841             | 269           | 1,572           | Financing and Investment Income and Expenditure (Note 10)                   | 1,261             | 273           | 988             |
| -                 | -             | -               | (Surplus) or Deficit of Discontinued Operations                             | -                 | -             | -               |
| 4,939             | 14,999        | (10,060)        | Taxation and Non-Specific Grant Income (Note 11)                            | 5,285             | 14,471        | (9,186)         |
|                   |               | 594             | <b>(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>                        |                   |               | 603             |
|                   |               | 56              | (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets |                   |               | (957)           |
|                   |               | -               | Impairment Losses on Non Current Assets Charged to the Revaluation Reserve  |                   |               | -               |
|                   |               | -               | (Surplus) or Deficit on Revaluation of Available for Sale Financial Assets  |                   |               | -               |
|                   |               | (12,205)        | Actuarial (Gains) / Losses on Pension Assets / Liabilities                  |                   |               | 4,436           |
|                   |               | (12,149)        | <b>OTHER COMPREHENSIVE INCOME &amp; EXPENDITURE</b>                         |                   |               | 3,479           |
|                   |               | (11,555)        | <b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>                         |                   |               | 4,082           |

| 31 March<br>2014<br>£'000 |   | 31 March<br>2015<br>£'000 | Notes<br>Ref. |
|---------------------------|---|---------------------------|---------------|
| 15,149                    | Property Plant & Equipment                  | 15,999                    | 12            |
| -                         | Heritage Assets                             | -                         | 13            |
| 2,938                     | Investment Property                         | 2,287                     | 14            |
| 299                       | Intangible Assets                           | 141                       | 15            |
| -                         | Assets Held for Sale                        | -                         | 21            |
| -                         | Long Term Investments                       | -                         | 16            |
| 140                       | Long Term Debtors                           | 253                       | 16            |
| 18,526                    | <b>Long Term Assets</b>                     | 18,680                    |               |
| 4,859                     | Short Term Investments                      | 9,114                     | 16            |
| 10                        | Assets Held for Sale                        | 230                       | 21            |
| 83                        | Inventories                                 | 73                        | 17            |
| 2,558                     | Short Term Debtors                          | 1,153                     | 19            |
| 307                       | Cash and Cash Equivalents                   | 288                       | 20            |
| 7,817                     | <b>Current Assets</b>                       | 10,858                    |               |
| -                         | Cash and Cash Equivalents                   | -                         | 20            |
| -                         | Short Term Borrowing                        | (23)                      | 16            |
| (4,354)                   | Short Term Creditors                        | (4,709)                   | 22            |
| (109)                     | Other Short Term Liabilities                | (137)                     | 16            |
| (534)                     | Provisions                                  | (556)                     | 23            |
| -                         | Liabilities in Disposal Groups              | -                         |               |
| -                         | Revenue Grants Receipts in Advance          | -                         | 34            |
| (4,997)                   | <b>Current Liabilities</b>                  | (5,425)                   |               |
| -                         | Long Term Creditors                         | -                         | 16            |
| -                         | Provisions                                  | -                         | 23            |
| -                         | Long Term Borrowing                         | (1,750)                   | 16            |
| (15,575)                  | Liability Related to Defined Pension Scheme | (20,440)                  | 40            |
| (145)                     | Other Long Term Liabilities                 | (379)                     | 16            |
| -                         | Donated Assets Account                      | -                         | 34            |
| -                         | Capital Grants Received in Advance          | -                         | 34            |
| (15,720)                  | <b>Long Term Liabilities</b>                | (22,569)                  |               |
| 5,626                     | <b>Net Assets / (Liabilities)</b>           | 1,544                     |               |
| 3,822                     | Usable Reserves                             | 5,243                     | 24            |
| 1,804                     | Unusable Reserves                           | (3,699)                   | 25            |
| 5,626                     | <b>Total Reserves</b>                       | 1,544                     |               |

## CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the above Balance Sheet, fairly states the financial position of the Authority as at 31 March 2015

Signed:



FINANCE MANAGER (S151)

P C Johnson

30 JUNE 2015

| 2013/14<br>£'000 |  | 2014/15<br>£'000 |
|------------------|--|------------------|
| (594)            | Net surplus or (deficit) on the provision of services  | (603)            |
| 2,496            | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26a)   | 3,642            |
| (2281)           | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 26b) | (288)            |
| (379)            | Net cash flows from Operating Activities   | 2,751            |
| 1,134            | Net cash flows from Investing Activities (Note 27)   | (4,726)          |
| (812)            | Net cash flows from Financing Activities (Note 28)   | 1,956            |
| (57)             | Net increase or (decrease) in cash and cash equivalents  | (19)             |
| 364              | Cash and cash equivalents at the beginning of the reporting period   | 307              |
| <b>307</b>       | <b>Cash and cash equivalents at the end of the reporting period (Note 20)</b>  | <b>288</b>       |
|                  |  |                  |

## **1. ACCOUNTING POLICIES**

### **i General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts, in accordance with proper accounting practices, by the Accounts and Audit Regulations 2011. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, 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**

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. 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.

**viii. 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.

**ix. Financial Instruments****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.

The Authority did not enter any borrowing arrangements during the financial year and had no loan debt on the Balance Sheet, therefore no fair value adjustment was required and no transfer to or from the Financial Instruments Adjustment Account was made.

**Financial Assets**

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

The Code requires the fair value of each class of financial asset to be disclosed in the Notes to the Statement of Accounts, where this is different from the carrying amount stated in the Balance Sheet. Any changes in fair value are balanced by an entry in the Available-for-Sale Reserve. The Code also states that fair value disclosures are not required for short-term trade receivables since the carrying amount is a reasonable approximation of fair value.

The Authority did not enter into any available-for-sale asset arrangements during the financial year.

**Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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



loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement 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 a loan to a local business. These loans have not been treated as soft loans on the grounds of materiality.

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

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

#### **Available-for Sale Assets**

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

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

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis; and
- Equity shares with no quoted market prices – independent appraisal of company valuations.

During the financial year 2014/15 the Authority did not enter any financial instrument transactions.

#### **x. 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.

**xi. 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.

**xii. 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 xviii 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.

**xiii. 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 have 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.

#### **xiv. 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.

#### **xv. 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 amount at which the asset could be exchanged between knowledgeable parties at arms-length. 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.

#### **xvi. 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital adjustment Account from the General Fund Balance in the 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.

#### **xvii. 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 2014/15 (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.

**xviii. 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 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; and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value EUV).

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.

## **xix. 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 23 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.

## **xx. 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, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

## **xxi. 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.

**xxii. 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.

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

The Accounting Code of Practice requires the Council to disclose information relating to the impact of any accounting change that will be required by a new standard that has been issued but has not been adopted due to the timing of the production of the accounts. In 2014/ 15 the following accounting standard that is relevant to this Council has been issued but not adopted:

IFRS Fair Value Measurements – IFRS 13 defines fair value, particularly in respect of assets held by the council, and sets out a framework for measuring fair value. It also identifies new disclosures in respect of fair value measurements. It provides value hierarchy to be used in the valuation of assets and liabilities, which will enable users to assess the valuation method used and its impact on the Balance Sheet and Comprehensive Income and Expenditure Statement. The changes will be presentational.

**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 2015 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 | 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. | 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 £1.189m. |
| Arrears            | At 31 March 2015, the Authority had a balance for short term debtors of £1.578m. A review of significant balances suggested that an impairment of doubtful debts of 28.5% (£450k) was appropriate. However, in the current economic climate it is not certain that this allowance would be sufficient.  | If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £450,000 to be set aside as an allowance.  |

## 5. MATERIAL ITEMS OF INCOME AND EXPENSES

There are no material items of income and expenditure in 2014/15 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, Peter Johnson Finance Manager (s151) on 30 June 2015.

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

## 7. 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.

## 2014/15 Adjustments

| 2014/15  | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|--|----------------------|--------------------------|--------------------------|-------------------------------|
|  | £000                 | £000                     | £000                     | £000                          |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                      |                          |                          |                               |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>  |                      |                          |                          |                               |
| Charges for depreciation and impairment of non-current assets  | 1,203                | -                        | -                        | (1,203)                       |
| Revaluation losses on Property Plant and Equipment   | -                    | -                        | -                        | -                             |
| Movements in the fair value of investment properties   | 340                  | -                        | -                        | (340)                         |
| Amortisation of intangible assets  | 157                  | -                        | -                        | (157)                         |
| Capital grants and contributions applied   | (256)                | -                        | -                        | 256                           |
| Income in relation to donated assets   | -                    | -                        | -                        | -                             |
| Revenue expenditure funded from capital under statute  | 693                  | -                        | -                        | (693)                         |
| 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 | 10                   | -                        | -                        | (10)                          |
| <u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>   |                      |                          |                          |                               |
| Statutory provision for the financing of capital investment  | (154)                | -                        | -                        | 154                           |
| Capital expenditure charged against the General Fund   | (3)                  | -                        | -                        | 3                             |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>   |                      |                          |                          |                               |
| 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   | -                    | -                        | (62)                     | 62                            |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                      |                          |                          |                               |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                       | (10)                 | 10                       | -                        | -                             |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | -                    | -                        | -                        | -                             |
| 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   | -                    | -                        | -                        | -                             |
| Capital receipts unattached to non-current assets  | (20)                 | 20                       | -                        | -                             |
| Repayment of principal on loans  | -                    | 2                        | -                        | (2)                           |
| <b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>  |                      |                          |                          |                               |

|   |              |           |             |                |
|---|--------------|-----------|-------------|----------------|
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | -            | -         | -           | -              |
| <b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>   |              |           |             |                |
| 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                           | -            | -         | -           | -              |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  |              |           |             |                |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 40)   | 1,743        | -         | -           | (1,743)        |
| Employers pensions contributions and direct payments to pensioners payable in the year  | (1,314)      | -         | -           | 1,314          |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>  |              |           |             |                |
| 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                | (343)        | -         | -           | 343            |
| <b>Adjustment primarily involving the Accumulated Absences Account</b>  |              |           |             |                |
| 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 | 8            | -         | -           | (8)            |
| <b>Total Adjustments</b>  | <b>2,054</b> | <b>32</b> | <b>(62)</b> | <b>(2,024)</b> |

## 2013/14 Comparative Figures

| 2013/14 Comparative Figures  | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|--|----------------------|--------------------------|--------------------------|-------------------------------|
|  | £000                 | £000                     | £000                     | £000                          |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                      |                          |                          |                               |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>  |                      |                          |                          |                               |
| Charges for depreciation and impairment of non-current assets  | 709                  | -                        | -                        | (709)                         |
| Revaluation losses on Property Plant and Equipment   | -                    | -                        | -                        | -                             |
| Movements in the fair value of investment properties   | 527                  | -                        | -                        | (527)                         |
| Amortisation of intangible assets  | 169                  | -                        | -                        | (169)                         |
| Capital grants and contributions applied   | (1,885)              | -                        | -                        | 1,885                         |
| Income in relation to donated assets   | -                    | -                        | -                        | -                             |
| Revenue expenditure funded from capital under statute  | 1,174                | -                        | -                        | (1,174)                       |
| 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 | 321                  | -                        | -                        | (321)                         |
| <u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>   |                      |                          |                          |                               |
| Statutory provision for the financing of capital investment  | (193)                | -                        | -                        | 193                           |
| Capital expenditure charged against the General Fund   | (1,126)              | -                        | -                        | 1,126                         |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>   |                      |                          |                          |                               |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | (62)                 | -                        | 62                       | -                             |
| Application of grants to capital financing transferred to the Capital Adjustment Account   | -                    | -                        | -                        | -                             |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                      |                          |                          |                               |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                       | (321)                | 321                      | -                        | -                             |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | -                    | (321)                    | -                        | 321                           |
| 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   | -                    | -                        | -                        | -                             |
| Capital receipts unattached to non-current assets  | (4)                  | 4                        | -                        | -                             |
| Repayment of principal on loans  | -                    | 9                        | -                        | (9)                           |
| <b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>  |                      |                          |                          |                               |

|   |              |           |           |                |
|---|--------------|-----------|-----------|----------------|
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | -            | -         | -         | -              |
| <b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>   |              |           |           |                |
| 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                           | -            | -         | -         | -              |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  |              |           |           |                |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 40)   | 2,216        | -         | -         | (2,216)        |
| Employers pensions contributions and direct payments to pensioners payable in the year  | (1,204)      | -         | -         | 1,204          |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>  |              |           |           |                |
| 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                | 906          | -         | -         | (906)          |
| <b>Adjustment primarily involving the Accumulated Absences Account</b>  |              |           |           |                |
| 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 | 3            | -         | -         | (3)            |
| <b>Total Adjustments</b>  | <b>1,230</b> | <b>13</b> | <b>62</b> | <b>(1,305)</b> |



