

# Public Document Pack

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## **OVERVIEW AND SCRUTINY COMMITTEE**

Wednesday 25 July 2018 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 14 June 2018** (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 Internal Audit and Counter Fraud Annual Report 2017/18** (Pages 7 - 34)
  - 7 Counter Fraud Framework Update** (Pages 35 - 78)
  - 8 Statement of Accounts 2017/18** (Pages 79 - 216)

- 9     Scrutiny Reviews - Task Group**
- 10    Any other business that the Chairman decides is urgent.**

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## Overview and Scrutiny Committee

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Held at Council Chamber, Ryedale House, Malton  
on Thursday 14 June 2018

### Present

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Councillors Acomb (Vice-Chairman), Bailey, Clark (Chairman), Cowling, Cussons MBE, Di Keal, Oxley and Sanderson

### In Attendance

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Will Baines, Beckie Bennett, Fiona Casson and Anton Hodge

Mark Lagowski (Service Improvement Manager, Scarborough and Ryedale CCG)  
Fiona Bell (Deputy Director of Transformation and Delivery, Vale of York CCG)  
Carrie Wollerton (Executive Nurse, Scarborough and Ryedale CCG)

### Minutes

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#### 1 Apologies for absence

Apologies for absence were received from Cllr Frank and Cllr Jowitt.

#### 2 Minutes of the Meeting held on the 10 May 2018

##### Decision

That the minutes of the meeting of the Overview and Scrutiny Committee held on 10 May 2018 be approved and signed by the Chairman as a correct record.

##### Voting record

6 For  
0 Against  
2 Abstentions

#### 3 Urgent Business

There were no items of urgent business.

#### 4 Declarations of Interest

There were no declarations of interest.

#### 5 Community health services in Ryedale

Considered.

##### Decision

That the presentation be received.

6 **Draft Annual Governance Statement 2017/18**

Considered.

**Decision**

That the comments of the committee be taken into account and the updated Annual Governance Statement be presented at the meeting of the committee on 25 July.

Voting Record

8 For  
0 Against  
0 Abstentions

7 **Delivering the Council Plan**

Considered – Report of the Chief Executive (Interim).

**Decision**

That the report be received.

8 **Customer Complaints Q4 2017/18**

Considered – Report of the Customer Service Lead

**Decision**

That the report be received.

9 **Attendance at Policy Committees**

Considered – Report of the Interim Chief Executive.

**Decision**

That Members agree the rota for attendance at Policy Committees.

Voting Record

8 For  
0 Against  
0 Abstentions

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

Considered.

**Decision**

That Cllr Clark, Cllr Acomb and Cllr Keal be appointed to the Corporate Governance Standards Sub-Committee.

Voting Record

8 For  
0 Against  
0 Abstentions

11 **Decisions from other Committees**

Considered.

**Decision**

That the draft minutes of the Policy and Resources committee on Tuesday 12 June be received.

12 **Scrutiny Reviews - Progress Report and identification of topic for future review**

Considered – Report of the Frontline and Delivery Services Lead.

**Decision**

That Members note the progress report for previous scrutiny review recommendations and:

- (ii) continue the scrutiny review into the staff survey results
- (iii) begin a scrutiny review into the governance arrangements around the shared services with North Yorkshire County Council
- (iv) instruct officers to conduct an initial scoping exercise into the provision of tourism in Ryedale and into the care of looked after children to consider if they would be suitable topics for future scrutiny reviews

Voting Record

8 For  
0 Against  
0 Abstentions

In order to discuss the scrutiny review into the Staff Survey results, it was proposed by the Chair that the meeting move into exempt session.

Voting Record

8 For  
0 Against  
0 Abstentions

**Decision**

Members agreed to continue discussions into the future procedure and actions in relation to the staff survey.

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

There being no other business, the meeting closed at 9:45pm.



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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>25 July 2018</b>
<b>REPORT OF THE:</b>	<b>SECTION 151 OFFICER (ANTON HODGE)</b>
<b>TITLE OF REPORT:</b>	<b>INTERNAL AUDIT AND COUNTER FRAUD ANNUAL REPORT 2017/18</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 In accordance with chapter 5 of the council's Audit Charter, 'The Head of Internal Audit is required to provide an annual report to the Overview and Scrutiny Committee. The report will be used by the Committee to inform its consideration of the Council's annual governance statement.'
- 1.2 The report summarises the outcomes of audit work undertaken in 2017/18 and provides an opinion on the overall adequacy and effectiveness of the council's internal control arrangements.
- 1.3 The report also updates the committee on counter fraud work undertaken in 2017/18.

### **2.0 RECOMMENDATION(S)**

- 2.1 Members are asked to:
  - a) note the results of the audit and counter fraud work undertaken in 2017/18
  - b) accept the opinion of the Head of Internal Audit on the adequacy and the effectiveness of the authority's internal control environment.

### **3.0 REASON FOR RECOMMENDATION(S)**

- 3.1 It is recommended the report is considered by the Overview and Scrutiny Committee as it summarises the audit and counter fraud work undertaken during the year. It also includes the overall internal audit opinion on the internal control framework which is relevant in considering the Annual Governance Statement.

### **4.0 SIGNIFICANT RISKS**

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

## **5.0 POLICY CONTEXT AND CONSULTATION**

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

## **6.0 REPORT DETAILS**

- 6.1 The results of completed audit work have been reported to relevant officers during the year. In addition summaries of all finalised audit reports have been presented to this committee as part of regular monitoring reports. Details of the audits finalised since the last report to this committee in April 2018 are included in appendix 2 to the supporting report contained in annex A
- 6.2 The overall opinion of the Head of Internal Audit on the governance, risk management, and control framework operating in the council is that it provides **Reasonable Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 6.3 Although a reasonable assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified on Creditors (duplicate payments) Payroll (IR35) and operation of the corporate Risk Management arrangements. These areas should be considered for inclusion in the council's Annual Governance Statement.
- 6.4 The Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure working practices continue to conform to the required professional standards. The outcomes from the QAIP (which included an independent of Veritau's practices in 2014) demonstrated the service provided by Veritau conformed to the International Standards for the Professional Practice of Internal Auditing. Full details are included in appendix 4 to the supporting report contained in annex A.
- 6.5 The report enclosed in annex B summarises counter fraud work undertaken in 2017/18.

## **7.0 IMPLICATIONS**

- 7.1 The following implications have been identified:

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

**Anton Hodge**  
**Section 151 officer**

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RYEDALE  
DISTRICT  
COUNCIL



# Ryedale District Council

## Internal Audit Annual Report

### 2017/18

**Audit Manager:** Stuart Cutts  
**Head of Internal Audit:** Max Thomas

**Circulation List:** Members of the Overview and Scrutiny Committee  
Section 151 Officer

**Date:** 25 July 2018

**Veritau**  
Assurance Services for  
the Public Sector

## Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)<sup>1</sup> should provide an annual report to the board<sup>2</sup>. The report should include:
  - (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
  - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
  - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
  - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
  - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
  - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme
- 2 During the year to 31 March 2018 the council's internal audit service was provided by Veritau Limited.

## Internal audit carried out in 2017/18

- 3 During 2017/18, internal audit work was carried out across the full range of the council's activities. The main areas of internal audit activity included:
  - **Strategic risk register** – reviewing key risk areas as highlighted by the council's risk register.
  - **Financial systems** - Work in this area provides assurance to the council on the adequacy and effectiveness of financial system controls. This helps provides assurance to the council that the risk of loss is minimised.
  - **Regularity audits** – providing assurance on governance and risk management arrangements and systems to manage risks to the achievement of corporate objectives.
  - **Technical / projects** – review of specific areas to help the council improve, covering procurement, information security and the transformation programme.
  - **General Advice and Support** – We provide regular advice and support to officers on a range of specific business and internal control issues. This work helps to provide 'real time' feedback on areas of importance to the Council.

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

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

- **Follow up** - it is important that agreed actions are followed up to ensure that they have been implemented. Veritau follow up agreed actions on a regular basis, taking account of the timescales previously agreed with management for implementation. Our work during the year included a review of progress made by management to address previously identified control weaknesses. In some areas (referred to in appendix 2) on risk management, creditors and payroll then some progress is still required to be made.
- 4 Appendix 1 provides a summary of the audit work carried out in the year, and the opinions given for each completed audit. Details of work not previously reported to the committee are included in appendix 2. The opinions and priority rankings used by Veritau are detailed in appendix 3.
- 5 At the time of writing this report the Payroll report (issued in draft in April 2018) had not yet been finalised. Given the importance of the one finding we have included a summary of the work in Appendix 2. We agreed with officers to start/complete work on development management in 2018/19. That work is currently in progress.

## Compliance with Professional Standards

- 6 The work of internal audit has been undertaken in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 7 Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. Quality assurance arrangements include ongoing operational procedures, annual internal self assessment against the PSIAS, and periodic external assessment. Further details on the QAIP and the outcomes of the quality assurance process are provided in appendix 4.

## Audit Opinion and Assurance Statement

- 8 The overall opinion of the Head of Internal Audit on the governance, risk management, and control framework operating in the council is that it provides **Reasonable Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 9 Although a reasonable assurance opinion can be given, we are aware of some specific weaknesses in the control environment which have been identified in respect of the systems for Creditors (duplicate payments) Payroll (IR 35) and Risk Management. The council should consider whether it feels these three areas are required for inclusion in the council's Annual Governance Statement.

Max Thomas  
Director and Head of Internal Audit  
Veritau Ltd

25 July 2018

## Appendix 1

Audit	Status	Assurance Level	Audit Committee
<b>Strategic Risk Register</b>			
Business Continuity and Disaster Recovery	Final Report	Substantial Assurance	July 2018
HR Performance Management and Training	Cancelled	-	
Data Protection and Security – visit 1	Final Report	Reasonable Assurance	January 2018
Data Protection and Security – visit 2	Final Report	Substantial Assurance	April 2018
IT Information Security	Final Report	Reasonable Assurance	July 2018
Partnership Arrangements	Cancelled	-	
<b>Fundamental/Material Systems</b>			
Housing Benefits	Final Report	High Assurance	January 2018
Payroll	Draft Report	Reasonable Assurance	July 2018
Council Tax and NNDR	Final Report	High Assurance	January 2018
Sundry Debtors	Final Report	Limited Assurance	July 2018
Creditors	Final Report	Reasonable Assurance	July 2018
Strategic Income	Final Report	Reasonable Assurance	July 2018
General Ledger	Final Report	Substantial Assurance	July 2018
<b>Regularity Audits</b>			
Risk Management	Final Report	Limited Assurance	July 2018
Lettings Income	Final Report	High Assurance	April 2018
Taxi Licensing	Final Report	Reasonable Assurance	April 2018
Development Management	In progress		
<b>Technical/Project Audits</b>			
Transformation Programme	Completed	N/A	
Project and Programme Management	Cancelled	-	
Procurement/ Contract Management	Completed	N/A	
<b>Follow-Ups</b>			
	Completed	N/A	

## Appendix 2

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

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Page 13	Substantial Assurance	<p>The council's responsibilities for business continuity fall under the Civil Contingencies Act 2004 which states councils should ensure they can continue to deliver their functions in an emergency 'so far as is reasonably practicable'.</p> <p>Business Continuity and Disaster Recovery was first covered in 2015/16. That work found no Business Continuity plans or Disaster Recovery plans in place. Work carried out in 2016/17 found some progress had been made</p> <p>Our work in 2017/18 reviewed the progress the Council has made in improving Business Continuity and Disaster Recovery arrangements in the last year.</p>	June 2018	<p><b>Strengths</b></p> <p>Service business continuity plans are now in place. A draft corporate business continuity plan had been produced. These plans have been reviewed and approved by NYCC's Senior Resilience &amp; Emergencies Officer who works with the Council on Business Continuity.</p> <p>A Business Impact Analysis (BIA) and Incident Management Plan (IMP) have been carried out for each service area. They will be updated annually.</p> <p><b>Areas for improvement</b></p> <p>The council has not carried out a full Disaster Recovery (DR) test since the Disaster Recovery arrangements with NYCC have been put in place.</p> <p>There are some discrepancies between recovery time objectives in the Business Impact Analysis and the Corporate Business Continuity Plan.</p> <p>If the Principal ICT officer is unavailable then per the DR Plan there are no assigned alternative officers who would carry out DR arrangements. This could potentially lead to delays in recovering the Council's network.</p>	<p>Work is ongoing to carry out full testing of the DR plan. This is depending on the availability of third party and NYCC support. The testing of the plan will then be regularly scheduled.</p> <p>Discrepancies in respect of recovery time will be amended.</p> <p>Discussions are due to take place on deputising within the IT team and overall resilience of the team.</p> <p>All actions are planned to be completed by the end of August 2018.</p>
IT Information Security	Reasonable Assurance	<p>The Council is becoming ever more reliant on ICT and there is a high level of inherent risk around network security.</p> <p>We reviewed arrangements on IT information security to ensure</p>	June 2018	<p><b>Strengths</b></p> <p>Up-to-date policies and procedures are in place.</p> <p>Logical access controls exist to help ensure only authorised users have access to the network.</p>	<p>Notification of leavers will be sent from HR to the ICT team to enable the ICT team to update the active directory.</p> <p>Access controls to Civica will be updated when users no</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<p>that:</p> <ul style="list-style-type: none"> <li>• network and application access controls ensure only authorised individuals have access to authority data</li> <li>• Performance of the ICT provider (RazorBlue) is monitored to ensure the conditions set out in the contract are met.</li> <li>• ICT assets are effectively managed.</li> </ul>		<p>We reviewed the access controls for four key Council systems. For three of the four systems we found no inappropriate access. No user still had access to a system that was no longer required following a change of roles.</p> <p>All service requests to RazorBlue had been completed.</p> <p><b>Areas for improvement</b></p> <p>Three people who had left the authority in the last two years still had access to the network. Leaver notification paperwork had not been received by the ICT team to confirm those people had left and no longer required network access.</p> <p>Five people that had left the authority still had access to the Civica application. Access controls to Civica Financials were not being reviewed on a regular basis.</p> <p>The authority does not carry out regular stock checks of ICT assets.</p>	<p>longer need access to the system. There will also be periodic access control reviews of the system that will be documented.</p> <p>Stock checks will be carried out on an annual basis.</p> <p>All of these actions are planned to be completed by the end of August 2018.</p>
Payroll	Reasonable Assurance	<p>The work reviewed the arrangements in place to ensure the following.</p> <ul style="list-style-type: none"> <li>• Payments are only made to valid employees at agreed rates of pay.</li> <li>• The Council complied with their role and responsibilities under IR35 legislation. IR35 puts the onus on public sector bodies engaging with individuals who work through their own</li> </ul>	Draft Report April 2018	<p><b>Strengths</b></p> <p>We reviewed a sample of officers whose salaries had changed following the transformation programme. All new salaries were accurate.</p> <p>13 officers left the authority between September 2017 and January 2018. In all cases pay was ended at the correct time and no overpayments were made.</p> <p>We reviewed the processes for approving and monitoring training. Appropriate paperwork and authorisation were in place for the most recent case.</p>	<p>At the time of preparing this committee report the improvement points resulting from the work on IR35 had not been finalised. We will continue to work with relevant officers to finalise these as soon as possible and will provide a verbal update to the committee.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Payroll		<p>intermediary company to determine whether 'off payroll rules' apply.</p> <ul style="list-style-type: none"> <li>Processes for approving and monitoring in post training are fit for purpose.</li> </ul> <p>In previous years we have highlighted areas of weakness which were going to be addressed with employee self service. We did not follow these findings up as part of this work as we were aware the Council was planning to address these through changing the provision of payroll services in 2018/19.</p>		<p><b>Areas for improvement</b></p> <p>The audit found one area of significant weakness which related to IR35. A formal process was not in place for assessing officer eligibility under IR35. There were no processes that would help highlight or identify future cases that could fall within the scope of IR35 rules.</p> <p>In 2017/18 three cases were identified that could potentially come within the scope of the new rules. However at the time of the audit in April 2018 only one case had been successfully resolved.</p>	
Sundry Debt Recovery Process	Limited Assurance	<p>We reviewed procedures and controls within the Debt recovery system to ensure that:</p> <ul style="list-style-type: none"> <li>Appropriate recovery action was taken when accounts are not paid within specific time scales</li> <li>Recovery guidelines are in place and being followed</li> <li>Performance data is being calculated and used to manage outstanding debts.</li> </ul>	May 2018	<p><b>Strengths</b></p> <p>The "Sundry Income &amp; Debt Guidance Document" sets out procedures and responsibilities and had been updated to reflect the transformation changes.</p> <p>Aged debt reports are being produced and emailed directly each month to the service contact by the Civica system. We saw some services are being proactive in trying to collect the debts. Payment plans are sometimes made and as a last resort the service will be withdrawn.</p> <p><b>Areas for improvement</b></p> <p>There is currently no procedure in place to deal with debts which are still outstanding after 60 days. No legal recovery action has taken place since October 2017.</p>	<p>Debt recovery is to be included in the legal services agreement currently being discussed with NYCC.</p> <p>Debts will be actively managed to comply with the 30 day policy. A report of accounts on hold will be produced quarterly and reviewed by the Senior Customer Service Officer (Business &amp; Democracy)</p> <p>Collection of monies due to the Council statistics will be monitored once the options for producing meaningful information within the resources available have been evaluated.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Council policy is that accounts can only be put on hold for a maximum of 30 days, during which time the service must attempt to resolve the matter. However accounts put on hold are not monitored and are not being reviewed by an independent officer.</p> <p>Statistics are not currently being collected or monitored in respect of debt collection targets.</p> <p>The "Sundry Income &amp; Debt Guidance Document" needs to be updated again once a procedure for legal recovery has been agreed.</p>	<p>Once the new process has been determined following the shared service negotiations with NYCC then all relevant guidance will be updated.</p> <p>Timescales for these actions vary but all are expected to be completed by the end of 2018.</p>
Creditors Page 16	Reasonable Assurance	<p>We reviewed the creditor payments system procedures and controls to ensure that:</p> <ul style="list-style-type: none"> <li>• Suitable checks are in place to mitigate the risk of duplicate payments being processed and financial losses being incurred.</li> <li>• Goods and services have been procured in line with financial regulations thresholds</li> <li>• the contracts register has been improved.</li> </ul>	May 2018	<p><b>Strengths</b>  The Contract Register is now held on a single working spreadsheet which is held in a shared location for ease of access. Responsible officers and leads have been assigned to each Contract and training has been provided to enable officers to update the register accurately.</p> <p><b>Areas for improvement</b>  Controls on duplicate invoices were being overridden and duplicate payments have been made. We identified 10 duplicate payments made between April 2017 and February 2018 that had not been previously identified. The total value for these duplicate payments was £25,115.62.</p> <p>Some expenditure over Council financial regulation thresholds appears not to have been subject to the necessary tendering processes.</p> <p>Some creditors with an annual spend over £5,000 and £50,000 was not recorded on the authority's Contract Register.</p>	<p>Various steps were identified to address the serious issue of duplicate payments. Several have already been carried out. One requires Civica to update the finance system so an alert is sent if anyone overrides the control that is in place.</p> <p>All but £5.94 of the duplicate payments have been recovered.</p> <p>Work is ongoing to identify contracts and Service Level Agreements at the authority. Data from this audit is being used to facilitate this.</p> <p>Notifications of changes to supplier bank account details will be retained electronically.</p> <p>Customer Service Officers will advise staff a new supplier form needs to be completed in</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Requests to amend supplier details received by the Customer Service Team are not retained once the change has been processed.</p> <p>New Suppliers Forms are not being utilised in all instances of suppliers being set up on the Creditors system.</p>	<p>all cases. Forms will be retained electronically and monitored to ensure they are completed to a high standard.</p> <p>Those actions currently outstanding are expected to be completed by the end of 2018.</p>
Strategic Income and Charging	Reasonable Assurance	<p>We reviewed the procedures in respects of the strategic management of income and charges to ascertain whether the Council:</p> <ul style="list-style-type: none"> <li>• undertakes regular reviews of their approaches to charging, both within service areas and across the whole council, and</li> <li>• has an effective strategy in place, clearly outlining the Council's objectives for income for the present and future.</li> </ul>	June 2018	<p><b>Strengths</b></p> <p>Fees &amp; Charges raised by service areas are reviewed annually as part of the budget process.</p> <p>The Council's Financial Strategy and the Commercialisation and Income Generation Policy highlight the need to review and improve income generation.</p> <p>The financial strategy states the council will need to use income through charging to support the delivery of its agreed priorities.</p> <p>There ongoing projects planning to use the review framework developed from the Ryecare review.</p> <p><b>Areas for improvement</b></p> <p>The Commercialisation and Income Generation Policy is high-level and does not include any objectives or timescales.</p> <p>The policy mainly consists of the eight key ways the council should look to develop business opportunities and optimise income. It is not supported by any other guidance so little support is available to officers to carry out these tasks in a consistent way.</p> <p>We found that whilst officers could discuss ongoing projects and new income ventures, there was limited evidence to support these discussions.</p>	<p>There will be a supporting strategy/ guidance document for the Commercialisation and Income Generation Policy. This extra information will aim to support officers in applying the policy.</p> <p>The document will outline when each service area will be reviewed. Quantifiable objectives by service area will be identified as part of that review process. It is planned to be completed by the end of October 2018.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
General Ledger	Substantial Assurance	<p>At the time of planning the audit then the consolidated bank reconciliation had a small discrepancy. There have also been some concerns with completion of control and suspense accounts.</p> <p>This audit reviewed each of these three areas.</p>	July 2018	<p><b>Strengths</b></p> <p>The Drawings account has been satisfactorily reconciled at least monthly. The only minor weakness was the first reconciliation of 2017/18 being done 6 weeks into the year.</p> <p>The Creditors and Debtors Control accounts are each reviewed and balanced on a daily basis. Any discrepancies, usually as a result of timing differences were being resolved and reconciled.</p> <p>The VAT account is reconciled monthly on a cumulative basis in order to produce the data for the VAT return. The suspense account is well-managed. Entries are regularly investigated and cleared.</p> <p><b>Areas for improvement</b></p> <p>Following the T2020 reorganisation new people had responsibility for completing bank reconciliations. Officers in the Business and Democracy team completing the Consolidated Bank Reconciliation (CBR) were relatively inexperienced. Consequently at the time of the audit they had not been able to fully reconcile the general ledger to the bank in 2017/18.</p> <p>We understand this is in part due to a lack of understanding and training. The current layout of the CBR is also felt to be complicated and confusing.</p> <p>The position at the time of audit review was that the difference is now relatively small (at £30). Whilst not ideal, the position is an improvement from earlier on in the 2017/18 year.</p>	<p>As part of completing the 2017/18 financial accounts (and after the audit fieldwork was completed) then the bank account for year end was fully reconciled. So there is no longer a £30 difference.</p> <p>We recognise there has been a learning curve for new officers during the year, and as necessary further training will be undertaken.</p> <p>Consideration will also be given to revising the layout of the reconciliation sheet which has been causing some confusion.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Risk Management	Limited Assurance	<p>The management of risk is a key part of the Council's governance framework. Our work reviewed whether:</p> <ul style="list-style-type: none"> <li>• risk management is embedded within the authority</li> <li>• a consistent risk management methodology is being applied authority wide</li> <li>• there is an effective system for recording, monitoring and reporting of the authority's risks at corporate and service level</li> <li>• risk management processes facilitate the effective management of identified risks.</li> </ul>	July 2018	<p><b>Strengths</b></p> <p>Over the last 12 months a significant amount of work has been undertaken corporately to embed risk management. The corporate risk register has been reviewed and rationalised. Corporate risks are now considered each month by Management Team.</p> <p>The Risk Management Strategy updated in July 2017 expresses a commitment to aligning risk management arrangements with its core processes. The risk appetite statement has also been strengthened.</p> <p>Leadership Team officers are knowledgeable on risk management and understand responsibilities within the risk management framework.</p> <p><b>Areas for Improvement</b></p> <p>Responsibility for risk management training has been omitted from the Risk Management Strategy. Officer risk management awareness training has not been delivered (and at the time of the audit was not planned).</p> <p>The Risk Management Strategy does not specify a review frequency for its corporate risks; only that they will be reviewed 'periodically' by Leadership Team. The Strategy also does not specify how this review is to be undertaken and evidenced.</p> <p>Not all the Council's corporate risks scored as medium or high had an associated action plan as required by the Strategy. For those risks that had an action plan it was not possible to determine the progress made or the extent to which actions had been kept under review as there was a lack of information on the risk management system.</p>	<p>Management have agreed a comprehensive action plan for all eight recommendations and put in place arrangements to ensure these are fully addressed.</p> <p>Veritau's qualified Risk Management specialists are supporting the Council in making the necessary improvements. Detailed work is already underway</p> <p>The majority of these findings are planned to be completed by September 2018.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>At the service level risk registers have not been aligned to the current service structure and have not been updated for 24 months on average.</p> <p>The evidence of Management Team review of corporate risks needs to be better recorded on the risk management system.</p> <p>There is not adequate guidance on implementation of the risk management process.</p> <p>Overall, there is an absence of evidence that risks arising from the Council's significant partnerships are being managed effectively.</p>	