**8. 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 2014/15.

|  | Balance<br>At<br>31/03/13<br>£000 | Transfers<br>Out<br>2013/14<br>£000 | Transfers<br>In<br>2013/14<br>£000 | Balance<br>At<br>31/03/14<br>£000 | Transfers<br>Out<br>2014/15<br>£000 | Transfers<br>In<br>2014/15<br>£000 | Balance<br>At<br>31/03/15<br>£000 |
|--|-----------------------------------|-------------------------------------|------------------------------------|-----------------------------------|-------------------------------------|------------------------------------|-----------------------------------|
| General Reserve                            | 596                               | (50)                                | -                                  | 546                               | -                                   | 1                                  | 547                               |
| Capital Fund                               | 883                               | (1,125)                             | 847                                | 605                               | (3)                                 | 811                                | 1,413                             |
| Collection Fund<br>Equalisation<br>Reserve | -                                 | -                                   | 968                                | 968                               | (430)                               | 37                                 | 575                               |
| Ryedale<br>Developm't Fund                 | 370                               | (69)                                | -                                  | 301                               | (116)                               | -                                  | 185                               |
| Election Reserve                           | 28                                | -                                   | 15                                 | 43                                | -                                   | 15                                 | 58                                |
| Council Tax<br>Hardship Fund               | -                                 | -                                   | -                                  | -                                 | -                                   | 6                                  | 6                                 |
| New Homes Bonus<br>Reserve                 | -                                 | -                                   | -                                  | -                                 | -                                   | 446                                | 446                               |
| Grants Reserve                             | 294                               | (140)                               | -                                  | 154                               | -                                   | 6                                  | 160                               |
| IT Fund                                    | 119                               | (19)                                | 8                                  | 108                               | (13)                                | 9                                  | 104                               |
| ICE Fund                                   | 147                               | (10)                                | 160                                | 297                               | -                                   | 324                                | 621                               |
| Local Developm't<br>Framework<br>Reserve   | 50                                | (50)                                | 50                                 | 50                                | -                                   | -                                  | 50                                |
| Operational<br>Reserve                     | 380                               | (37)                                | 38                                 | 381                               | (65)                                | 23                                 | 339                               |
| Restructure<br>Reserve                     | 102                               | -                                   | 50                                 | 152                               | -                                   | 400                                | 552                               |
| <b>Total</b>                               | <b>2,969</b>                      | <b>(1,500)</b>                      | <b>2,136</b>                       | <b>3,605</b>                      | <b>(627)</b>                        | <b>2,078</b>                       | <b>5,056</b>                      |

The main purpose of the reserves is as follows:

- (a) 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.
- (b) The Capital Fund is the reserve that holds the resources from the revenue stream of funding to be applied to the capital programme.
- (c) The Improvement, Contingency & Emergency (ICE) Fund is available for a number of purposes that include meeting the cost of unexpected significant revenue items and initial financial support to achieve efficiency savings.
- (d) The Authority provides grants and loans to voluntary bodies and other organisations to help establish and improve a variety of facilities throughout the District. Grants are also issued to support rural community transport initiatives. If funds made available are not fully utilised during a particular year, the remaining budget provision is transferred into this reserve to help off-set expenditure in future years.
- (e) An Election Reserve is used to equalise the effect of the four yearly District Election costs.
- (f) An Information Technology (IT) Fund is used to finance the purchase and renewal of items of computer equipment such as personal computers, printers and associated software.

- (g) The Operational Reserve allows Service Units to set aside a proportion of savings in their budgets earmarked to be used in later years. It also includes revenue grants with no conditions that have been recognised in the Comprehensive Income and Expenditure Statement and are identified for specific services but not yet applied.
- (h) The Restructure Reserve was established to cover the set-up costs associated with the restructure of the Council.
- (i) A reserve was established to cover the additional cost associated with accelerating the completion of the Local Development Framework.
- (j) The Ryedale Development Fund has been established from the balance of the 2012/13 New Homes Bonus. The fund offers financial assistance to a range of initiatives aimed at supporting the economy and employment within the Ryedale area.
- (k) The Collection Fund Equalisation Reserve evens out the financial impact of the new Business Rates Retention Regulations within the Comprehensive Income and Expenditure Account.
- (l) A New Homes Bonus Reserve has been established to be utilised in line with Member priorities.
- (m) The Council Tax Hardship Fund has been established to finance the cost of discretionary council tax relief awarded.

#### 9. OTHER OPERATING EXPENDITURE

| 2013/14<br>£000 |  | 2014/15<br>£000 |
|-----------------|--|-----------------|
| 630             | Parish council precepts                                  | 683             |
| -               | Payments to the Government Housing Capital Receipts Pool | -               |
| -               | (Gains)/losses on the disposal of non-current assets     | -               |
| (5)             | Capital receipts unattached to non-current assets        | (20)            |
| 625             | Total  | 663             |

#### 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| 2013/14<br>£000 |   | 2014/15<br>£000 |
|-----------------|---|-----------------|
| 16              | Interest payable and similar charges  | 32              |
| 1,117           | Pensions net interest on the net defined benefit liability/(asset)                          | 678             |
| (72)            | Interest receivable and similar income  | (71)            |
| 511             | Income and expenditure in relation to investment properties and changes in their fair value | 349             |
| 1,572           | Total   | 988             |

#### 11. TAXATION AND NON SPECIFIC GRANT INCOME

| 2013/14<br>£000 |   | 2014/15<br>£000 |
|-----------------|---|-----------------|
| (4,211)         | Council tax income                        | (4,324)         |
| (1,324)         | Non domestic rates income and expenditure | (1,791)         |
| (3,052)         | Non-ringfenced government grants          | (3,024)         |
| (1,473)         | Capital grants and contributions          | (47)            |
| (10,060)        | Total                                     | (9,186)         |

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

Movements in 2014/15

|   | Other Land & Buildings | Vehicles, plant, furniture & equipment | Infrastructure assets | Community Assets | Surplus assets | Assets under construction | Total property, plant & equipment |
|---|------------------------|--|-----------------------|------------------|----------------|---------------------------|-----------------------------------|
|   | £000                   | £000                                   | £000                  | £000             | £000           | £000                      | £000                              |
| <b>Cost or Valuation</b>  |                        |  |                       |                  |                |                           |                                   |
| At 1 April 2014   | <b>15,037</b>          | <b>4,484</b>                           | -                     | <b>452</b>       | <b>275</b>     | -                         | <b>20,248</b>                     |
| Additions   | 531                    | 448                                    | -                     | 32               | 3              | -                         | 1,014                             |
| Donations   | -                      | -                                      | -                     | -                | -              | -                         | -                                 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve                          | (401)                  | -                                      | -                     | -                | 62             | -                         | (339)                             |
| Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services | (731)                  | -                                      | -                     | -                | (42)           | -                         | (773)                             |
| Derecognition – disposals   | -                      | (398)                                  | -                     | -                | -              | -                         | (398)                             |
| Derecognition – other   | -                      | -                                      | -                     | -                | -              | -                         | -                                 |
| Assets reclassified (to)/from Held for Sale   | -                      | -                                      | -                     | -                | (230)          | -                         | (230)                             |
| Other movements in cost or valuation  | (272)                  | -                                      | -                     | -                | 584            | -                         | 312                               |
|   |                        |  |                       |                  |                |                           |                                   |
| <b>At 31 March 2015</b>   | <b>14,164</b>          | <b>4,534</b>                           | -                     | <b>484</b>       | <b>652</b>     | -                         | <b>19,834</b>                     |
|   |                        |  |                       |                  |                |                           |                                   |
| <b>Accumulated Depreciation and Impairment</b>  |                        |  |                       |                  |                |                           |                                   |
| At 1 April 2014   | <b>1,353</b>           | <b>3,746</b>                           | -                     | -                | -              | -                         | <b>5,099</b>                      |
| Depreciation charge   | 305                    | 332                                    | -                     | -                | 5              | -                         | 642                               |
| Depreciation written out to the Revaluation Reserve   | (1,296)                | -                                      | -                     | -                | -              | -                         | (1,296)                           |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                      | (212)                  | -                                      | -                     | -                | -              | -                         | (212)                             |
| Impairment losses/(reversals) recognised in the Revaluation Reserve                               | -                      | -                                      | -                     | -                | -              | -                         | -                                 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services      | -                      | -                                      | -                     | -                | -              | -                         | -                                 |
| Derecognition – disposals   | -                      | (398)                                  | -                     | -                | -              | -                         | (398)                             |
| Derecognition – other   | -                      | -                                      | -                     | -                | -              | -                         | -                                 |
| Other movements in depreciation and impairment  | -                      | -                                      | -                     | -                | -              | -                         | -                                 |
|   |                        |  |                       |                  |                |                           |                                   |
| <b>At 31 March 2015</b>   | <b>150</b>             | <b>3,680</b>                           | -                     | -                | <b>5</b>       | -                         | <b>3,835</b>                      |
|   |                        |  |                       |                  |                |                           |                                   |
| <b>Net Book Value</b>   |                        |  |                       |                  |                |                           |                                   |
| <b>At 31 March 2015</b>   | <b>14,014</b>          | <b>854</b>                             | -                     | <b>484</b>       | <b>647</b>     | -                         | <b>15,999</b>                     |
| <b>At 31 March 2014</b>   | <b>13,684</b>          | <b>738</b>                             | -                     | <b>452</b>       | <b>275</b>     | -                         | <b>15,149</b>                     |
|   |                        |  |                       |                  |                |                           |                                   |
| Owned asset as at 31 March 2015   | 14,014                 | 335                                    | -                     | 484              | 647            | -                         | 15,480                            |
| Asset acquired under finance lease as at 31 March 2015  | -                      | 519                                    | -                     | -                | -              | -                         | 519                               |
| <b>Total</b>  | <b>14,014</b>          | <b>854</b>                             | -                     | <b>484</b>       | <b>647</b>     | -                         | <b>15,999</b>                     |

## Comparative Movements in 2013/14

|  | Other Land & Buildings<br>£000 | Vehicles, plant, furniture & equipment<br>£000 | Infrastructure assets<br>£000 | Community Assets<br>£000 | Surplus assets<br>£000 | Assets under construction<br>£000 | Total property, plant & equipment<br>£000 |
|--|--------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|
| <b>Cost or Valuation</b>   |                                |  |                               |                          |                        |                                   |   |
| At 1 April 2013  | 13,185                         | 4,765  | -                             | 418                      | 518                    | 1,146                             | 20,032                                    |
| Additions  | 261                            | 215  | -                             | 33                       | 14                     | 1,697                             | 2,220                                     |
| Donations  | -                              | -  | -                             | -                        | -                      | -                                 | -   |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (103)                          | -  | -                             | (5)                      | (50)                   | -                                 | (158)                                     |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 65                             | -  | -                             | (34)                     | (68)                   | -                                 | (37)                                      |
| Derecognition – disposals  | -                              | (496)  | -                             | -                        | -                      | -                                 | (496)                                     |
| Derecognition – other  | -                              | -  | -                             | -                        | -                      | -                                 | -   |
| Assets reclassified (to)/from Held for Sale  | -                              | -  | -                             | -                        | (10)                   | -                                 | (10)                                      |
| Other movements in cost or valuation   | 1,629                          | -  | -                             | 40                       | (129)                  | (2,843)                           | (1,303)                                   |
| <b>At 31 March 2014</b>  | <b>15,037</b>                  | <b>4,484</b>                                   | <b>-</b>                      | <b>452</b>               | <b>275</b>             | <b>-</b>                          | <b>20,248</b>                             |
| <b>Accumulated Depreciation and Impairment</b>   |                                |  |                               |                          |                        |                                   |   |
| At 1 April 2013  | 1,148                          | 3,879  | -                             | -                        | 5                      | -                                 | 5,032                                     |
| Depreciation charge  | 308                            | 363  | -                             | -                        | -                      | -                                 | 671                                       |
| Depreciation written out to the Revaluation Reserve  | (2)                            | -  | -                             | -                        | -                      | -                                 | (2)                                       |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                     | -                              | -  | -                             | -                        | -                      | -                                 | -   |
| Impairment losses/(reversals) recognised in the Revaluation Reserve                              | (101)                          | -  | -                             | -                        | -                      | -                                 | (101)                                     |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services     | -                              | -  | -                             | -                        | -                      | -                                 | -   |
| Derecognition – disposals  | -                              | (496)  | -                             | -                        | -                      | -                                 | (496)                                     |
| Derecognition – other  | -                              | -  | -                             | -                        | -                      | -                                 | -   |
| Other movements in depreciation and impairment   | -                              | -  | -                             | -                        | (5)                    | -                                 | (5)                                       |
| <b>At 31 March 2014</b>  | <b>1,353</b>                   | <b>3,746</b>                                   | <b>-</b>                      | <b>-</b>                 | <b>-</b>               | <b>-</b>                          | <b>5,099</b>                              |
| <b>Net Book Value</b>  |                                |  |                               |                          |                        |                                   |   |
| <b>At 31 March 2014</b>  | <b>13,684</b>                  | <b>738</b>                                     | <b>-</b>                      | <b>452</b>               | <b>275</b>             | <b>-</b>                          | <b>15,149</b>                             |
| <b>At 31 March 2013</b>  | <b>12,037</b>                  | <b>886</b>                                     | <b>-</b>                      | <b>418</b>               | <b>513</b>             | <b>1,146</b>                      | <b>15,000</b>                             |
| Owned asset as at 31 March 2014  | 13,684                         | 489  | -                             | 452                      | 275                    | -                                 | 14,900                                    |
| Asset acquired under finance lease as at 31 March 2014   | -                              | 249  | -                             | -                        | -                      | -                                 | 249                                       |
| <b>Total</b>   | <b>13,684</b>                  | <b>738</b>                                     | <b>-</b>                      | <b>452</b>               | <b>275</b>             | <b>-</b>                          | <b>15,149</b>                             |

## 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 2015 the Authority had entered into contracts for the construction or enhancement of Property Plant and Equipment in 2014/15 and future years at an estimated cost of £35k (£24k in 2013/14).