## Appendix 3

### Audit Opinions and Priorities for Actions

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

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

**VERITAU****INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME****1.0 Background**Ongoing quality assurance arrangements

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

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

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

### Annual self-assessment

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

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

The results of the annual client survey, PSIAS self-assessment and professional networking are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board<sup>3</sup> as part of the annual report of the Head of Internal Audit.

### External assessment

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

## **2.0 Customer Satisfaction Survey – 2018**

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2018. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 159 surveys (2017 – 149) were issued to senior managers in client organisations. 22 surveys were returned representing a response rate of 14% (2017 - 21%). The surveys were sent using Survey Monkey and respondents were asked to identify who they were.

Respondents were asked to rate the different elements of the audit process, as follows:

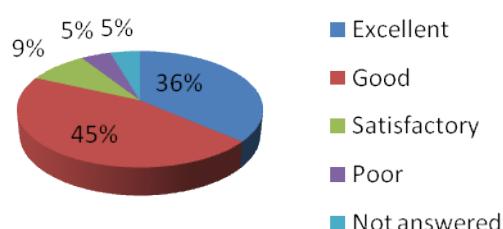
- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

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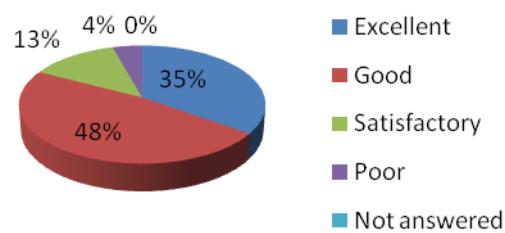
<sup>3</sup> As defined by the relevant audit charter.

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

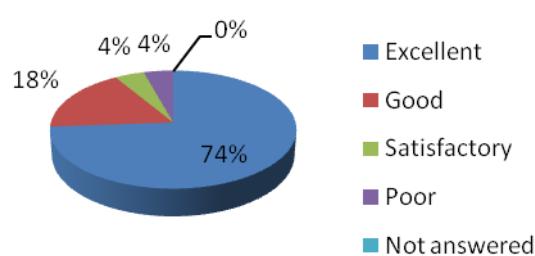
### **Quality of audit planning / overall coverage**



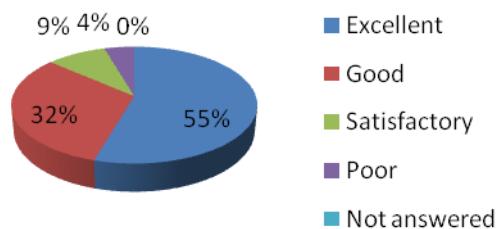
### **Provision of advice / guidance**



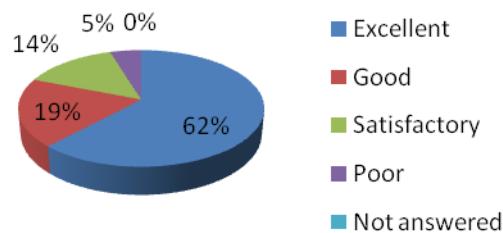
### **Staff - conduct / professionalism**



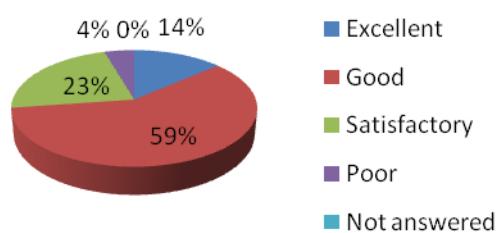
### **Ability to provide unbiased / objective opinions**



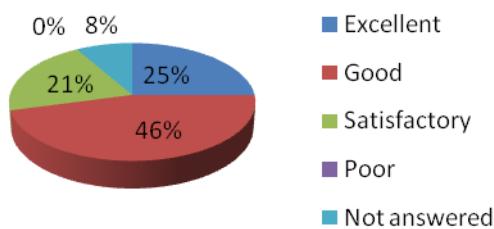
### **Ability to establish positive rapport with customers**



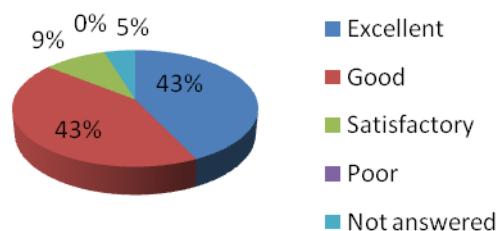
### **Knowledge of system / service being audited**



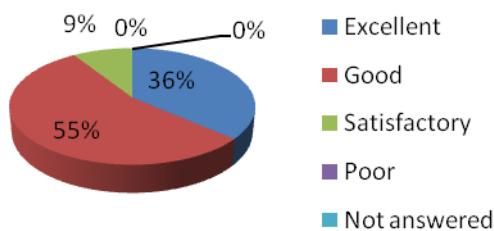
## Ability to focus on areas of greatest risk



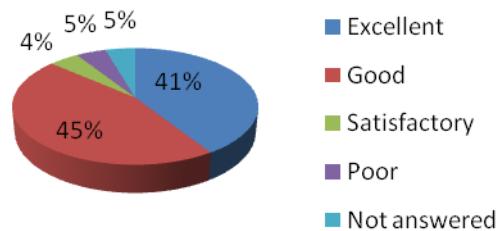
## Agreeing scope / objectives of the audit



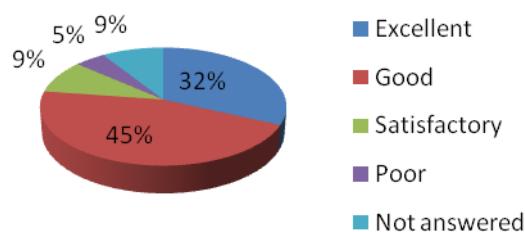
## Minimising disruption to the service being audited



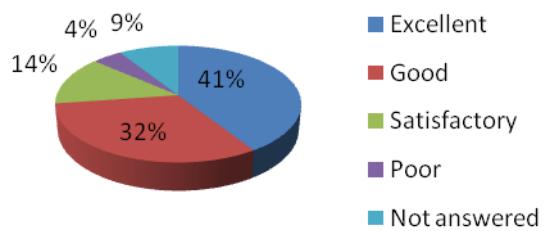
## Communicating issues during the audit



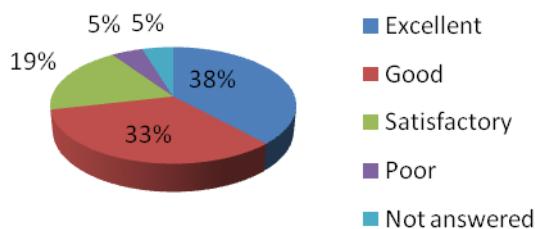
## Quality of feedback at end of audit



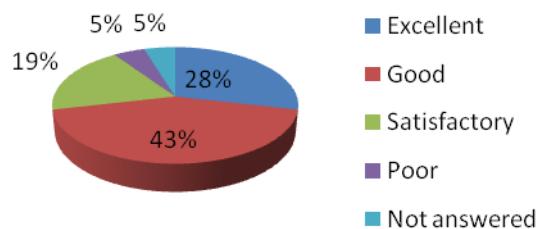
## Accuracy / format / length / style of audit report



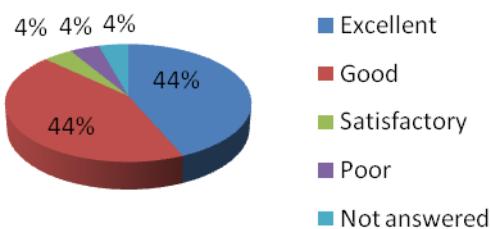
## Relevance of audit opinions / conclusions



## Agreed actions are constructive / practical



## Overall rating for Internal Audit service



The overall ratings in 2018 were:

	2018		2017	
Excellent	10	45%	11	27%
Good	10	45%	19	63%
Satisfactory	1	5%	2	10%
Poor	1	5%	0	0%

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

### 3.0 Self Assessment Checklist – 2018

CIPFA prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 but has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards.

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

The following areas of non-conformance remain unchanged from last year:

<b><u>Conformance with Standard</u></b>	<b><u>Current Position</u></b>
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit?	The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal.
Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal?	See above
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee).
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Reliance may be placed on other sources of assurances where this is considered relevant. However, the Head of Internal Audit will only rely on other sources of assurance if he/she is satisfied with the competency, objectivity and reliability of the assurance provider.

#### **4.0 External Assessment**

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued

application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

Whilst the new Standards were only adopted in April 2013, the decision was taken to request an assessment at the earliest opportunity in order to provide assurance to our clients. The assessment was conducted by Gerry Cox and Ian Baker from the South West Audit Partnership (SWAP) in April 2014. Both Gerry and Ian are experienced internal audit professionals. The Partnership is a similar local authority controlled company providing internal audit services to a number of local authorities.

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

The conclusion from the external assessment was that working practices conform to the required professional standards. Copies of the detailed assessment report were provided to client organisations and, where appropriate, reported to the relevant audit committee.

## **5.0 Improvement Action Plan**

No specific changes to working practices have been identified in 2018. However, to enhance the overall effectiveness of the service, the following areas continue to be a priority in 2018/19:

- Further development of in-house technical IT audit expertise
- Implementation of the data analytics strategy (stage 1) and investment in new capabilities
- Improved work scheduling, clearer prioritisation of objectives for individual assignments to enable them to be managed within budget, and better communication and agreement with clients on timescales for completion of audit work.

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

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

The guidance suggests a scale of three ratings, ‘generally conforms’, ‘partially conforms’ and ‘does not conform’. ‘Generally conforms’ is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards. ‘Partially conforms’ means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit service from performing its responsibilities in an acceptable manner. ‘Does not conform’ means the deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit service from performing its responsibilities in an acceptable manner. ‘Does not conform’ means the deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit service from performing adequately in all or in significant areas of its responsibilities.



# Ryedale District Council

## Summary of Counter Fraud Activity

### 2017/18

**Counter Fraud Manager:** Jonathan Dodsworth  
**Head of Internal Audit:** Max Thomas

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

**Date:** 25 July 2018



## **Background**

- 1 Fraud is a significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom.
- 2 Councils are encouraged to prevent, detect and deter fraud in order to safeguard public finances.
- 3 Veritau are engaged to deliver a corporate fraud service for Ryedale District Council. A corporate fraud service aims to prevent, detect and deter fraud and related criminality affecting an organisation. Veritau deliver counter fraud services to the majority of councils in the North Yorkshire area as well as local housing associations and other public sector bodies.

## **Counter Fraud work carried out in 2017/18**

- 4 Counter fraud work was undertaken in accordance with the approved plan. A summary of activity is included in Appendix 1 of this report. Investigations this year have led to the £55k of savings being produced for Ryedale District Council. Overall, 42% of investigations resulted in a successful outcome.
- 5 Across 6 local authorities in 2017/18 Veritau detected £570k of fraud against its clients and produced £615k in actual savings.

## Counter Fraud Activity 2017/18

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

	<b>2017/18 (Full Year)</b>	<b>2016/17 (Full Year)</b>
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, and housing allocations blocked).	42%	53%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£55,161	£38,642

Caseload figures for the period are:

	<b>2017/18 (Full Year)</b>	<b>2016/17 (Full Year)</b>
Referrals received	71	70
Referrals rejected	24	15
Number of cases under investigation <sup>1</sup>	13	25
Number of investigations completed	33	30

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<sup>1</sup> As at the end of the financial year, ie 31<sup>st</sup> March 2018 and 2017 respectively.

## **Summary of counter fraud activity:**

<b>Activity</b>	<b>Work completed or in progress</b>
Data matching	<p>Work on the 2016/17 National Fraud Initiative (NFI) was completed in the last financial year.</p> <p>The NFI are running an additional pilot exercise looking at business rates fraud. There was strong interest nationally in participating in the pilot. The council along with its partners were one of just seven groups chosen to take part. The council is joined by City of York Council, Leeds City Council, Harrogate Borough Council, Richmondshire DC, Selby DC, Hambleton DC, Doncaster MBC, Kirklees MDC, and Barnsley MBC. Results from the pilot are expected to be released in September.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity undertaken last year included the following:</p> <ul style="list-style-type: none"><li>• <b>Council Tax Support fraud</b> – In 2017/18 the team received 30 referrals for possible CTS fraud. Over £16k in falsely or erroneously obtained discounts were detected. One CTS recipient who failed to declare that their partner, who was in full employment, had lived with them for 5 years was successfully prosecuted. This was the council's first Council Tax Support prosecution. One person was cautioned for failing to declare their true income to the council. There are currently 10 cases under investigation.</li><li>• <b>Council Tax/Non Domestic Rates fraud</b> – 40 referrals for council tax or business rates fraud were received in 2017/18. Over £13k of fraudulent or erroneous payments were detected in this area during the year. One person was cautioned for falsely claiming single person discount for 2 years. A project examining council tax avoidance at a caravan site in the Ryedale Area was completed in 2017/18. Ten percent of plots at this site were found to be permanently occupied as residences. The project produced £6k of savings as well as ongoing council tax collection for the council. There are currently 2 council Tax/NNDR cases under investigation.</li><li>• <b>Internal fraud</b> – No reports of internal fraud were received in 2017/18.</li></ul>

Activity	Work completed or in progress
Fraud liaison	<p>In 2016 the council's remit to investigate and prosecute housing benefit fraud transferred to the Department for Work and Pensions (DWP). The counter fraud team now acts as a single point of contact for the DWP and is responsible for providing data to support their housing benefit investigations. The team dealt with 170 requests in 2017/18.</p>
Fraud management	<p>In 2017/18 a range of activity was undertaken to support the council's counter fraud framework.</p> <ul style="list-style-type: none"><li>• In July 2017 an annual counter fraud report was brought to the Oversight and Scrutiny Committee. As part of the annual report the counter fraud and corruption policy, counter fraud strategy and counter fraud risk assessment were reviewed.</li><li>• In September a new 0800 number was launched to allow members of the public to report fraud free of charge.</li><li>• As part of International Fraud Week in November, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout that week.</li><li>• In March 2018 a leaflet promoting the council's fraud hotline was included in annual billing for residents and businesses.</li><li>• The counter fraud team continues to alert council departments to emerging local and national threats through a monthly bulletin and specific alerts.</li></ul>

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**REPORT TO:** **OVERVIEW AND SCRUTINY COMMITTEE**

**DATE:** **25 July 2018**

**REPORT OF THE:** **RESOURCES AND ENABLING SERVICE LEAD (S151)**

**TITLE OF REPORT:** **COUNTER FRAUD FRAMEWORK UPDATE**

**WARDS AFFECTED:** **ALL**

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 The council approved a counter fraud and corruption policy and strategy (with associated action plan) in July 2016. This report updates the committee on progress against the actions set out in the strategy and adds new actions for the current financial year.
- 1.2 The report also updates the council's annual fraud risk assessment for review by the committee.

### **2.0 RECOMMENDATION(S)**

- 2.1 Members are asked to
  - a) approve the updated counter fraud and corruption strategy action plan
  - b) comment on and note the analysis of current fraud risks faced by the council.

### **3.0 REASON FOR RECOMMENDATION(S)**

- 3.1 To help ensure the council maintains robust counter fraud arrangements.

### **4.0 SIGNIFICANT RISKS**

- 4.1 The risk of fraud against public bodies is growing. It is essential that the council maintains up to date counter fraud arrangements to minimise financial losses and safeguard public money.

### **5.0 POLICY CONTEXT AND CONSULTATION**

Seeking to minimise losses to fraud helps to ensure that resources are directed to delivering services and supports the achievement of overall council aims.

### **6.0 BACKGROUND:**

- 6.1 Fraud continues to be seen as a significant risk to public sector finances in 2018/19. In 2017 annual losses to the public sector were estimated to be £40.4 billion, a 7.5% increase from the previous year.<sup>1</sup>

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<sup>1</sup> Annual Fraud Indicator 2017, Identifying the cost of fraud to the UK economy, Crowe Clark Whitehill, University of Portsmouth, Experian.