## 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 internally. 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.

Valuation of properties in 2014/15 was carried out by the City of York Council and was completed in accordance with the methodologies and bases for estimation set out in the standards of the Royal Institution of Chartered Surveyors.

During 2014/15 a full revaluation of Property, Plant and Equipment, carried at fair value, was undertaken.

## 13. HERITAGE ASSETS

In compliance with the 2014/15 Code, the Authority has reviewed its assets and concluded that there is no reclassification of assets to heritage assets to disclose in the accounts.

## 14. 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:

|  | 2014/15<br>£000 | 2013/14<br>£000 |
|--|-----------------|-----------------|
| Income from Investment Property                            | 202             | 197             |
| Net gain / (loss) from fair value adjustment               | (340)           | (527)           |
|  | (138)           | (330)           |
| Direct operating expenses arising from investment property | (211)           | (181)           |
| <b>Net gain / (loss)</b>                                   | <b>(349)</b>    | <b>(511)</b>    |

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.

|  | 2014/15<br>£000 | 2013/14<br>£000 |
|--|-----------------|-----------------|
| <b>Balance at start of the year</b>              | <b>2,938</b>    | <b>2,489</b>    |
| Additions  | -               | -               |
| Purchases  | -               | -               |
| Construction                                     | -               | -               |
| Subsequent expenditure                           | -               | -               |
| Disposals  | -               | (321)           |
| Net gains / (losses) from fair value adjustments | (340)           | (527)           |
| Transfers:                                       | -               | -               |
| To/from inventories                              | -               | -               |
| To/from Property Plant and Equipment             | (311)           | 1,297           |
| Other changes                                    | -               | -               |
| <b>Balance at end of the year</b>                | <b>2,287</b>    | <b>2,938</b>    |

## 15. 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<br>Electronic document management system<br>Cash receipting system<br>Financial management system |

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £157k charged to revenue in 2014/15 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:

|  | 2014/15                              |                            |                | 2013/14                              |                            |                |
|--|--------------------------------------|----------------------------|----------------|--------------------------------------|----------------------------|----------------|
|  | Internally Generated Assets<br>£'000 | Other Asset Costs<br>£'000 | Total<br>£'000 | Internally Generated Assets<br>£'000 | Other Asset Costs<br>£'000 | Total<br>£'000 |
| Balance at start of year:  |                                      |                            |                |                                      |                            |                |
| Gross carrying amounts   | -                                    | 1,197                      | 1,197          | -                                    | 1,579                      | 1,579          |
| Accumulated amortisation   | -                                    | (898)                      | (898)          | -                                    | (1,111)                    | (1,111)        |
| Net carrying amount at start of year   | -                                    | 299                        | 299            | -                                    | 468                        | 468            |
| Additions:   |                                      |                            |                |                                      |                            |                |
| Internal development   | -                                    | -                          | -              | -                                    | -                          | -              |
| Purchases  | -                                    | -                          | -              | -                                    | -                          | -              |
| Acquired through business combinations   | -                                    | -                          | -              | -                                    | -                          | -              |
| Assets reclassified as held for sale   | -                                    | -                          | -              | -                                    | -                          | -              |
| Other disposals  | -                                    | (67)                       | (67)           | -                                    | (382)                      | (382)          |
| 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   | -                                    | 66                         | 66             | -                                    | 382                        | 382            |
| Amortisation for the period  | -                                    | (157)                      | (157)          | -                                    | (169)                      | (169)          |
| Other changes  | -                                    | -                          | -              | -                                    | -                          | -              |
| Net carrying amount at year end  | -                                    | 141                        | 141            | -                                    | 299                        | 299            |
| Compromising:  |                                      |                            |                |                                      |                            |                |
| Gross carrying amounts   | -                                    | 1,130                      | 1,130          | -                                    | 1,197                      | 1,197          |
| Accumulated amortisation   | -                                    | (989)                      | (989)          | -                                    | (898)                      | (898)          |
|  | -                                    | 141                        | 141            | -                                    | 299                        | 299            |

There is one item of capitalised software that is individually material to the financial statements:

|                              | Carrying Amount       |                       | Remaining Amortised period |
|------------------------------|-----------------------|-----------------------|----------------------------|
|                              | 31 March 2015<br>£000 | 31 March 2014<br>£000 |                            |
| Revenues and benefits system | 75                    | 158                   | 1 year                     |

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

**16. FINANCIAL INSTRUMENTS**

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

|   | Long-term                |                          | Current                  |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 31 March<br>2015<br>£000 | 31 March<br>2014<br>£000 | 31 March<br>2015<br>£000 | 31 March<br>2014<br>£000 |
| <b>Investments</b>  |                          |                          |                          |                          |
| Loans and receivables                                       | -                        | -                        | 9,114                    | 4,859                    |
| Available-for-sale financial assets                         | -                        | -                        | -                        | -                        |
| Unquoted equity investment at cost                          | -                        | -                        | -                        | -                        |
| Financial assets at fair value through profit and loss      | -                        | -                        | -                        | -                        |
| <b>Total Investments</b>                                    | -                        | -                        | <b>9,114</b>             | <b>4,859</b>             |
| <b>Debtors</b>  |                          |                          |                          |                          |
| Loans and receivables                                       | 253                      | 140                      | -                        | -                        |
| Financial assets carried at contract amounts                | -                        | -                        | 1,153                    | 2,558                    |
| <b>Total Debtors</b>  | <b>253</b>               | <b>140</b>               | <b>1,153</b>             | <b>2,558</b>             |
| <b>Borrowings</b>   |                          |                          |                          |                          |
| Financial liabilities at amortised cost                     | (1,750)                  | -                        | (23)                     | -                        |
| Financial liabilities at fair value through profit and loss | -                        | -                        | -                        | -                        |
| <b>Total Borrowings</b>                                     | <b>(1,750)</b>           | -                        | <b>(23)</b>              | -                        |
| <b>Other Liabilities</b>                                    |                          |                          |                          |                          |
| Finance lease liabilities                                   | (379)                    | (145)                    | (137)                    | (109)                    |
| <b>Total Other Liabilities</b>                              | <b>(379)</b>             | <b>(145)</b>             | <b>(137)</b>             | <b>(109)</b>             |
| <b>Creditors</b>  |                          |                          |                          |                          |
| Financial liabilities at amortised cost                     | -                        | -                        | -                        | -                        |
| Financial liabilities carried at contract amount            | -                        | -                        | 4,709                    | 4,354                    |
| <b>Total Creditors</b>                                      | -                        | -                        | <b>4,709</b>             | <b>4,354</b>             |

## Fair value of Assets and Liabilities

|                       | Fair value               |                          | Historic cost            |                          |
|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                       | 31 March<br>2015<br>£000 | 31 March<br>2014<br>£000 | 31 March<br>2015<br>£000 | 31 March<br>2014<br>£000 |
| Borrowings            | (1,961)                  | -                        | (1,773)                  | -                        |
| Loans and receivables | 9,118                    | 4,861                    | 9,114                    | 4,859                    |

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 36.



**17. INVENTORIES**

|   | Consumable Stores |                 | Client Services Work in Progress |                 | Property Acquired or Constructed for Sale |                 | Total           |                 |
|---|-------------------|-----------------|----------------------------------|-----------------|---|-----------------|-----------------|-----------------|
|   | 2014/15<br>£000   | 2013/14<br>£000 | 2014/15<br>£000                  | 2013/14<br>£000 | 2014/15<br>£000                           | 2013/14<br>£000 | 2014/15<br>£000 | 2013/14<br>£000 |
| <b>Balance outstanding at start of year</b> | <b>83</b>         | <b>90</b>       | -                                | -               | -   | -               | <b>83</b>       | <b>90</b>       |
| Purchases                                   | 363               | 422             | -                                | -               | -   | -               | 363             | 422             |
| Recognised as an expense in the year        | (373)             | (429)           | -                                | -               | -   | -               | (373)           | (429)           |
| Written off balances                        | -                 | -               | -                                | -               | -   | -               | -               | -               |
| Reversals of write-offs in previous years   | -                 | -               | -                                | -               | -   | -               | -               | -               |
| <b>Balance outstanding at year-end</b>      | <b>73</b>         | <b>83</b>       | -                                | -               | -   | -               | <b>73</b>       | <b>83</b>       |

**18. CONSTRUCTION CONTRACTS**

As at the 31 March 2015 the Authority had no significant contracts in progress.

**19. DEBTORS**

|                                       | 31 March 2015<br>£000 | 31 March 2014<br>£000 |
|---------------------------------------|-----------------------|-----------------------|
| Central government bodies             | 207                   | 841                   |
| Other local authorities               | 237                   | 235                   |
| NHS Bodies                            | -                     | -                     |
| Public corporations and trading funds | -                     | -                     |
| Other entities and individuals        | 709                   | 1,482                 |
| <b>Total</b>                          | <b>1,153</b>          | <b>2,558</b>          |

**20. CASH AND CASH EQUIVALENTS**

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

|  | 31 March 2015<br>£000 | 31 March 2014<br>£000 |
|--|-----------------------|-----------------------|
| Cash held by the Council               | 260                   | 262                   |
| Bank current account                   | (32)                  | (15)                  |
| Special Interest Bearing Account       | 60                    | 60                    |
| <b>Total Cash and Cash Equivalents</b> | <b>288</b>            | <b>307</b>            |

**21. ASSETS HELD FOR SALE**

|   | Current         |                 | Non Current     |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2014/15<br>£000 | 2013/14<br>£000 | 2014/15<br>£000 | 2013/14<br>£000 |
| <b>Balance outstanding at start of year</b> | <b>10</b>       | -               | -               | -               |
| Assets newly classified as held for sale:   |                 |                 |                 |                 |
| Property, Plant and equipment               | 230             | 10              | -               | -               |
| Intangible Assets                           | -               | -               | -               | -               |
| Revaluation losses                          | -               | -               | -               | -               |
| Revaluation gains                           | -               | -               | -               | -               |
| Impairment losses                           | -               | -               | -               | -               |
| Assets declassified as held for sale:       |                 |                 |                 |                 |
| Property, Plant and equipment               | -               | -               | -               | -               |
| Intangible Assets                           | -               | -               | -               | -               |
| Assets sold                                 | (10)            | -               | -               | -               |
| Transfers from non-current to current       | -               | -               | -               | -               |
| <b>Balance outstanding at year end</b>      | <b>230</b>      | <b>10</b>       | -               | -               |

**22. CREDITORS**

|                                       | 31 March 2015<br>£000 | 31 March 2014<br>£000 |
|---------------------------------------|-----------------------|-----------------------|
| Central government bodies             | 209                   | 450                   |
| Other local authorities               | 1,703                 | 1,698                 |
| NHS Bodies                            | -                     | -                     |
| Public corporations and trading funds | -                     | -                     |
| Other entities and individuals        | 2,797                 | 2,206                 |
| <b>Total</b>                          | <b>4,709</b>          | <b>4,354</b>          |

**23. PROVISIONS**

| 2014/15                               | Municipal<br>Mutual<br>Insurance<br>£000 | Business<br>Rate<br>Retention<br>Appeals<br>£000 | Local Land<br>Charges<br>Restitution<br>Claim<br>£000 | Total<br>£000 |
|---------------------------------------|--|--|---|---------------|
| Balance at 1 April 2014               | -  | 508  | 26  | 534           |
| Additional Provisions made in 2013/14 | -  | 48   | -   | 48            |
| Amounts used in 2014/15               | -  | -  | -   | -             |
| Unused amounts reversed in 2014/15    | -  | -  | (26)  | (26)          |
| <b>Total</b>                          | <b>-</b>                                 | <b>556</b>                                       | <b>-</b>  | <b>556</b>    |

| 2013/14                               | Municipal<br>Mutual<br>Insurance<br>£000 | Business<br>Rate<br>Retention<br>Appeals<br>£000 | Local Land<br>Charges<br>Restitution<br>Claim<br>£000 | Total<br>£000 |
|---------------------------------------|--|--|---|---------------|
| Balance at 1 April 2013               | 11                                       | -  | -   | 11            |
| Additional Provisions made in 2012/13 | -  | 508  | 26  | 534           |
| Amounts used in 2013/14               | (11)                                     | -  | -   | (11)          |
| Unused amounts reversed in 2013/14    | -  | -  | -   | -             |
| <b>Total</b>                          | <b>-</b>                                 | <b>508</b>                                       | <b>26</b>   | <b>534</b>    |

**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 2015.

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 40% share of net business rates income under the new localised scheme. The amount shown in the Council's Balance Sheet reflects the Council's proportion of the appeals provision as at 31 March 2015.