- 6.2 The anti-fraud organisation Cifas reports that one in every two crimes in the UK relates to fraud or cybercrime.<sup>2</sup> Cybercrime remains an area of concern for local government following high profile cyber attacks against public institutions, for example Parliament and the NHS, in recent years. Attacks on local government can result in an inability to provide key services as well as the theft of sensitive data.
- 6.3 Cipfa undertake an annual survey of councils to assess the extent of fraud (and trends) in the local government sector. The latest survey CFaCT 2017 (Counter Fraud and Corruption Tracker) survey, contained in appendix 1, highlighted that council tax was the largest area of fraud detected by local authorities by volume (76% of cases). This includes council tax discounts like single person discounts and council tax support payments. Cipfa also reported a rise in the number and financial value of business rates fraud cases detected nationally.
- 6.4 These national trends are echoed in the investigative work undertaken by Veritau across North Yorkshire. The counter fraud team has seen twice the number of business rate fraud referrals reported to the team in 2017/18 compared to the previous financial year. The region's first successful business rates fraud prosecution was achieved in April 2018. The team has also experienced a 38% increase in council tax referrals across North Yorkshire in the last year. A number of council tax offenders have been successfully prosecuted, including one individual who falsely claimed single person discount for 17 years.

## **7.0 COUNTER FRAUD FRAMEWORK:**

- 7.1 The council's Counter Fraud and Corruption Strategy 2016-19 was approved in July 2016. The strategy takes into account both Cipfa's Code of Practice on Managing the Risks of Fraud and Corruption (2014) and the national counter fraud strategy for local government, Fighting Fraud and Corruption Locally. No changes are required to the main body of the strategy, however the associated action plan, in appendix 2, has been updated to indicate progress on tasks as well as new objectives for 2018/19.
- 7.2 It is recognised good practice for councils to assess their risk of fraud on a regular basis. A counter fraud risk assessment was first produced for the council in 2016. The risk assessment included in restricted appendix 3 is an update of that document. A number of specific actions are included in the risk assessment. These include work to be undertaken by both the internal audit and the counter fraud teams as part of their 2018/19 plan of work for Ryedale District Council.
- 7.3 As part of this review the council's Counter Fraud Policy has also been reviewed but no changes are required.

## **8.0 IMPLICATIONS**

- 8.1 The following implications have been identified:
- a) Financial  
None
  - b) Legal  
None
  - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
None

**Anton Hodge**  
**Chief Finance Officer (s151 officer)**

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<sup>2</sup> Cifas – Fraudscape 2017.

**Author:** Jonathan Dodsworth, Counter Fraud Manager, Veritau Limited  
**Telephone No:** 01904 552947  
**E-Mail Address:** [jonathan.dodsworth@veritau.co.uk](mailto:jonathan.dodsworth@veritau.co.uk)

**Background Papers:**

- None

**Appendices:**

Appendix 1: Cipfa CFaCT 2017 (Counter Fraud and Corruption Tracker) survey

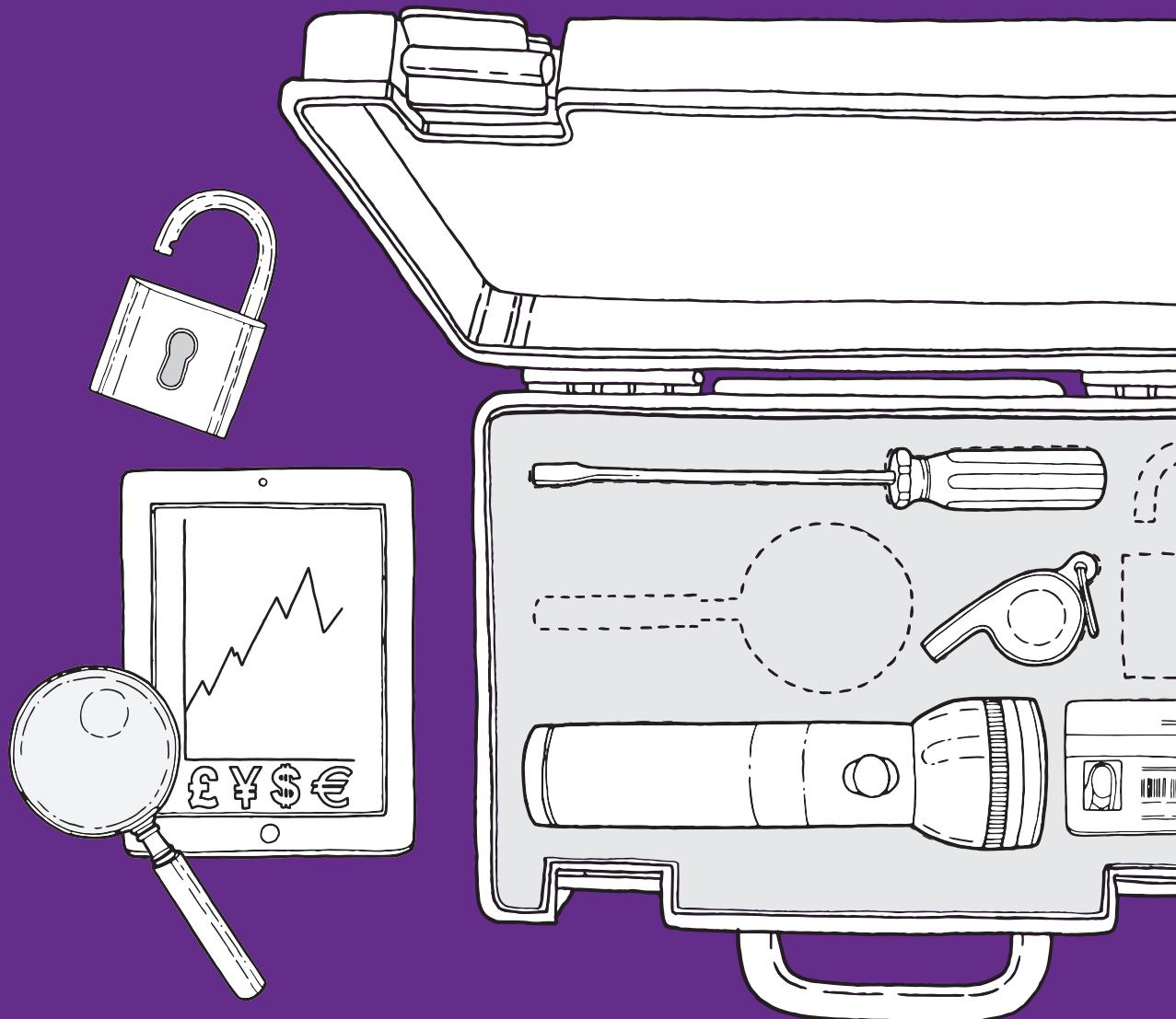
Appendix 2: Counter Fraud and Corruption Strategy Action Plan

Appendix 3: Fraud Risk Assessment 2018 (Restricted)

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# \fraud and corruption tracker

Summary Report 2017



**CIPFA COUNTER  
FRAUD CENTRE**

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  - Housing
  - Disabled parking (Blue Badge)
  - Adult social care
- 13** Other Types of Fraud
  - Business rates
  - Insurance
  - Procurement
  - Welfare assistance and no recourse to public funds
  - Payroll, expenses, recruitment and pensions
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## Foreword

Public sector organisations around the UK are clearly committed to fighting fraud and corruption. Through the implementation of initiatives and collaboration with new partners, the public sector understands the importance of counter fraud activity and the contribution it makes to organisations' resilience. The success of counter fraud activities is more than about saving money but covers both the reputational and moral risk for an organisation.

The CIPFA Fraud and Corruption Tracker (CFaCT) survey is part of that story and provides a picture of fraudulent activity in local government and identifies actions that are being taken to combat it.

Supported by organisations such as the National Audit Office (NAO), the National Crime Agency (NCA) and the Local Government Association (LGA), CIPFA draws on the expertise of those within the profession to deliver this annual survey which enables practitioners to focus on trends and emerging risks.

Understanding emerging risks allows authorities to develop appropriate strategies and deploy adequate resources to support the fight against fraud and corruption. This year's survey has shown that adult social care fraud has evolved from an emerging risk to one with which many local authorities are now actively engaged.

This report, which summarises the findings of the most recent CFaCT, not only raises awareness of fraud prevention, detection and deterrence across local government, but will also enable organisations from across the wider public sector to benchmark their responsiveness against others facing similar risks.

This report will:

- help organisations understand where fraud losses could be occurring
- provide a guide to the value of detected and prevented fraud loss
- help senior leaders understand the value of counter fraud activity
- assist operational staff to develop pro-active counter fraud plans.

The survey was supported by:



## The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP). The CCFC leads and co-ordinates the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.



## Introduction

CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the [Annual Fraud Indicator 2013](#), which provides the last set of government sanctioned estimates, fraud costs the public sector at least £20.6bn annually and of this total, £2.1bn is specifically in local government.

Fraud continues to pose a major financial threat to local authorities and working with partners such as the LGA and the Home Office, we are seeing an emerging picture of resilience and innovation within a sector that is aware of the difficulties it faces and is finding solutions to the challenges.

The third CFaCT was carried out in May 2017 and provides a national picture of fraud, bribery and corruption in local government. It also shows how the sector is dealing with the challenges and helps identify the actions that the sector needs to take to reduce the threat posed by fraudulent activity.

The CFaCT draws on the experience of practitioners and the support and expertise of key stakeholders to show the changing shape of the fraud landscape. It received a spread of results from across all regions and local authorities, enabling us to estimate the total figures for fraud across English, Welsh and Scottish local authorities.

CIPFA estimates that across local authorities more than 75,000 frauds have been detected or prevented in 2016/17 with a total value of £336.2m. The number of fraud cases investigated or prevented dropped in 2017, but the average value per fraud increased from £3,400 to £4,500; the reason for this could be that local authorities are focusing on cases with a higher financial value.