**Local Land Charges Restitution Claim**

A group of property search companies are seeking to claim refunds of fees paid to the Council to access land charges data. The settlement has been agreed at £33k, but not yet paid. Therefore the provision has been reversed through revenue in 2014-15 and replaced with an accrual for the same amount.

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 2015.

**24. USABLE RESERVES**

| 31 March 2014<br>£000 |                                 | 31 March 2015<br>£000 |
|-----------------------|---------------------------------|-----------------------|
| 3,605                 | Earmarked General Fund Reserves | 5,056                 |
| 155                   | Capital Receipts Reserve        | 187                   |
| 62                    | Capital Grants Unapplied        | -                     |
| <b>3,822</b>          | <b>Total Usable Reserves</b>    | <b>5,243</b>          |

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 8, together with an explanation of the purpose of each reserve.

**Capital Receipts Reserve**

| 2013/14<br>£000 |  | 2014/15<br>£000 |
|-----------------|--|-----------------|
| 142             | Balance at 1 April                           | 155             |
| 321             | Receipts from disposal of non-current assets | 10              |
| 13              | Other receipts                               | 22              |
| 476             |  | 187             |
| (321)           | Receipts used to finance capital expenditure | -               |
| <b>155</b>      | <b>Balance at 31 March</b>                   | <b>187</b>      |

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

**Capital Grants Unapplied**

| 2013/14<br>£000 |   | 2014/15<br>£000 |
|-----------------|---|-----------------|
| -               | Balance at 1 April  | 62              |
| 62              | Reversal of grants credited to the Comprehensive Income and Expenditure Statement but expenditure has not been incurred | -               |
| 62              |   | 62              |
| -               | Grants used to finance capital expenditure  | (62)            |
| <b>62</b>       | <b>Balance at 31 March</b>  | <b>-</b>        |

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.

**25. UNUSABLE RESERVES**

| 31 March 2014<br>£000 |  | 31 March 2015<br>£000 |
|-----------------------|--|-----------------------|
| 3,098                 | Revaluation Reserve                              | 3,982                 |
| -                     | Available for Sale Financial Instruments Reserve | -                     |
| 15,184                | Capital Adjustment Account                       | 13,327                |
| -                     | Financial Instruments Adjustment Account         | -                     |
| -                     | Deferred Capital Receipts Reserve                | -                     |
| (15,575)              | Pensions Reserve                                 | (20,440)              |
| (785)                 | Collection Fund Adjustment Account               | (442)                 |
| (118)                 | Accumulated Absences Account                     | (126)                 |
| <b>1,804</b>          | <b>Total Unusable Reserves</b>                   | <b>(3,699)</b>        |

**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.

| 2013/14<br>£000 |   | £000    | 2014/15<br>£000 |
|-----------------|---|---------|-----------------|
| 3,241           | <b>Balance at 1 April</b>   |         | 3,098           |
| 171             | Upward revaluation of assets  | 2,055   |                 |
| (227)           | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services      | (1,098) |                 |
| (56)            | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services |         | 957             |
| (87)            | Difference between fair value depreciation and historical cost depreciation   | (64)    |                 |
| -               | Accumulated gains on assets sold or scrapped  | (9)     |                 |
| (87)            | Amount written off to the Capital Adjustment Account  |         | (73)            |
| 3,098           | <b>Balance at 31 March</b>  |         | 3,982           |

**Available for Sale Financial Instruments Reserve**

The Authority has not entered into any available-for-sale asset arrangements during the financial year.

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

| 2013/14<br>£000 |  | £'000   | 2014/15<br>£000 |
|-----------------|--|---------|-----------------|
| 14,481          | <b>Balance at 1 April</b>  |         | 15,184          |
|                 | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                               |         |                 |
| (709)           | • Charges for depreciation and impairment of non-current assets  | (1,203) |                 |
| -               | • Revaluation losses on Property, Plant and Equipment  | -       |                 |
| (169)           | • Amortisation of Intangible Assets  | (157)   |                 |
| (321)           | • 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 | (10)    |                 |
| (1,174)         | • Revenue Expenditure Funded by Capital Under Statute  | (693)   |                 |
| (2,373)         |  |         | (2,063)         |
| 87              | Adjusting amounts written out of the Revaluation Reserve   |         | 73              |
| 12,195          | Net written out amount of the cost of non-current assets consumed in the year  |         | 13,194          |
|                 | Capital financing applied in the year:   |         |                 |
| 321             | • Use of the capital receipts reserve to finance new capital expenditure   | -       |                 |
| 1,885           | • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing               | 256     |                 |
| -               | • Application of grants to capital financing from the Capital Grants Unapplied Account   | 62      |                 |
| 193             | • Statutory provision for the financing of capital investment charged against the General fund   | 154     |                 |
| 1,126           | • Capital expenditure charged against the General Fund   | 3       |                 |
| 3,525           |  |         | 475             |
| (527)           | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                           |         | (340)           |
| -               | Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement   |         | -               |
| (9)             | Movements in Long-term Debtors   |         | (2)             |
| 15,184          | <b>Balance at 31 March</b>   |         | 13,327          |

### 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.

| 2013/14<br>£000 |  | 2014/15<br>£000 |
|-----------------|--|-----------------|
| (26,768)        | Balance at 1 April   | (15,575)        |
| 12,205          | Re-measurements of the net defined benefit liability/(asset)   | (4,436)         |
| (2,216)         | 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 | (1,743)         |
| 1,204           | Employer's pensions contributions and direct payments to pensioners payable in the year  | 1,314           |
| (15,575)        | Balance at 31 March  | (20,440)        |

### 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.

There were no gains during the 2014/15 financial year.

### 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.

| 2013/14<br>£000 |   | 2014/15<br>£000 |
|-----------------|---|-----------------|
| 121             | Balance at 1 April  | (785)           |
| (906)           | 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 | 343             |
| (785)           | Balance at 31 March   | (442)           |

### 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.

| 2013/14<br>£000 |   | £000  | 2014/15<br>£000 |
|-----------------|---|-------|-----------------|
| (115)           | Balance at 1 April  |       | (118)           |
| 115             | Settlement or cancellation of accrual made at the end of the preceding year   | 118   |                 |
| (118)           | Amount accrued at the end of the current year   | (126) |                 |
| (3)             | 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 |       | (8)             |
| (118)           | Balance at 31 March   |       | (126)           |

## 26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

### a. Adjust net surplus or deficit on the provision of services for non-cash movements

| 2013/14<br>£000 |  | 2014/15<br>£000 |
|-----------------|--|-----------------|
| 671             | Depreciation   | 643             |
| 565             | Impairment and downward valuations   | 561             |
| 169             | Amortisation   | 156             |
| -               | Increase / decrease in impairment for bad debts  | -               |
| 257             | Increase / decrease in creditors   | 565             |
| (1,028)         | Increase / decrease in debtors   | 906             |
| 7               | Increase / decrease in inventories   | 10              |
| 1,011           | Movement in pension liability  | 429             |
| 321             | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 10              |
| 523             | Other non-cash items charged to the net surplus or deficit on the provision of services          | 362             |
| 2,496           |  | 3,642           |



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

| 2013/14<br>£000 |  | 2014/15<br>£000 |
|-----------------|--|-----------------|
| -               | Proceeds from short-term (not considered to be cash equivalents) and long-term investments         | -               |
| (334)           | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (10)            |
| (1,947)         | Any other items for which the cash effects are investing or financing cash flows                   | (278)           |
| (2,281)         |  | (288)           |

**c. Interest received, interest paid and dividends received**

| 2013/14<br>£000 |                    | 2014/15<br>£000 |
|-----------------|--------------------|-----------------|
| 70              | Interest received  | 66              |
| (16)            | Interest paid      | (55)            |
| -               | Dividends received | -               |

**27. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

| 2013/14<br>£000 |  | 2014/15<br>£000 |
|-----------------|--|-----------------|
| (1,917)         | Purchase of property, plant and equipment, investment property and intangible assets               | (651)           |
| (16,350)        | Purchase of short-term and long-term investments   | (18,100)        |
| (89)            | Other payments for investing activities  | (115)           |
| 321             | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 10              |
| 17,200          | Proceeds from short-term and long-term investments   | 13,850          |
| 1,969           | Other receipts from investing activities   | 280             |
| 1,134           | Net cash flows from investing activities   | (4,726)         |

**28. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

| 2013/14<br>£000 |   | 2014/15<br>£000 |
|-----------------|---|-----------------|
| -               | Cash receipts of short and long term borrowing  | 1,750           |
| (619)           | Other receipts from financing activities  | -               |
| (193)           | Cash payments for the reduction of the outstanding liabilities relating to finance leases | (154)           |
| -               | Repayments of short and long-term borrowing   | -               |
| -               | Other payments for financing activities   | 360             |
| (812)           | Net cash flows from financing activities  | 1,956           |

**29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's committees on the basis of budget reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation

Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).

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

#### 2014/15

| Committee Income and Expenditure     | Policy & Resources<br>£000 | Total<br>£000 |
|--------------------------------------|----------------------------|---------------|
| Fees, charges & other service income | 4,571                      | 4,571         |
| Government grants                    | 12,664                     | 12,664        |
| <b>Total Income</b>                  | <b>17,235</b>              | <b>17,235</b> |
| Employee expenses                    | 4,973                      | 4,973         |
| Other service expenses               | 17,081                     | 17,081        |
| Support service recharges            | 1,823                      | 1,823         |
| <b>Total Expenditure</b>             | <b>23,877</b>              | <b>23,877</b> |
| <b>Net Expenditure</b>               | <b>6,642</b>               | <b>6,642</b>  |

#### 2013/14 Comparative Figures

| Committee Income and Expenditure     | Commissioning Board<br>£000 | Policy & Resources<br>£000 | Total<br>£000 |
|--------------------------------------|-----------------------------|----------------------------|---------------|
| Fees, charges & other service income | 3,059                       | 1,209                      | 4,268         |
| Government grants                    | 283                         | 12,250                     | 12,533        |
| <b>Total Income</b>                  | <b>3,342</b>                | <b>13,459</b>              | <b>16,801</b> |
| Employee expenses                    | 2,824                       | 2,047                      | 4,871         |
| Other service expenses               | 4,113                       | 13,271                     | 17,384        |
| Support service recharges            | 808                         | 1,015                      | 1,823         |
| <b>Total Expenditure</b>             | <b>7,745</b>                | <b>16,333</b>              | <b>24,078</b> |
| <b>Net Expenditure</b>               | <b>4,403</b>                | <b>2,874</b>               | <b>7,277</b>  |

#### Reconciliation of Income and Expenditure to the Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

|  | 2014/15<br>£000 | 2013/14<br>£000 |
|--|-----------------|-----------------|
| Net expenditure in the Committee Analysis  | 6,642           | 7,277           |
| Net expenditure of service and support services not included in the Analysis                             | -               | -               |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 1,496           | 1,180           |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement      | -               | -               |
| <b>Cost of Services in Comprehensive Income and Expenditure Statement</b>                                | <b>8,138</b>    | <b>8,457</b>    |

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of committee income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

**2014/15**

|  | Committee<br>Analysis | Amounts not<br>Reported to<br>Management for<br>Decision Making | Cost of<br>Services | Corporate<br>Amounts | Total         |
|--|-----------------------|---|---------------------|----------------------|---------------|
|  | £000                  | £000  | £000                | £000                 | £000          |
| Fees, charges & other service income                   | 4,571                 | -   | 4,571               | -                    | 4,571         |
| Surplus or deficit on associates and joint ventures    | -                     | -   | -                   | -                    | -             |
| Interest and investment income                         | -                     | -   | -                   | (278)                | (278)         |
| Income from council tax                                | -                     | -   | -                   | 6,115                | 6,115         |
| Government grants and contributions                    | 12,664                | -   | 12,664              | 3,071                | 15,735        |
| <b>Total Income</b>                                    | <b>17,235</b>         | <b>-</b>  | <b>17,235</b>       | <b>8,908</b>         | <b>26,143</b> |
| Employee expenses                                      | 4,973                 | 273   | 5,246               | -                    | 5,246         |
| Other service expenses                                 | 17,081                | -   | 17,081              | -                    | 17,081        |
| Support service recharges                              | 1,823                 | -   | 1,823               | -                    | 1,823         |
| Depreciation, amortisation and impairment              | -                     | 1,223   | 1,223               | -                    | 1,223         |
| Interest payments                                      | -                     | -   | -                   | 710                  | 710           |
| Precepts & levies                                      | -                     | -   | -                   | 683                  | 683           |
| Gain or loss on disposal of non-current assets         | -                     | -   | -                   | -                    | -             |
| Capital receipts unattached to non-current assets      | -                     | -   | -                   | (20)                 | (20)          |
| <b>Total Expenditure</b>                               | <b>23,877</b>         | <b>1,496</b>  | <b>25,373</b>       | <b>1,373</b>         | <b>26,746</b> |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>6,642</b>          | <b>1,496</b>  | <b>8,138</b>        | <b>(7,535)</b>       | <b>603</b>    |

## 2013/14 Comparative Figures

|  | Committee<br>Analysis | Amounts not<br>Reported to<br>Management for<br>Decision Making | Cost of<br>Services | Corporate<br>Amounts | Total         |
|--|-----------------------|---|---------------------|----------------------|---------------|
|  | £000                  | £000  | £000                | £000                 | £000          |
| Fees, charges & other service income                   | 4,268                 | -   | 4,268               | -                    | 4,268         |
| Surplus or deficit on associates and joint ventures    | -                     | -   | -                   | -                    | -             |
| Interest and investment income                         | -                     | -   | -                   | (439)                | (439)         |
| Income from council tax                                | -                     | -   | -                   | 5,535                | 5,535         |
| Government grants and contributions                    | 12,533                | -   | 12,533              | 4,525                | 17,058        |
| <b>Total Income</b>                                    | <b>16,801</b>         | <b>-</b>  | <b>16,801</b>       | <b>9,621</b>         | <b>26,422</b> |
| Employee expenses                                      | 4,871                 | 464   | 5,335               | -                    | 5,335         |
| Other service expenses                                 | 17,384                | -   | 17,384              | -                    | 17,384        |
| Support service recharges                              | 1,823                 | -   | 1,823               | -                    | 1,823         |
| Depreciation, amortisation and impairment              | -                     | 716   | 716                 | -                    | 716           |
| Interest payments                                      | -                     | -   | -                   | 1,133                | 1,133         |
| Precepts & levies                                      | -                     | -   | -                   | 630                  | 630           |
| Gain or loss on disposal of non-current assets         | -                     | -   | -                   | -                    | -             |
| Capital receipts unattached to non-current assets      | -                     | -   | -                   | (5)                  | (5)           |
| <b>Total Expenditure</b>                               | <b>24,078</b>         | <b>1,180</b>  | <b>25,258</b>       | <b>1,758</b>         | <b>27,016</b> |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>7,277</b>          | <b>1,180</b>  | <b>8,457</b>        | <b>(7,863)</b>       | <b>594</b>    |

30. MEMBERS ALLOWANCES

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

|              | 2014/15<br>£000 | 2013/14<br>£0000 |
|--------------|-----------------|------------------|
| Allowances   | 120             | 122              |
| Expenses     | 6               | 7                |
| <b>Total</b> | <b>126</b>      | <b>129</b>       |

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.

**31. OFFICERS REMUNERATION**

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

| Job Title                              | Year    | Salary, fees and allowances<br>£ | Bonuses<br>£ | Expenses allowances<br>£ | Compensation for loss of office<br>£ | Pension contribution<br>£ | Total<br>£ | Note |
|--|---------|----------------------------------|--------------|--------------------------|--------------------------------------|---------------------------|------------|------|
| Chief Executive                        | 2014/15 | 104,460                          | -            | 5,505                    | -                                    | 15,042                    | 125,007    |      |
|  | 2013/14 | 104,460                          | -            | 5,505                    | -                                    | 13,684                    | 123,649    |      |
| Corporate Director (s151)              | 2014/15 | 8,280                            | -            | 114                      | -                                    | 1,192                     | 9,586      | A    |
|  | 2013/14 | 70,291                           | -            | 963                      | -                                    | 9,208                     | 80,462     |      |
| Corporate Director                     | 2014/15 | 53,585                           | -            | 722                      | -                                    | 7,716                     | 62,023     | B    |
| Head of Health & Environment           | 2014/15 | 13,952                           | -            | 241                      | -                                    | 2,009                     | 16,202     | B    |
|  | 2013/14 | 55,104                           | -            | 1,699                    | -                                    | 7,218                     | 64,021     |      |
| Head of Env, Street Scene & Facilities | 2014/15 | 1,849                            | -            | -                        | -                                    | 266                       | 2,115      | C    |
| Head of Corporate Services             | 2014/15 | 55,600                           | -            | 963                      | -                                    | 8,006                     | 64,569     |      |
|  | 2013/14 | 55,104                           | -            | 963                      | -                                    | 7,218                     | 63,285     |      |
| Head of Economy & Infrastructure       | 2014/15 | 55,600                           | -            | 963                      | -                                    | 8,006                     | 64,569     |      |
|  | 2013/14 | 55,104                           | -            | 963                      | -                                    | 7,218                     | 63,285     |      |
| Head of Planning & Housing             | 2014/15 | 55,388                           | -            | 963                      | -                                    | 7,976                     | 64,327     |      |
|  | 2013/14 | 55,104                           | -            | 1,787                    | -                                    | 7,218                     | 64,109     |      |
| Council Solicitor                      | 2014/15 | 57,714                           | -            | 963                      | -                                    | 8,006                     | 66,683     |      |
|  | 2013/14 | 55,104                           | -            | 963                      | -                                    | 7,218                     | 63,285     |      |
| Finance Manager (s151)                 | 2014/15 | 45,541                           | -            | -                        | -                                    | 6,558                     | 52,099     | D    |

Senior Officers served for the whole of 2014/15 and 2013/14 unless stated below.

Notes:

- A The Corporate Director (s151) left on the 13<sup>th</sup> May 2014
- B The Head of Health and Environment was appointed as Corporate Director on the 1<sup>st</sup> July 2014
- C The Head of Environment, Street Scene and Facilities assumed their new Position on 18<sup>th</sup> March 2015
- D The Finance Manager was appointed s151 Officer on 14<sup>th</sup> May 2014

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

| Remuneration Band   | 2014/15<br>Number of employees | 2013/14<br>Number of employees |
|---------------------|--------------------------------|--------------------------------|
| £50,000 - £54,999   | -                              | 1                              |
| £55,000 - £59,999   | 4                              | 5                              |
| £60,000 - £64,999   | -                              | -                              |
| £65,000 - £69,999   | 1                              | -                              |
| £70,000 - £74,999   | -                              | 1                              |
| £75,000 - £79,999   | -                              | -                              |
| £80,000 - £84,999   | -                              | -                              |
| £85,000 - £89,999   | -                              | -                              |
| £90,000 - £94,999   | -                              | -                              |
| £95,000 - £99,999   | -                              | -                              |
| £100,000 - £104,999 | -                              | -                              |
| £105,000 - £109,999 | 1                              | 1                              |

**32. 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:

|   | 2014/15<br>£'000 | 2013/14<br>£'000 |
|---|------------------|------------------|
| * Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year | 50               | 48               |
| * Fees payable to Deloitte LLP in respect of statutory inspections  | -                | -                |
| * Fees payable to Deloitte LLP for the certification of grant claims and returns for the year                           | 36               | 21               |
| * Fees payable in respect of other services provided by Deloitte LLP during the year                                    | -                | -                |
|   | <b>86</b>        | <b>69</b>        |

**33. GRANT INCOME**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

|  | 2014/15<br>£000 | 2013/14<br>£000 |
|--|-----------------|-----------------|
| <b>Credited to Taxation and Non Specific Grant Income:</b> |                 |                 |
| Revenue Support Grant                                      | 1,746           | 2,152           |
| New Homes Bonus  | 1,127           | 708             |
| Council Tax Freeze Grant                                   | 39              | 38              |
| Council Tax Reform Grant                                   | 59              | 32              |
| Transitional Grant to Rural Local Authorities              | 14              | 62              |
| S31 grant Business Rates                                   | 580             | 395             |
| Other Grants   | 39              | 60              |
| <b>Total</b>   | <b>3,604</b>    | <b>3,447</b>    |
| <b>Credited to Services:</b>                               |                 |                 |
| <b>Government Grants:</b>                                  |                 |                 |
| Disabled Facilities Grant                                  | 210             | 205             |
| Housing Benefit Subsidy and Rent Rebate                    | 12,022          | 11,820          |
| Housing Benefit & Council Tax Support Administration       | 255             | 289             |
| Safer Stronger Communities                                 | 19              | 20              |
| HCA Grant  | -               | 1,449           |
| Other government grants                                    | 44              | 36              |
| <b>Non Government Grants:</b>                              |                 |                 |
| Flood Defence Grant  | -               | -               |
| Recycling  | 3               | 51              |
| Moved to govt grants above                                 |                 |                 |
| <b>Total</b>   | <b>12,553</b>   | <b>13,870</b>   |
| <b>Contributions</b>                                       | <b>97</b>       | <b>331</b>      |

As at the 31<sup>st</sup> March 2015 the Authority has no grants, contributions or donations that have yet to be recognised as income as they have conditions attached to them (31 March 2014 £nil).

**34. 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 33.

**Members**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 30.

**Officers**

The Finance Manager (Section 151), P C Johnson, 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<br>£'000 | Payments<br>£'000 |
|---|-----------------------|-------------------|-------------------|
| The Vale of Pickering Internal Drainage Board | - <i>levy</i>         | -                 | 42                |
| Rye Internal Drainage Board                   | - <i>levy</i>         | -                 | 33                |
| Thornton Internal Drainage Board              | - <i>levy</i>         | -                 | 8                 |
| Foss Internal Drainage Board                  | - <i>levy</i>         | -                 | 3                 |
| Muston & Yedingham Internal Drainage Board    | - <i>levy</i>         | -                 | 1                 |
| Veritau North Yorkshire Ltd                   | <i>see note below</i> | -                 | 52                |
| North Yorkshire Building Control Partnership  | <i>see note below</i> | (18)              | 58                |

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 2015. 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 £16,000 as at 31 March 2015.

### 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 £137,000 was made to Sports & Leisure Management Ltd to support the operation of the leisure facilities in 2014/15. Previously, Community Leisure Ltd, an Industrial Provident Society, ran the leisure centre and swimming pools for Ryedale until 30 September 2014 and was paid a grant of £112,000 in support of the operation of the leisure facilities in 2014/15.

### 35. 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.

|   | 2014/15<br>£000 | 2013/14<br>£000 |
|---|-----------------|-----------------|
| <i>Opening Capital Financing Requirement</i>  | 254             | 295             |
| Capital investment  |                 |                 |
| Property plant and equipment  | 1,014           | 2,206           |
| Investment properties   | -               | 13              |
| Held for sale assets  | -               | 1               |
| Intangible assets   | -               | -               |
| Revenue expenditure funded from capital under statute   | 693             | 1,174           |
| Loans   | 40              | 89              |
| <i>Sources of finance</i>   |                 |                 |
| Capital receipts  | -               | (321)           |
| Government grants and other contributions   | (318)           | (1,885)         |
| Sums set aside from revenue   |                 |                 |
| Direct revenue contributions  | (3)             | (1,125)         |
| Minimum Revenue Provision   | (154)           | (193)           |
| <i>Closing Capital Financing Requirement</i>  | 1,526           | 254             |
| <i>Explanation of movements in year</i>   |                 |                 |
| Increase/(Decrease) in underlying need to borrowing<br>(unsupported by government financial assistance) | 855             | (193)           |
| Assets acquired under finance leases  | 417             | 152             |
| <i>Increase / (decrease) in Capital Financing Requirement</i>   | 1,272           | (41)            |



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

The Authority has acquired a number of vehicles 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 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 2015<br>£000 | 31 March 2014<br>£000 |
|---|-----------------------|-----------------------|
| Finance lease liabilities (net present value of minimum lease payments) |                       |                       |
| Current   | 137                   | 109                   |
| Non-current   | 379                   | 145                   |
| Finance costs payable in future years                                   | 58                    | 19                    |
| Minimum lease payments  | 574                   | 273                   |

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

|   | Minimum lease payments |                       | Finance lease liabilities |                       |
|---|------------------------|-----------------------|---------------------------|-----------------------|
|   | 31 March 2015<br>£000  | 31 March 2014<br>£000 | 31 March 2015<br>£000     | 31 March 2014<br>£000 |
| Not later than one year                           | 150                    | 118                   | 137                       | 109                   |
| Later than one year and not later than five years | 392                    | 155                   | 348                       | 145                   |
| Later than five years                             | 32                     | -                     | 31                        | -                     |
|   | 574                    | 273                   | 516                       | 254                   |

**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 2015<br>£000 | 31 March 2014<br>£000 |
|---|-----------------------|-----------------------|
| Not later than one year                           | 107                   | 108                   |
| Later than one year and not later than five years | 86                    | 97                    |
| Later than five years                             | -                     | -                     |
|   | 193                   | 205                   |

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:

|                              | 2014/15<br>£000 | 2013/14<br>£000 |
|------------------------------|-----------------|-----------------|
| Minimum lease payments       | 174             | 202             |
| Contingent rents             | -               | -               |
| Sublease payments receivable | -               | -               |
|                              | 174             | 202             |

### **Authority as Lessor**

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

### **37. IMPAIRMENT LOSSES**

During 2014/15 the Authority has recognised an impairment loss of £561k following the 5 year revaluation of all Property, Plant and Equipment.