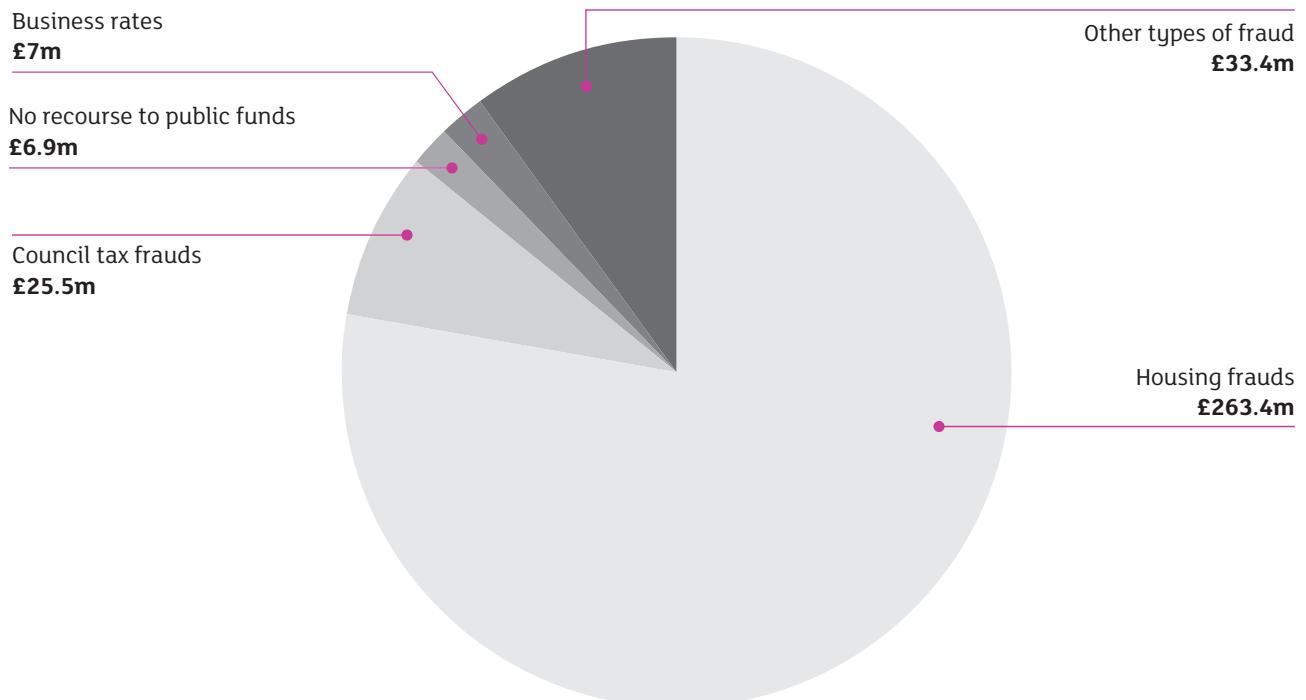
The CFaCT also revealed the following:

- procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas
- adult social care fraud has shown the largest growth in the past year, with an estimated £5.6m investigated compared with £3.0m in 2016
- the highest number of investigations related to council tax fraud (76%) with a value of £25.5m
- the highest value area of fraud is housing with an estimated total of £263.4m
- 38% of organisations who responded have a dedicated counter fraud service.

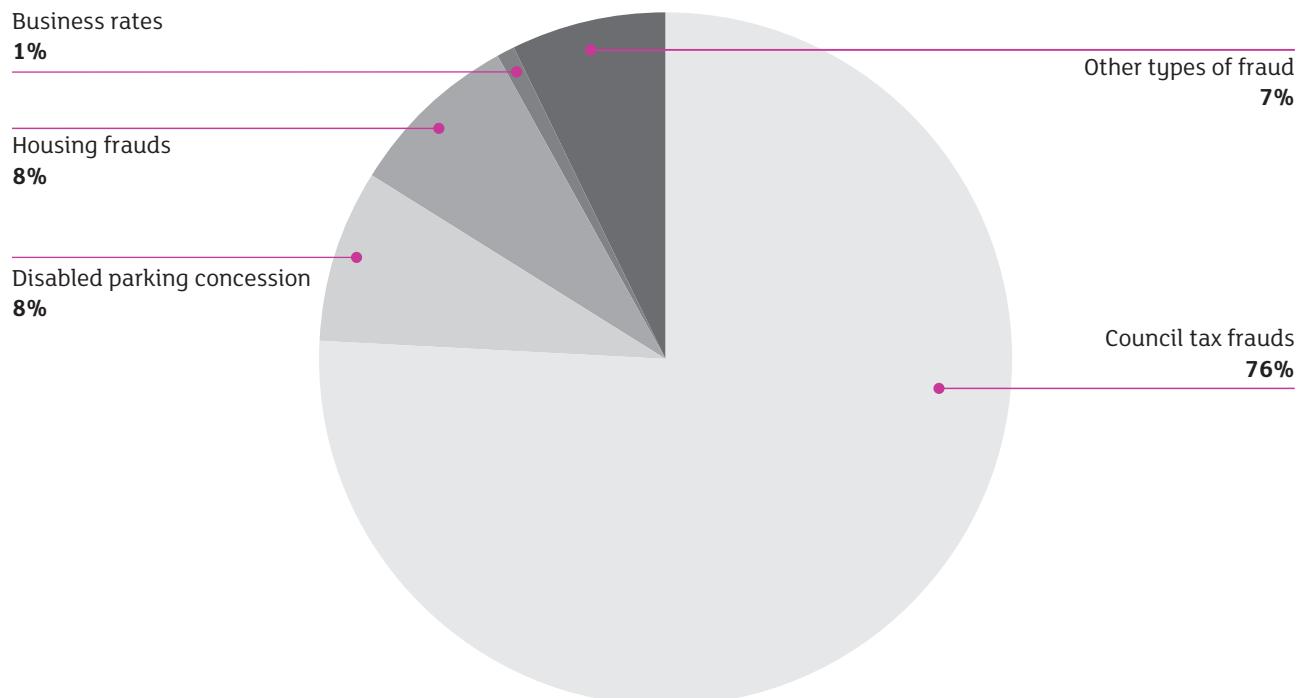
### Response Rate



### Estimated value of fraud detected



### Detected fraud by estimated volume



Cyber crime has a high profile in the media and poses a growing challenge to a sector becoming more digital in terms of service delivery. The threat calls on the shared expertise of fraud and IT teams and it is often unclear who holds responsibility. Respondents to the CFaCT 2017 reported that only three fraud teams (2.3%) were responsible for cyber risk, whereas 106 (80%) reported that IT or the chief information officer held responsibility.

When we started the survey in 2014, three quarters of respondents told us that cyber risk was not included in the corporate plan. This year we see that over half the respondents had carried out a cyber risk assessment in the previous 12 months.

A number of themes and challenges have emerged over the three years that CIPFA has carried out this survey, and these include the following:

- housing has the highest value of all fraud types
- council tax fraud has seen the highest volume of cases
- local authorities benefit from looking forward, preparing for and understanding emerging risks in order to find effective solutions

- barriers to effective data sharing have consistently been stated as impacting on fraud prevention and investigation
- insufficient capacity and a lack of effective fraud risk assessment have proved to be challenges.

In the past three years fraud teams have operated within increasingly restricted budgets while the frauds they look to uncover become more sophisticated. From the figures and responses in the report, fraud teams are responding with positivity and a professional commitment to these challenges. The CFaCT shows that the sector is focusing on certain fraud areas, combining skills and resources and developing shared services.

This report highlights:

- the types of fraud as identified in the CFaCT 2017
- how the fraud and corruption landscape is changing
- what monetary value is lost through fraudulent activity
- how counter fraud activity and prevention improves the public sector budget
- what threats and risks are emerging
- what is being done to prevent fraud.

## Recommendations

CIPFA recommends that organisations:

- ensure that cyber security is integral to any new strategy or policy decision, reflecting the [National Cyber Security Strategy 2016 to 2021](#)
- continue to be vigilant and raise awareness of fraud within adult social care
- have a strong counter fraud leadership that understands the importance of involving counter fraud practitioners when devising policy and strategy
- continue to maximise opportunities to share data and to explore innovative use of data within the law
- communicate clearly both internally and externally the role of the fraud team and the importance of the role for both financial and reputational benefit.

# Main Types of Fraud

CIPFA has identified the main types of fraud based on the volume of investigations or the value of the financial loss. According to the survey results there are four main areas:

1. council tax
2. housing
3. disabled parking (Blue Badge)
4. adult social care.

## Council tax

Council tax fraud has always been the largest reported issue and this is the same in 2017. Council tax is levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland. As the revenue forms part of the income for local authorities, there is a clear correlation between council tax fraud and a reduction in the available budget.

Council tax fraud is split into three areas:

1. council tax single person discount (SPD) – eg where the council tax payer falsely claims to be an eligible single occupier
2. council tax reduction (CTR) support – eg where the council tax payer falsifies household income to qualify for support
3. other types of council tax fraud – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

Traditionally an area of high volume/low value, council tax represents the highest number of fraud cases reported by local authorities (76%). However, the total value of the fraud, estimated at £25.5m, only accounts for 7.6% of the estimated value of all detected fraud.

### Estimated council tax fraud

	Volume	Value
SPD	50,136	£19.5m
CTR	6,326	£4.8m
Other	674	£1.1m
<b>Total</b>	<b>57,136</b>	<b>£25.5m</b>

When asked about the perceived highest fraud risk areas, SPD was third behind procurement and adult social care.

## Perceived highest risk areas



**3**  
Single person discount



**2**  
Procurement



**1**  
Adult social care

## Housing and tenancy fraud

Housing and tenancy fraud takes a number of forms including:

- illegal subletting for profit
- providing false information to gain a tenancy
- wrongful tenancy assignment and succession
- failing to use the property as the principal home
- right to buy fraud, for example where circumstances have been misrepresented to qualify for a discount.

Housing is expensive in many parts of the country, the South East in particular, and therefore a low number of cases produces a high value in terms of fraud. However, councils record the income lost to housing fraud according to different values, ranging from a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. The National Fraud Initiative (NFI) has historically used a figure of £18,000 to reflect the cost of homeless accommodation over one year, however, this year the NFI has increased that notional figure to £93,000.

The lack of a standard approach makes valuing housing fraud difficult and the approaches vary not only between regions but also between councils. To give some idea of the growth in this area this report has taken the cases reported over the last two years and estimated a figure for all local authorities. Using this methodology, the estimated total value of housing fraud is £263.4m. The number of cases of right to buy fraud has fallen since the 2016 survey but the value has risen to £112m.

Right to buy is the scheme that allows tenants who have lived in their properties for a qualifying period the right to purchase the property at a discount. As housing has become increasingly expensive, especially in London, the value of this type of fraud has seen a rapid increase. The loss is higher in London than in other parts of the country, with an average value per case of £97,000 against £81,000 for the rest of the UK.

### Estimated housing fraud

Type of fraud	Volume	Value
Right to buy	1,284	£111.6m
Illegal subletting	1,829	£78.5m
Other*	2,825	£73.3m
<b>Total</b>	<b>5,938</b>	<b>£263.4m</b>

\*Other includes tenancy frauds that are neither right to buy nor illegal subletting, and may include succession fraud and false applications.

# 1,284

the estimated number of  
right to buy cases investigated  
or prevented during 2016/17

# £263.4m

the estimated total value of housing  
fraud investigated during 2016/17

### Estimated housing fraud

 Right to buy  
£111.6m

 Sublet  
£78.5m

 Other  
£73.3m

## Disabled parking (Blue Badge)

The Blue Badge is a Europe-wide permit scheme that gives parking concessions to people with sight impairments or severe walking difficulties. It is locally administered and allows permit holders to park nearer to their destination. Fraud from the misuse of the Blue Badge has decreased since we started the survey. In 2015/16 the estimated number of cases was 7,078, and in 2016/17 this decreased dramatically to 5,751.