### **38. TERMINATION BENEFITS**

The Authority has not terminated the contracts or agreed any exit packages of any employee in 2014/15 or 2013/14.

### **39. 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 |                 |
|---|---------------------------------|------------------|-------------------------------------|-----------------|
|   | 2014/15<br>£'000                | 2013/14<br>£'000 | 2014/15<br>£000                     | 2013/14<br>£000 |
| <b>Comprehensive Income and Expenditure Statement</b>   |                                 |                  |                                     |                 |
| <i>Cost of Services:</i>  |                                 |                  |                                     |                 |
| • Current service cost  | 1,086                           | 1,118            | -                                   | -               |
| • Past service costs / (gains)  | -                               | -                | -                                   | -               |
| • (Gain)/Loss from settlements  | -                               | -                | -                                   | -               |
| <i>Financing and Investment Income and Expenditure</i>  |                                 |                  |                                     |                 |
| • Net interest expense  | 647                             | 1,068            | 10                                  | 31              |
| <i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>   | 1,733                           | 2,186            | 10                                  | 31              |
| <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>  |                                 |                  |                                     |                 |
| <i>Remeasurement of the net defined benefit liability comprising:</i>   |                                 |                  |                                     |                 |
| <i>Return on plan assets (excluding the amount included in the net interest expense)</i>  | (4,769)                         | (7241)           | 0                                   | (444)           |
| • Actuarial gains and losses arising on changes in demographic assumptions  | 0                               | (149)            | 0                                   | (4)             |
| • Actuarial gains and losses arising on changes in financial assumptions  | 9,180                           | (4,352)          | 25                                  | (16)            |
| <i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>  | 6,144                           | (9,556)          | 35                                  | (433)           |
| <i>Movement in Reserves Statement</i>   |                                 |                  |                                     |                 |
| • Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | (6,144)                         | 9,556            | (35)                                | 433             |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>   |                                 |                  |                                     |                 |
| • Employers contributions payable to scheme   | 1,297                           | 1,187            |                                     |                 |
| • Retirement benefits payable to pensioners   |                                 |                  | 17                                  | 17              |

### 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:<br>Pension Scheme<br>£'000 |                 | Discretionary<br>Benefits<br>£'000 |              |
|--|--|-----------------|------------------------------------|--------------|
|  | 2014/15                                      | 2013/14         | 2014/15                            | 2013/14      |
| Present value of the defined benefit obligation              | (68,772)                                     | (57,907)        | (285)                              | (267)        |
| Fair value of plan assets                                    | 48,617                                       | 42,599          | -                                  | -            |
| <b>Net liability arising from defined benefit obligation</b> | <b>(20,155)</b>                              | <b>(15,308)</b> | <b>(285)</b>                       | <b>(267)</b> |

### Reconciliation of the Movements in the Fair value of Scheme (Plan) Assets:

|  | Local Government:<br>Pension Scheme<br>£'000 |         | Discretionary Benefits<br>Arrangements<br>£'000 |         |
|--|--|---------|---|---------|
|  | 2014/15                                      | 2013/14 | 2014/15   | 2013/14 |
| Opening fair value of scheme assets  | 42,599                                       | 37,661  | -   | -       |
| Interest income  | 1,861  | 1,573   | -   | -       |
| Remeasurement gain/(loss):   |  |         |   |         |
| The return on plan assets, excluding the amount included in the net interest expense | 4,769  | 3,832   | -   | -       |
| Other  | (21)   | (19)    | -   | -       |
| The effect of changes in foreign exchange rates                                      | -  | -       | -   | -       |
| Contributions from employer  | 1,297  | 1,187   | 17  | 17      |
| Contributions from employees into the scheme   | 344  | 315     | -   | -       |
| Benefits paid  | (2,232)                                      | (1,950) | (17)  | (17)    |
| Closing fair value of scheme assets  | 48,617                                       | 42,599  | -   | -       |

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

|                                       | Funded liabilities: Local Government Pension Scheme<br>£'000 |         | Unfunded liabilities: Discretionary Benefits<br>£'000 |         |
|---------------------------------------|--|---------|---|---------|
|                                       | 2014/15  | 2013/14 | 2014/15   | 2013/14 |
| Opening balance at 1 April            | 57,907   | 63,712  | 267   | 717     |
| Current service cost                  | 1,065  | 1,099   | -   | -       |
| Interest cost                         | 2,508  | 2,640   | 10  | 31      |
| Contribution from scheme participants | 344  | 315     | -   | -       |
| Remeasurement (gains) and losses:     |  |         |   |         |
| Demographic Assumptions               | -  | (149)   | -   | (4)     |
| Financial Assumptions                 | 9,180  | (4,352) | 25  | (16)    |
| Other                                 | -  | (3,408) | -   | (444)   |
| Past service costs                    | -  | -       | -   | -       |
| Losses/(gains) on curtailment         | -  | -       | -   | -       |
| Entity combinations                   | -  | -       | -   | -       |
| Benefits paid                         | (2,232)  | (1,950) | (17)  | (17)    |
| Closing balance at 31 March           | 68,772   | 57,907  | 285   | 267     |

**Local Government Pension Scheme assets comprised:**

|  | 31.03.15<br>£'000 | 31.03.14<br>£'000 |
|--|-------------------|-------------------|
| <b>Cash and cash equivalents</b>                       |                   |                   |
| Cash Instruments (FX)                                  | 0                 | 64                |
| Cash accounts  | 535               | 149               |
| Net current assets                                     | 49                | -                 |
| <b>Equity Instruments</b>                              |                   |                   |
| UK quoted  | 7,196             | 8,691             |
| UK quoted (unitised)                                   | 13,566            | 11,715            |
| Global quoted  | 7,050             | 7,029             |
| Emerging markets (unitised)                            | 1,361             | 1,108             |
| <b>Bonds</b>   |                   |                   |
| UK Government fixed                                    | 4,084             | 2,173             |
| UK Government indexed                                  | 3,549             | 2,812             |
| Overseas Government fixed                              | 194               | 213               |
| Overseas Government indexed                            | 389               | 85                |
| UK corporate (unitised)                                | 2,771             | 2,812             |
| Euro corporate (unitised)                              | 340               | 213               |
| International corporate (unitised)                     | 194               | 170               |
| <b>Property</b>  |                   |                   |
| UK (Unitised)  | 3,160             | 2,002             |
| <b>Alternatives</b>                                    |                   |                   |
| DGF (UK unitised)                                      | 4,181             | 3,365             |
| <b>Closing fair value of scheme assets at 31 March</b> | <b>48,619</b>     | <b>42,601</b>     |

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer 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 2013.

The significant assumptions used by the actuary have been:

|   | 31.03.15 | 31.03.14 |
|---|----------|----------|
| Long-term expected rate return on assets in the scheme: |          |          |
| Equity investments                                      | 6.5%     | 7.0%     |
| Government bonds  | 2.2%     | 3.4%     |
| Other bonds   | 2.9%     | 4.3%     |
| Property  | 5.9%     | 6.2%     |
| Cash/liquidity  | 0.5%     | 0.5%     |
| Other (Dependant on type of asset)                      | -        | -        |
| Mortality assumptions:                                  |          |          |
| Longevity at 65 for current pensioners:                 |          |          |
| Men   | 23.1 yrs | 23.0 yrs |
| Women   | 25.6 yrs | 25.5 yrs |
| Longevity at 65 for future pensioners:                  |          |          |
| Men   | 25.4 yrs | 25.3 yrs |
| Women   | 28.0 yrs | 27.8 yrs |
| Rate of Inflation (CPI)                                 | 2%       | 2.4%     |
| Rate of increase in salaries                            | 3.5%     | 3.9%     |
| Rate of increase in pensions                            | 2%       | 2.4%     |
| Rate for discounting scheme liabilities                 | 3.2%     | 4.4%     |

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

|   | Central  | +0.1%p.a.<br>discount<br>rate | +0.1%<br>p.a.<br>Inflation | +0.1%<br>p.a. pay<br>growth | 1 year<br>increase in<br>life<br>expectancy |
|---|----------|-------------------------------|----------------------------|-----------------------------|---|
|   | £'000s   | £'000s                        | £'000s                     | £'000s                      | £'000s                                      |
| Liabilities                               | 69,057   | 67,868                        | 70,267                     | 69,316                      | 70,409                                      |
| Assets                                    | (48,619) | (48,619)                      | (48,619)                   | (48,619)                    | (48,619)                                    |
| Deficit/(Surplus)                         | 20,538   | 19,249                        | 21,648                     | 20,697                      | 21,790                                      |
| Projected Service Cost for next year      | 1,345    | 1,307                         | 1,385                      | 1,345                       | 1,374                                       |
| Projected Net Interest Cost for next year | 634      | 615                           | 673                        | 643                         | 678   |

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.

The Authority also makes payments to the West Yorkshire Superannuation Fund in respect of pension increases for former authorities that amalgamated to form Ryedale. This amounted to £12,686 in 2014/15 (2013/14: £25,899).

### **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 County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 27 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales and the other main existing public 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 anticipated to pay £1,314,000 expected contributions to the scheme in the year to 31 March 2015.

The weighted average duration of the defined benefit obligation for scheme members is 17 years 2014/15 (17 years 2013/14)

#### **40. CONTINGENT LIABILITIES**

At 31 March 2015, the Authority had three material contingent liabilities:

##### **Municipal Mutual Insurance**

The authority has paid a sum of £11k following the triggering of the scheme of arrangement by Municipal Mutual Insurance Limited (MMI). This figure is an initial levy calculated by the scheme administrators at 15% of settlements paid since 1993. A levy rate of 28% (the top of the range) would require an additional payment of £10k. The total amount of claims payments which would be liable to claw-back, at a levy rate of 100%, is currently £75k.

##### **Property Search Fees**

A group of property search companies are seeking to claim refunds of fees paid to the Council to access land charges data. An accrual of £33k has been included within the accounts based on a final settlement figure. In addition it is likely that the Council will be required to pay legal costs, which are not quantifiable at this stage.

#### **41. CONTINGENT ASSETS**

At 31 March 2015 the Authority had no material contingent assets to report.

## 42. 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 2015 that this was likely to crystallise.

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<br>31 March<br>2015 | Historical<br>Experience<br>of Default | Historical<br>Experience<br>adjusted for<br>market<br>conditions at 31<br>March 2015 | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectabil<br>ity at 31<br>March 2015<br>£000 | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectabi<br>lity at 31<br>March 2014<br>£000 |
|---|-------------------------------|--|--|--|--|
|   | £'000                         | %                                      | %  |  |  |
| Deposits with Banks and<br>Financial Institutions | 9,114                         | 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 2015<br>£000 | 31 March 2014<br>£000 |
|----------------|-----------------------|-----------------------|
| Up to 20 years | 759                   | -                     |
| 21 to 50 years | 1,014                 | -                     |
|                | 1,773                 | -                     |

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.