There is no standard way to calculate the value of this type of fraud and some authorities, for example in London, place a higher value on the loss than others and invest in more counter fraud resource.

The cost of parking in London results in a higher value to case ratio. From the survey responses we estimate a total of 1,396 cases for London authorities with a total loss value of £3.0m, whereas the estimate for the rest of the

UK is 4,355 cases with a total value less than half that of London at £1.4m.

In the event that Blue Badge misuse is identified, it is often prosecuted and the individual is fined (which is paid to the court). Costs are awarded to the prosecuting authority but these may not meet the full cost of the investigation and prosecution. It is possible that because costs may not be fully redeemed, authorities have little incentive to focus attention on this fraud type. Prosecution, where successful, may serve as a warning and a reflection of public interest.

### Estimated Blue Badge fraud

Volume	Value
5,751	£4.3m

### Blue Badge prosecution

After an investigation by Warrington Borough Council's counter fraud team, the council prosecuted a resident for using a Blue Badge which did not belong to him, and had in fact expired, to park in designated disabled parking spaces.

The court fined the man £69 in respect of four offences, charged him a victim surcharge of £30, £120 in penalty charge notices and ordered him to pay £100 in court costs.

This case illustrates that any money returned to the council would not be sufficient to cover the investigation and prosecution costs, but taking the case to court would serve to raise awareness and potentially deter others.

### Value of Blue Badge fraud in London v rest of UK



£3m  
London



£1.4m  
rest of the UK

## Adult social care

There has been a rise in the number of fraud cases identified in adult social care and the value of the loss has started to increase. This is a trend that we have seen emerging over the last few surveys. In 2015/16 the average value of loss specifically for adult social care was below £10,000 but in 2016/17 we see a rise in value to around £13,000.

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

Investigations cover cases where:

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

Over the past few years many local authorities have funded training and introduced robust controls to mitigate the risk of fraud within personal budgets.

This year's survey also highlighted the links between adult social care fraud and insider fraud. Five percent of adult social care frauds investigated by respondents involved an authority employee.

### Estimated adult social care fraud

Type of fraud	Volume	Value
Adult social care personal budget	264	£2.8m
Adult social care (other)*	182	£2.8m
<b>Total</b>	<b>446</b>	<b>£5.6m</b>

\*Other includes internal fraud or identity fraud.

## Fraud by abuse of position

The counter fraud team at Essex County Council was contacted by a social worker who, after conducting a routine monitoring review, considered that the service user (Ms B) may be paying a relative living at the same address to provide support for her care needs. This had not been agreed by the service area, and was contrary to council policy on employment of personal assistants.

The team identified that Ms B, who was also a social worker employed by the council, had not been paying a carer for many years. Ms B had been receiving direct payments to cover care needs since 2002 and had submitted quarterly returns to evidence spend but this had stopped in 2007, despite being chased. At interview, Ms B advised that she had not spent the direct payment since 2007 but would not provide bank statements to evidence this. Payments from Essex County Council from April 2007 to the date of the suspension amounted to nearly £47,000.

Ms B had just sold her house and was in the process of buying another property. A cheque was returned to the council for £46,887.90.

Ms B was dismissed from the council following disciplinary procedures and the case was referred to the Health Care and Professions Council (HCPC). An HCPC hearing resulted in a caution being placed on her registration for three years.

The case was also referred to Essex Police, who confirmed that Ms B had regularly used the direct payment as her personal monies. As a result Ms B was charged with theft of £46,887.90 and pleaded guilty to the charge. She received a suspended 16 month sentence, costs of £340 and a six month curfew.

## Other Types of Fraud

Fraud covers a substantial number of areas and within organisations these vary in importance. This part of the report looks at the responses to some of these that did not appear as major types of fraud within the national picture but are important to individual organisations. Our results looked at the following fraud types in this category:

- business rates
- insurance
- procurement
- welfare assistance and no recourse to public funds
- payroll, expenses, recruitment and pensions
- economic and voluntary sector (grant fraud)
- manipulation of data (financial or non-financial) and mandate fraud.

### Business rates

Business rates have received considerable publicity and are a key cost for those who have to pay the tax. There is also the political sensitivity felt by politicians wanting to maximise an environment for economic growth and business development.

Business rate fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to differentiate between evasion and avoidance. Business rate fraud can include the falsification of circumstances to gain exemptions and discounts.

Business rates represented 0.5% of the total number of frauds reported in 2015/16 and had risen to 0.9% in 2016/17. The estimated total value of the fraud loss has increased from £4.8m in 2015/16 to £7.0m in 2016/17.

#### Estimated business rate fraud

Volume	Value
662	£7.0m

### Insurance fraud

This fraud includes any false insurance claim made against an organisation or an organisation's insurers. Within the insurance fraud category, there were six cases of organised crime.

Authorities should ensure that counter fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigation into alleged frauds.

The total estimated value of loss in 2016/17 is £5.1m – a decrease from £7.0m in 2015/16. The number of frauds detected or prevented fell but the average value increased to £13,800.

Considerable work has been done in the area of insurance fraud and insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system.

#### Estimated insurance claim fraud

Volume	Value
371	£5.1m

## Procurement fraud

Procurement fraud can occur throughout the procurement cycle, from purchasing through to the service delivered and payments. In last year's survey procurement was perceived as one of the greatest fraud risks, with housing procurement being of particular concern. The number of procurement fraud cases reported in 2015/16 was five times more than in 2014/15.

In 2016/17 there were an estimated 197 prevented or detected frauds with an estimated value of £6.2m, compared with 427 cases in 2015/16 with a total value of £5.7m; this drop in the number of cases but increase in value could indicate that higher level frauds are being discovered. However, procurement fraud takes place in a constantly changing environment and can occur anywhere throughout the procurement cycle. There can be sizeable difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss, especially post award, can be as hard to measure but equally significant.

Estimates suggest that nearly 40% of all fraud committed against local authorities concerns abuse of the procurement cycle.<sup>1</sup> The London Borough of Hackney's innovative approach to this problem was to create a multifaceted and specialist procurement team within the audit and anti-fraud division. This has allowed the authority to carry out complex and often lengthy investigations which have resulted in cost savings as well as greater assurance across the organisation.

The [Fighting Fraud and Corruption Locally Strategy 2016–2019](#) recommends that organisations create a procurement fraud map and define the stages at which procurement fraud can happen in a local authority. This would highlight low, medium and high potential risks and inform risk awareness training for the future.

The Competition and Markets Authority (CMA) is working with the public sector to identify areas of higher risk within procurement. The CMA has produced a free online tool that studies the data fed in against bidder behaviour and price patterns. It then flags areas where fraud **could** be a possibility and should be investigated.

## No recourse to public funds



<sup>1</sup> [www.local.gov.uk/sites/default/files/documents/managing-risk-procurement-13a.pdf](http://www.local.gov.uk/sites/default/files/documents/managing-risk-procurement-13a.pdf)

### Estimated procurement fraud

Volume	Value
197	£6.2m

For more information see also [Managing the Risk of Procurement Fraud](#) (CIPFA/LGA, 2015).

## Welfare assistance and no recourse to public funds

Local welfare assistance was set up to help the poorest residents to deal with short-term costs caused by fire, flood or injury. The assistance is not a statutory duty and with money being limited many authorities have cut the service dramatically or dropped it completely. Awards are discretionary and may come as either a crisis payment or some form of support payment.

In 2016, the estimated number of cases was 610 but this has declined in the past year to an estimated 103.

While 'no recourse to public funds' fraud presents a significant fraud risk to local authorities, it is primarily to be found in London, southeast England and larger metropolitan boroughs. London had 90% of reported cases in this year's survey. This type of fraud includes claimants using false documents to obtain benefits.

Over the past 12 months the number of cases in this area has increased, rising from 255 in 2015/16 to 342 in 2016/17. However, the average value of the fraud has fallen to £20,000, resulting in an overall decrease in total loss from £8.2m to £6.9m.

### Estimated fraud in welfare assistance and no recourse to public funds

Type of fraud	Volume	Value
Welfare assistance	103	£0.3m
No recourse to public funds	342	£6.9m

## Economic and voluntary sector (grant fraud)

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation. As funds become more limited for this type of support it is even more important for fraud teams to be aware of the risks within this area.

Although only 17 actual cases of grant fraud were reported in the 2017 survey, the average value of loss was £39,000 per fraud.

## Payroll, expenses, recruitment and pensions

If we combine all the estimated results for these four areas the total value of the fraud loss is an estimated £2.1m.

It can be very difficult, however, to measure the cost of these frauds because the implications for some do not necessarily carry a monetary value, such as reputational damage or investigating the motives behind the fraud. As a result some organisations can be less keen to investigate or report investigations in these areas.

Employees and those working inside an authority can abuse council processes for financial gain. Respondents reported that 40% of payroll fraud cases investigated or prevented during the year involved insider fraud.

Recruitment fraud is an interesting area and often one where it is difficult to establish a value of fraud loss. It would be impossible to put a price on the damage that could be inflicted on an organisation if it were to employ a member of staff who had falsified their qualifications. Without a strong risk assessment and additional investigation, an appointment may be made that would have considerable adverse implications.

## Estimated payroll, expenses, recruitment and pension fraud

Type of fraud	Volume	Value
Payroll	248	£1.0m
Expenses	75	£0.1m
Recruitment	46	£0.2m
Pension	228	£0.8m
<b>Total</b>	<b>597</b>	<b>£2.1m</b>

## Manipulation of data (financial or non-financial) and mandate fraud

The fraud most commonly carried out within the manipulation of data category relates to employees changing data in order to show a better performance than actually occurred or staff taking data from the organisation.

Action Fraud states that:

*Mandate fraud is when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier.*

CIPFA estimates that across the UK manipulation of data fraud has more than doubled from 24 in 2015/16 to 57 in 2016/17. Mandate fraud has also increased from 188 in 2015/16 to 325 in 2016/17.

Procedures must be in place to ensure that staff are aware of this type of fraud and act accordingly by checking information. Advice from organisations such as Action Fraud can help to ensure that the risk is reduced, but from the results of our survey organisations are clearly still experiencing loss. Removing data may not result in financial loss but can result in reputational damage. Mandate fraud may also not be reported because of reputational repercussions.

**40%**  
of payroll cases involved  
insider fraud

**90%**  
the percentage of respondents who  
have a counter fraud plan in place

## Serious and organised crime

This year's survey again included a question (requested by the Home Office) on serious and organised crime in order to help establish how it is being tackled by local authorities.

Organised crime groups are often involved in complicated and large-scale fraudulent activities which cross more than one boundary. Such activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

The CFaCT 2017 identified 26 cases of serious and organised crime, and the responses indicate that organisations share a great deal of data both internally and externally. In addition, of the organisations that responded, 23% identified serious and organised crime risks within their organisation's risk register.

**91%**

**the percentage of respondents who share data externally**

## Whistleblowing

Whistleblowing was strongly evidenced again this year, with 60% of organisations surveyed saying that they annually reviewed their whistleblowing arrangements in line with the [PAS 1998:2008 Whistleblowing Arrangements Code of Practice](#).

Of those questioned 85% confirmed that staff and the public had access to a helpdesk and 72% said that the helpline conformed to the PAS 1998:2008.

Respondents reported a total of 686 whistleblowing cases, made in line with PAS 1998:2008. This represents disclosures in all areas, not just with regard to suspected fraudulent behaviours. Effective whistleblowing allows

staff or the public to raise concerns about a criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.

## Counter Fraud Resources

Increased delivery with reduced resources is the context in which fraud teams are operating. It is therefore unsurprising that the proportion using a shared service has increased from 10% to 14%. This approach has gained popularity in some areas as a method of allowing smaller organisations to provide a service that is both resilient and cost effective.

For those organisations that are not opting to run shared services, the CFaCT 2017 showed a flatlining of counter fraud staff resources until 2019. This position would appear to be a change of intention from 2015, when some respondents had hoped to increase their staff numbers. We did however see a slight increase in the number of organisations which have qualified financial investigators available in-house, from 27% in 2016 to 34% in 2017, but fraud services continue to be stretched.

While it is not essential for all organisations to have a dedicated counter fraud function, CIPFA continues to reinforce the importance of organisations having a fraud response plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.

### Hertfordshire shared counter fraud service

In 2015, six councils in Hertfordshire, including the county council, established a shared service to improve the prevention of fraud and corruption. At the centre of the plan was the requirement to have a more robust and resilient service where data was exchanged and best practice shared. The commercial nature of the service also required a return on investment and the opportunity to create new income streams.

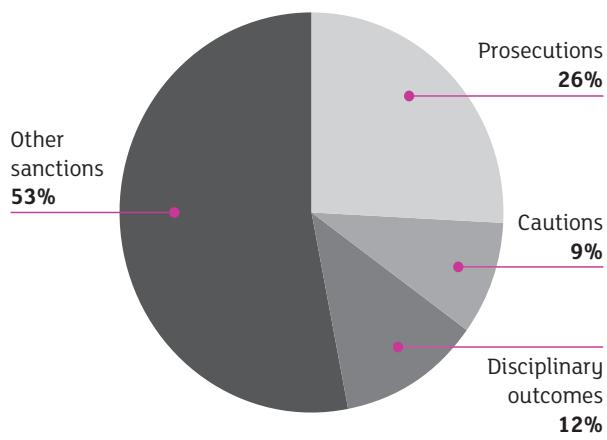
The combined service has provided flexibility and a significant return on investment for those involved, and the reduction in duplication across common policy approaches has resulted in a more efficient use of resources.

## Sanctions

The CFaCT 2017 allows us to explore the sanctions being used and indicates the following:

- 614 prosecutions were completed in 2016/17, and of the prosecutions, 22 involved insider fraud – all 22 cases were found guilty
- there was an average of four prosecutions per survey respondent
- the share of other sanctions used increased from 45% to 53% from 2016 to 2017
- the share of cautions as a proportion of all sanctions dropped from 22% to 9% between 2016 and 2017.

**Outcome of sanctions**



The chart indicates that:

- prosecutions include both in-house and CPS prosecutions
- cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance
- disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team disciplinary action is undertaken, or where a subject resigns during the disciplinary process
- other sanctions include the imposition of fines or other penalties by the organisation.

# Fighting Fraud and Corruption Locally

The [Fighting Fraud and Corruption Locally Strategy 2016–2019 \(FFCL\)](#) was developed by local authorities and counter fraud experts and is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.

The strategy is available for councils to use freely so that everyone can benefit from shared good practice. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact as well as covering resource management and investment in counter fraud operations.

As in previous surveys, the FFCL Board put forward specific statements to be included to help measure the effectiveness of the initiatives in the strategy and the responses are reflected in the diagram below. The more confident respondents are about the way fraud is dealt with in their organisation the higher they marked the statement, low scores are at the centre of the diagram.

## Counter fraud controls by country



Over the past three years, local authorities have identified capacity, data sharing and fraud risk management as issues that need to be addressed in order to effectively tackle fraud and corruption. The FFCL's 34-point checklist is a good starting point as it provides a comprehensive framework to address these concerns.

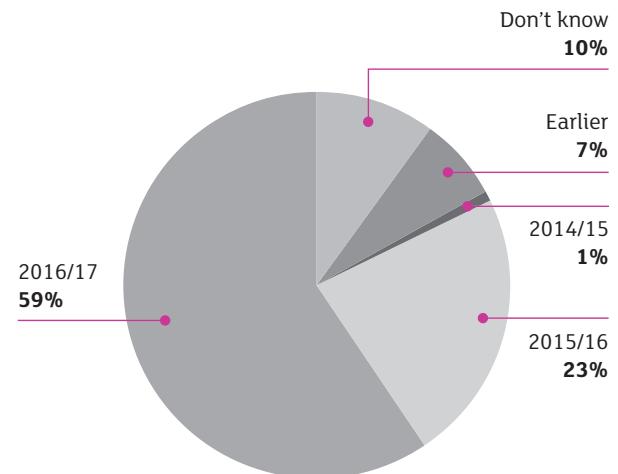
The FFCL Strategy recommends that:

*There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.*

By producing a plan and having resources that are agreed by the leadership team, management is able to see gaps in capacity and identify areas of risk which enables them to make effective strategic decisions.

In fact, an area of improvement has been the rise in organisations that have a counter fraud and corruption plan. Last year, 11% did not have a plan or did not know if they had one, and only 62% had the plan approved in the last 12 months. Of those who responded to this year's survey, 90% have a counter fraud and corruption plan in place (10% did not know) and 74% had carried out a corporate fraud assessment in the last 12 months. Some respondents reported that an assessment was pending.

## When did you last have your counter fraud and corruption plan approved?



## Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing case studies, including:

- Association of Local Authority Treasurers
- FFCL board
- Gary Coote, London Borough of Hillingdon
- Home Office
- Kate Bridge, Competition and Markets Authority
- Luan Quirke, Wirral Council
- Local Government Association
- Nick Jennings, Hertfordshire County Council
- Patrick Saunders-Wright, London Borough of Hackney
- Peter Tanton, Essex County Council
- Public Concern at Work
- Solace

## Appendix 1: Estimates and Fraud Types

The table below shows the types of fraud reported in the survey, the estimated number of cases reported during 2016/17 and an estimate of the total value of these fraud cases. The methodology used in the estimation is described in Appendix 2.

<b>Types of fraud</b>	<b>Fraud cases</b>	<b>Value</b>	<b>Average</b>
Council tax	57,136	£25.5m	£400
Housing	5,939	£263.4m	£44,300
Disabled parking concession (Blue Badge)	5,751	£4.3m	£800
Business rates	662	£7.0m	£10,600
Adult social care	446	£5.6m	£12,500
Insurance claims	371	£5.1m	£13,800
No recourse to public funds	342	£6.9m	£20,200
Mandate	325	£1.7m	£5,200
Schools (excluding transport)	258	£0.5m	£2,000
Payroll	248	£1.0m	£4,100
Pensions	228	£0.8m	£3,400
Procurement	197	£6.2m	£31,300
Debt	142	£0.3m	£2,400
Welfare assistance	103	£0.3m	£3,000
Expenses	75	£0.1m	£1,900
Children's social care	59	£0.8m	£13,800
Manipulation of data	57	na	na
Recruitment	46	£0.2m	£3,700
Economic and voluntary sector support	39	£1.5m	£38,800
School transport	19	£0.2m	£12,300
Investments	0	£0.0m	na
Other	2,768	£4.7m	£1,700
<b>Total</b>	<b>75,212</b>	<b>£336.2m</b>	<b>£4,500</b>

## Appendix 2: Research Methodology

This year's CFaCT results are based on responses from 133 English, Welsh and Scottish local authorities. With this response rate, we are able to calculate an estimated total volume and value of fraud for all local authorities in England, Wales and Scotland.

For all non-responding authorities, missing values are calculated according to the size of the authority. For each type of fraud, an appropriate measure of authority size applicable to that authority has been selected. For example, local authority housing stock is used as the basis for the estimation of housing frauds. From the responses, the number of cases per unit of the size measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value.

As an illustration, if the number of housing frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000, then the total estimated value of fraud for that authority is £1.0m. The figures that are presented in this report are estimated according to this methodology. The 2015/16 estimates have also been restated for the purpose of comparison.



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# Appendix 1: Counter Fraud and Corruption Strategy Action Plan

## Ongoing Activity:

Ref	Action Required	Responsibility	Update	Status
1	Prepare a counter fraud strategy which acknowledges fraud risks facing the council and sets overall counter fraud aims. The strategy should link together existing counter fraud related policies and set out actions required for developing counter fraud arrangements.	Chief Finance Officer (s151) / Veritau	The strategy, which was first introduced in 2016, is expected to be updated in 2019 when the Fighting Fraud Locally board issues a revised counter fraud strategy for local government.	Annual Review
2	Prepare an updated counter fraud policy to take account of the latest national guidance, and reflecting changes to the councils counter fraud arrangements following the transfer of benefit fraud investigation to the DWP.	Chief Finance Officer (s151) / Veritau	The council's Counter Fraud policy was approved by Full Council in September 2016. The policy has recently been reviewed and no further update is required at this point.  The Investigatory Powers Act is expected to be adopted into law in 2018/19 and may grant local authorities additional powers to gather telecommunications data. Also expected in the current financial year are joint working proposals from the DWP.	Annual Review

<b>Ref</b>	<b>Action Required</b>	<b>Responsibility</b>	<b>Update</b>	<b>Status</b>
			Both these factors may require an update to the Counter Fraud policy in the next year.	
3	Undertake a counter fraud risk assessment.	Chief Finance Officer (s151) / Veritau	An annual risk assessment has been presented to the O&S Committee since 2016. Appendix 3 of this report contains the 2018 update