| 2013/14              |                         |   | 2014/15              |                         |      |
|----------------------|-------------------------|---|----------------------|-------------------------|------|
| Council Tax<br>£'000 | Business Rates<br>£'000 |   | Council Tax<br>£'000 | Business Rates<br>£'000 | Note |
|                      |                         | <b>INCOME</b>   |                      |                         |      |
| (30,792)             |                         | Council Tax   | (32,026)             |                         |      |
| -                    |                         | Transfers from General Fund<br>- Council Tax Benefits | -                    |                         |      |
|                      | (15,122)                | Income collectable from business ratepayers           |                      | (16,333)                |      |
|                      | (115)                   | Transitional Protection Payments                      |                      | (17)                    |      |
| (30,792)             | (15,237)                | Total Income  | (32,026)             | (16,350)                |      |
|                      |                         | <b>EXPENDITURE</b>                                    |                      |                         |      |
| 20,957               |                         | Precepts and Demands:                                 |                      |                         | (2)  |
| 4,054                |                         | North Yorkshire County Council                        | 22,369               |                         |      |
| 1,230                |                         | North Yorkshire Police & Crime Commissioner           | 4,327                |                         |      |
| 4,150                |                         | North Yorkshire Fire & Rescue                         | 1,313                |                         |      |
| 43                   |                         | Ryedale District Council                              | 4,374                |                         |      |
|                      |                         | Street Lighting Expenses                              | 35                   |                         |      |
|                      |                         | Business Rates:                                       |                      |                         | (3)  |
|                      | -                       | Payment to National Pool                              |                      | -                       |      |
|                      | 8,139                   | Central Government                                    |                      | 7,553                   |      |
|                      | 6,511                   | Ryedale District Council                              |                      | 6,042                   |      |
|                      | 1,465                   | North Yorkshire County Council                        |                      | 1,359                   |      |
|                      | 163                     | North Yorkshire Fire & Rescue                         |                      | 151                     |      |
|                      | 111                     | Allowance for cost of Business Rate Collection        |                      | 111                     |      |
|                      | -                       | Provision for non-payment of Business Rates           |                      | 30                      | (4)  |
|                      | 1,269                   | Provision for Appeals                                 |                      | 121                     | (4)  |
| (90)                 |                         | Provision for non-payment of Council Tax              | (50)                 |                         | (4)  |
| 30,344               | 17,658                  | Total Expenditure                                     | 32,368               | 15,367                  |      |
| (448)                | 2,421                   | (Surplus) / deficit for the year                      | 342                  | (983)                   |      |
| (884)                |                         | Surplus at 1 April                                    | (1,332)              | 2,421                   |      |
| (1,332)              | 2,421                   | Surplus at 31 March                                   | (990)                | 1,438                   |      |

## 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 (10%), central government (50%) and themselves (40%)

## 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 | No of Equivalent Properties | Ratio | Band D Equivalent Dwellings |
|-------------------------------------|----------------------------|-----------------------------|-------|-----------------------------|
| A                                   | 2,311                      | 1,864                       | 6/9   | 1,243                       |
| B                                   | 6,074                      | 5,358                       | 7/9   | 4,167                       |
| C                                   | 5,658                      | 5,027                       | 8/9   | 4,468                       |
| D                                   | 4,119                      | 3,960                       | 1     | 3,960                       |
| E                                   | 3,301                      | 3,041                       | 11/9  | 3,717                       |
| F                                   | 1,984                      | 1,851                       | 13/9  | 2,674                       |
| G                                   | 1,147                      | 1,063                       | 15/9  | 1,772                       |
| H                                   | 103                        | 95                          | 18/9  | 190                         |
| <b>TOTAL</b>                        | <b>24,697</b>              | <b>22,259</b>               |       | <b>22,191</b>               |
| Reduction in Class C Exemption      |                            |                             |       | 110.52                      |
| Cost of LCTS Scheme                 |                            |                             |       | (1,983.39)                  |
| Less adjustment for Collection Rate |                            |                             |       | (237.74)                    |
| <b>Council Tax Base</b>             |                            |                             |       | <b>20,080.39</b>            |

Precepts and demands for 2014/15 are analysed as follows:

|                                       | Ryedale DC<br>£'000 | NYCC<br>£'000 | NYPCC<br>£'000 | NYFRA<br>£'000 |
|---------------------------------------|---------------------|---------------|----------------|----------------|
| 2014/15 Precept/Demand                | 4,231               | 21,657        | 4,189          | 1,272          |
| Payment in respect of 2013/14 surplus | 143                 | 712           | 138            | 41             |
|                                       | 4,374               | 22,369        | 4,327          | 1,313          |

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                    | (134) |
| North Yorkshire County Council              | (684) |
| North Yorkshire Police & Crime Commissioner | (132) |
| North Yorkshire Fire & Rescue Authority     | (40)  |

### 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 £'s at 31.03.15 | 43,200,587 |
| NDR Rate in £ for 2014/15                                     | 48.2p      |
| Small Business Rate in £ for 2014/15                          | 47.1p      |
| Number of Business Premises (Hereditament) at 31.03.15        | 2,892      |
| Number of Local Council Tax Support Claimants at 31.03.15     | 3,405      |

Business Rate Yield for 2014/15 is analysed as follows:

|                                       | Ryedale DC<br>£'000 | NYCC<br>£'000 | NYFRA<br>£'000 | Government<br>£'000 |
|---------------------------------------|---------------------|---------------|----------------|---------------------|
| 2014/15 Estimates Yield               | 6,472               | 1,456         | 162            | 8,091               |
| Receipt in respect of 2013/14 deficit | (430)               | (97)          | (11)           | (538)               |
|                                       | 6,042               | 1,359         | 151            | 7,553               |

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

|   | £'000 |
|---|-------|
| Ryedale District Council                | 575   |
| North Yorkshire County Council          | 130   |
| Central Government                      | 719   |
| North Yorkshire Fire & Rescue Authority | 14    |

### 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 £400,000 (2013/14: £450,000) and Business Ratepayers of £130,000 (2013/14: £100,000) and is included within Debtors in the Authority's Balance Sheet. Provision has been made for the cost of successful business rate appeals of £1,390,000 (2013/14: £1,269,000).

## 1. Scope of Responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority 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 Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

## 2. The Purpose of the Governance Framework

Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. The framework for corporate governance recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) identifies three underlying principles of good governance, namely:

- Openness and Inclusivity
- Integrity
- Accountability

The principles of corporate governance should be embedded into the culture of each local authority. Furthermore each local authority has to be able to demonstrate that it is complying with these principles. To achieve this, the framework document recommends that all local authorities should develop a local code of corporate governance, comprising the following elements:

- Community Focus
- Service Delivery Arrangements
- Structures and Processes
- Risk Management and Internal Control
- Standards of Conduct

The Authority has formally adopted a local code of corporate governance, consequently the principles and standards contained in the framework document are recognised as good working practice, and hence are supported and followed. To this end both Officers and Members have had externally provided training to ensure governance arrangements are understood and embedded. This Statement forms part of the overall process within the Authority for monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and internal control.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This has been

in place within the Authority for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

### 3. **The Governance Framework**

The requirement to have a governance framework, incorporating a sound system of internal control covers all of the Authority's activities. The internal control environment within the Authority consists of a number of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of internal control within the Authority consist of

#### ***Policies and Guidance:***

Specific policies and written guidance exist to support the corporate governance arrangements and include:

- The Council's Constitution, including Financial Regulations, Procurement Regulations and Contract Standing Orders
- Codes of Conduct for Members and Officers
- The Corporate Plan
- Medium Term Financial Plan
- Member and Officer Schemes of delegation
- Registers of interests, gifts and hospitality
- Corporate policies, for example those relating to Whistleblowing and Counter Fraud and Corruption
- Asset Management Plan/Capital Strategy Statement
- Strategic Risk Register
- Council Procurement Strategy

#### ***Political and Managerial Structures and Processes***

The Authority is responsible for agreeing overall policies and setting the budget. The Policy and Resources Committee and Commissioning Board are responsible for decision making within the policy and budget framework set by the Council. The Authority's Corporate Management Team has responsibility for implementing Authority's policies and decisions, providing advice to Members and for co-ordinating the use of resources. The Corporate Management Team meet regularly and the Committees usually every two months. Both the Committees and the Corporate Management Team monitor and review Authority activity to ensure corporate compliance with governance, legal and financial requirements. In addition, the Authority has scrutiny arrangements, through the Scrutiny and Audit Committees that include the review of policies, budgets and service delivery to ensure that they remain appropriate. A forward plan detailing the main work of Committees over the next year has been devised to ensure decisions are taken in a timely manner. Urgent items will be debated as appropriate.

The Authority has developed a process that is intended to reflect political and community objectives as expressed in the Community Strategy ("Imagine Ryedale") and acts as a basis for corporate prioritisation. The process has identified the

Authority's corporate aims together with a number of associated objectives. These will be reviewed annually to ensure that they continue to meet the needs of the community. The Authority has linked the performance management process across all service areas to provide an integrated performance management system. Each service has developed a performance improvement plan as part of their Service Delivery Plan showing how that service will work to achieve the Authority's objectives.

### ***Financial Management***

The Finance Manager (s151 Officer) has the overall statutory responsibility for the proper administration of the Authority's financial affairs, including making arrangements for appropriate systems of financial control. The Authority operates within a system of financial regulations, comprehensive budgetary control, regular management information, administrative procedures (including the segregation of duties) and management supervision.

The Finance Manager (s151 Officer) is a member of the Authority's Corporate Management Team, and is directly responsible to the Chief Executive. The Authority is therefore fully compliant with the requirements of the 2010 CIPFA/SOLACE Application Note to Delivering Good Governance.

### ***Compliance Arrangements***

Monitoring and review of the Authority's activities is undertaken by a number of Officers and external regulators to ensure compliance with relevant policies, procedures, laws and regulations. They include:

- The Chief Executive Officer
- The Finance Manager who is the s.151 Officer of the Authority and the Chief Finance Officer (CFO)
- The Monitoring Officer
- The Heads of Service
- The External Auditor and various other external inspection agencies
- Internal Audit (provided by Veritau North Yorkshire Limited from 1 April 2012)
- Finance Officers and other relevant service managers

### ***Value For Money***

Through reviews by external auditors, external agencies, internal audit and the Financial Services Manager the Authority constantly seeks ways of ensuring the economic, effective and efficient use of resources, and securing continuous improvement in the way in which its functions are exercised.

### ***Risk Management***

The Authority has adopted a formal system of Risk Management. This is effectively delivered through widespread use of Covalent, the Authority's Performance and Risk Management software. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Heads of Service Group. The process serves to ensure that:



- The Authority identifies, prioritises and takes appropriate mitigation for those risks it identifies as potentially preventing achievement of the Corporate and Community Plan
- The Authority's assets are adequately protected
- Losses resulting from hazards and claims against the Authority are mitigated through the effective use of risk control measures
- Service managers are adequately supported in the discharge of their responsibilities in respect of Risk Management

The system of Risk Management requires the inclusion of risk evaluation assessments in all Committee reports and the maintenance of a corporate risk register. Relevant staff within the Authority have received training and guidance in Risk Management principles.

### ***Internal Audit & Fraud***

The Authority operates internal audit and internal (non Housing Benefit) fraud investigation functions. From 1 April 2012 internal audit and counter fraud services have been provided by Veritau North Yorkshire Limited – a company partly owned by the Authority. Internal audit services are provided in accordance with the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government. An annual programme of reviews covering financial and operational systems is undertaken, to give assurance to Members and managers on the effectiveness of the control environment operating within the Council. The work of internal audit compliments and supports the work of the external auditors (Deloitte LLP for 2014/15). In addition, internal audit provides assurance to the Finance Manager as the Authority's s.151 Officer in discharging his statutory review and reporting responsibilities. The Authority also undertakes an annual review of the effectiveness of its internal audit arrangements as required by the Accounts and Audit Regulations. The results of the review are reported to the Overview & Scrutiny (Audit) Committee.

Internal audit also has an advisory role that provides:

- Advice and assistance to managers in the design, implementation and operation of controls
- Support to managers in the prevention and detection of fraud, corruption and other irregularities

Housing Benefit Counter Fraud work is undertaken within the Benefits Office through contractual arrangements with Veritau. A pro-active approach is taken to supplement referrals, both internal and external, with any leads arising from participation in the National Fraud Initiative, the Housing Benefits Matching Service, and internal data matching.

### ***Performance Management***

The Authority has established effective performance management arrangements. The Chief Executive has overall responsibility for the function and the Corporate Management Team undertakes an ongoing monitoring role. Heads of Service and their Service Unit Managers are expected to deliver improvements or maintain performance standards where appropriate. The Covalent performance management system is used to record and monitor performance.

#### 4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the Authority's systems of internal control has been undertaken, by the Corporate Management Team. This review has included consideration of:

- Reports received from the Authority's external auditors and other inspection agencies
- The results of internal audit and fraud investigation work
- The views of senior managers, including Chief Executive, the s151 Officer and the Monitoring Officer
- The work of the Heads of Service Group in compiling the Authority's Corporate Risk Register.
- Outcomes of service improvement reviews and performance management processes
- Compliance with the CIPFA Statement on the role of the CFO

In addition, the Authority through its Committees especially the Scrutiny and Audit Committees considers corporate governance issues as they arise throughout the year and agree recommendations for improvement as necessary.

A comprehensive review has been undertaken to support the preparation of this AGS document as required by the Accounts and Audit Regulations 2011. The Authority has produced a detailed statement along with a targeted action plan to ensure that full compliance is achieved. This has followed the best practice framework suggested by CIPFA and adopted by the Authority. An action plan schedule has been produced to ensure compliance and a list of those Officers having responsibility is available.

An Action Plan is appended which identifies and notes progress with previous year's matters of concern, and includes those arising from this year's review. The Annual Governance Statement for 2014/15 will provide details of the work completed against this Plan.

We have been advised on the implications of the results of the review of the effectiveness of the system of internal control by the Overview & Scrutiny (Audit) Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

#### 5. INTERNAL CONTROL ISSUES

A review of the internal control arrangements in place within the Authority highlighted no significant control issues, however the review did identify areas where improvements could be made. Specific actions are proposed to address the issues identified. Attached is the action plan for 2014/15 incorporating those issues brought forward from the previous plan, which are still outstanding.

The Authority will continue to seek to improve performance and take action on agreed recommendations by both internal and external agencies.

Signed: ..... Dated: 24 September 2015  
Janet Waggott  
Chief Executive

Signed: ..... Dated: 24 September 2015  
Cllr Linda Cowling  
Leader of the Council

## AGS Action Plan 2014/15

| STATUS          | CONTROL ISSUE  | ACTION PROPOSED  | RESPONSIBILITY                                 | TARGET DATE   | CURRENT POSITION & COMMENTS  |
|-----------------|--|--|--|---|--|
| Brought Forward | Risk of compromise and weaknesses in operational systems as a consequence of continuing reductions in staffing as Government funding cuts made.  | Where changes in staffing occur, that changes in operating arrangements are reviewed prior to reducing the controls.<br><br>Internal audit will be included in working groups reviewing operating systems and arrangements, including commissioning, partnership arrangements etc. | Finance Manager (s151 Officer).                | Ongoing   | This will be a continuing issue in 2015/16 and beyond  |
| Brought Forward | In year Internal Audits offering limited assurance/ Specific Control weaknesses highlighted through Internal Audits..  | Management to specifically monitor the progress on agreed actions from these Internal Audit Reports.   | Heads of Service and Finance Manager.          | In line with the dates for completion for agreed actions from the audit reports | Bi-monthly monitoring through Management Team to continue through into 2015/16 and beyond.         |
| 2014/15         | Weaknesses in Internal Controls relating to cash payments  | Cease taking cash payments at Ryedale House.   | Head of Corporate Services and Finance Manager | April 2016  | Internal Audit undertaken to examine the system in place for the receipt of cash at Ryedale House. |
| 2014/15         | Monitoring of the effectiveness of Internal Controls relating to Officer delegated authorisation limits.   | Monthly reports to be produced to monitor delegated officer spend limits   | Finance Manager                                | September 2015  | Finance will develop reports following the upgrade of the finance system.                          |
| 2014/15         | Provision of the Property and Facilities Management Service  | Management to review alternative delivery of this function including options for delivering valuation services in line with best practice.   | Head of Environment, Streetscene & Facilities. | April 2016  | Interim arrangements in place with NYCC and CoYC.  |
| 2014/15         | In giving his judgement in respect of the Judicial Review case of the Queen on the application of Milton (Peterborough) Estates Company trading as Fitzwilliam (Malton) Estate v Ryedale District Council, Mr Justice Dove made a finding that the Officer report to the Planning Committee seriously misled the Planning Committee. | External Auditors (KPMG) to review the outcome of the Judicial Review in line with their role under the Audit & Accountability Act.  | Chief Executive                                | November 2015   | Meeting held with KPMG to start the review process.  |

## **Independent Auditor's Report to Members of Ryedale District Council**

### **Opinion on the Authority accounting statements**

We have audited the accounting statements of Ryedale District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, Notes to the Collection Fund Accounting Statement and the related notes 1 to 43. 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 2014/15

This report is made solely to the members of Ryedale District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' 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, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Finance Manager (s151) and auditor**

As explained more fully in the Statement of the Finance Manager (s151) Responsibilities, the Finance Manager (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 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

### **Scope of the audit of the accounting statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. We read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounting statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we

consider the implications for our report.

### **Opinion on accounting statements**

In our opinion the accounting statements:

- give a true and fair view of the state of Ryedale District Council's affairs as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### **Opinion on other matters**

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

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

#### ***Respective responsibilities of the Authority and the auditor***

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2015.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Ryedale District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

### **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Thomson ACA (Engagement Lead)  
for and on behalf of Deloitte LLP  
Appointed Auditor  
Leeds, United Kingdom

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:

| 2013/14<br>Net Exp.<br>£'000 | Service  | 2014/15<br>Expenditure<br>£'000 | 2014/15<br>Income<br>£'000 | 2014/15<br>Net Exp.<br>£'000 |
|------------------------------|--|---------------------------------|----------------------------|------------------------------|
| 2013/14<br>Net Exp.<br>£'000 | Service  | 2014/15<br>Expenditure<br>£'000 | 2014/15<br>Income<br>£'000 | 2014/15<br>Net Exp.<br>£'000 |
|                              | <b>Central Services to the Public</b>                          |                                 |                            |                              |
| 166                          | Grants, Bequests & Donations                                   | 139                             | -                          | 139                          |
| 42                           | Emergency Planning   | 37                              | -                          | 37                           |
| 383                          | Local Tax Collection   | 745                             | 278                        | 467                          |
| 197                          | Elections  | 235                             | 20                         | 215                          |
| -                            | Local Land Charges   | 84                              | 110                        | (26)                         |
| <b>788</b>                   | <b>Net Expenditure Central Services to the Public</b>          | <b>1,240</b>                    | <b>408</b>                 | <b>832</b>                   |
|                              | <b>Cultural &amp; Related Services</b>                         |                                 |                            |                              |
| 145                          | Culture & Heritage   | 113                             | -                          | 113                          |
| 237                          | Open Spaces  | 189                             | 5                          | 184                          |
| 904                          | Recreation & Sport   | 741                             | 1                          | 740                          |
| 306                          | Tourism  | 238                             | 24                         | 214                          |
| <b>1,592</b>                 | <b>Net Expenditure Cultural &amp; Related Services</b>         | <b>1,281</b>                    | <b>30</b>                  | <b>1,251</b>                 |
|                              | <b>Environmental &amp; Regulatory Services</b>                 |                                 |                            |                              |
| 1                            | Closed Churchyards   | 1                               | -                          | 1                            |
| 19                           | Community Safety (CCTV)  | 18                              | -                          | 18                           |
| 49                           | Community Safety (Crime Reduction)                             | 67                              | 19                         | 48                           |
| -                            | Community Safety (Safety Services)                             | 4                               | 4                          | -                            |
| 496                          | Flood Defence & Land Drainage                                  | 451                             | -                          | 451                          |
| 911                          | Recycling  | 1,614                           | 952                        | 662                          |
| 850                          | Regulatory Services  | 1,098                           | 227                        | 871                          |
| 327                          | Street Cleansing   | 378                             | 37                         | 341                          |
| (60)                         | Trade Waste  | 653                             | 708                        | (55)                         |
| 563                          | Waste Collection   | 580                             | 10                         | 570                          |
| <b>3,156</b>                 | <b>Net Expenditure Environmental &amp; Regulatory Services</b> | <b>4,864</b>                    | <b>1,957</b>               | <b>2,907</b>                 |
|                              | <b>Planning Services</b>                                       |                                 |                            |                              |
| (51)                         | Building Control   | 248                             | 279                        | (31)                         |
| 236                          | Business Support   | 32                              | -                          | 32                           |
| 96                           | Community Development  | 92                              | 5                          | 87                           |
| 318                          | Development Control  | 865                             | 568                        | 297                          |
| (17)                         | Economic Development   | 344                             | 72                         | 272                          |
| 156                          | Environmental Initiatives                                      | 146                             | 1                          | 145                          |
| 342                          | Planning Policy  | 349                             | 2                          | 347                          |
| <b>1,080</b>                 | <b>Net Expenditure Planning Services</b>                       | <b>2,076</b>                    | <b>927</b>                 | <b>1,149</b>                 |



|              |  |               |               |              |
|--------------|--|---------------|---------------|--------------|
|              | <b>Highways &amp; Transport Services</b>                           |               |               |              |
| (505)        | Parking Services   | 310           | 795           | (485)        |
| 75           | Transport Support  | 60            | -             | 60           |
| <b>(430)</b> | <b>Net Expenditure Highways &amp; Transport Services</b>           | <b>370</b>    | <b>795</b>    | <b>(425)</b> |
|              | <b>Housing Services</b>  |               |               |              |
| 28           | Enabling   | 24            | -             | 24           |
| 248          | Homelessness   | 789           | 308           | 481          |
| 62           | Housing Advice   | 57            | 5             | 52           |
| 266          | Housing Benefits Administration                                    | 434           | 230           | 204          |
| (32)         | Housing Benefits Payments  | 12,000        | 12,022        | (22)         |
| 98           | Housing Strategy   | 98            | 11            | 87           |
| (35)         | Other Council Property   | 346           | -             | 346          |
| 4            | Other Welfare Services   | 260           | 249           | 11           |
| 390          | Private Sector Housing Renewal                                     | 467           | 251           | 216          |
| <b>1,029</b> | <b>Net Expenditure Housing Services</b>                            | <b>14,475</b> | <b>13,076</b> | <b>1,399</b> |
|              | <b>Corporate &amp; Democratic Core</b>                             |               |               |              |
| 559          | Corporate Management   | 585           | 40            | 545          |
| 654          | Democratic Representation & Management                             | 662           | -             | 662          |
| <b>1,213</b> | <b>Net Expenditure Corporate &amp; Democratic Core</b>             | <b>1,247</b>  | <b>40</b>     | <b>1,207</b> |
|              | <b>Other Corporate &amp; Non Distributed Costs</b>                 |               |               |              |
| 13           | Other Services   | 22            | 2             | 20           |
| 16           | Non Distributed Costs  | (202)         | -             | (202)        |
| <b>29</b>    | <b>Net Expenditure Other Corporate &amp; Non Distributed Costs</b> | <b>(180)</b>  | <b>2</b>      | <b>(182)</b> |
| <b>8,457</b> | <b>COST OF SERVICES</b>  | <b>25,373</b> | <b>17,235</b> | <b>8,138</b> |

**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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24 September 2015

## **Ryedale District Council – Audit of the annual accounts for the year ended 31 March 2015**

This representation letter is provided in connection with your audit of the financial statements of Ryedale District Council (“the Council”) for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as of 31 March 2015 and the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework.

We acknowledge our responsibilities for preparing financial statements for the Council which present a true and fair view and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

### *Financial statements*

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework which give a true and fair view.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 “Related party disclosures”.
4. We confirm that the financial statements have been prepared on the going concern basis. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council’s ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
5. The financial statements are free from material misstatement.
6. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
7. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;



- Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
8. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
  9. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
  10. 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.
  11. 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:
    - (i). management;
    - (ii). Members of the Council
    - (iii). employees who have significant roles in internal control; or
    - (iv). others where the fraud could have a material effect on the financial statements.
  12. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
  13. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements
  14. 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.
  15. No claims in connection with litigation have been or are expected to be received.
  16. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
  17. Where required, the value at which assets and liabilities are recorded in the balance sheet is, in the opinion of the Members, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council. Any significant changes in those values since the balance sheet date have been disclosed to you.
  18. There have been no irregularities involving members or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
  19. There have been no events, not previously disclosed to you, since the balance sheet date which require adjustment of or a disclosure in the financial statements or notes thereto. Should further material events occur, which may necessitate revision of the figures included in the annual accounts or inclusion of a note thereto, we will advise you accordingly.



20. The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets.
21. We recognise that we are responsible for ensuring that the statement of accounts as published on the website properly presents the financial information and your auditor's report and for the controls over, and security of, the website. We also recognise that we are responsible for establishing and controlling the process for electronically distributing annual reports and other information.
22. We confirm that:
  1. all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
  2. all settlements and curtailments have been identified and properly accounted for;
  3. all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
  4. the actuarial assumptions underlying the valuation of the scheme liabilities accord with the Members' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
  5. the actuary's calculations have been based upon complete and up-to-date member data as far as appropriate regarding the adopted methodology; and
  6. the amounts included within the financial statements derived from the work of the actuary are appropriate
23. All known material liabilities have been properly included in the annual accounts and all material contingent liabilities have been disclosed.
24. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. In particular we believe that the provision for business rate appeals is a fair estimate having had regard to historic data.
25. Our annual report will be consistent with and include the financial statements as audited.
26. We confirm we do not consider there to be any further cost implications of a potential legal case with the previous Asset Management Surveyor. We confirm that matters relating to employee misconduct have been referred to the Police. We do not consider this matter to be relevant to your auditor's conclusion regarding the Council's arrangements to secure economy, efficiency and effectiveness of its use of resources due to the fact that the total procurement costs under review were not material, we have no direct evidence of fraudulent use of Council resources and the matter was limited to the member of staff's dealings with related party suppliers known to him with no indication of wider implications. We consider the matter to be adequately disclosed in the Annual Governance Statement.
27. With regard to the Wentworth Street Car Park planning judicial review ruling, we believe appropriate advice was taken throughout the process to secure economy, efficiency and effectiveness of the Council's use of resources. We consider the matter to be adequately disclosed in the Annual Governance Statement.



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We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Finance Manager (s151), signed on behalf of Ryedale District Council

Date: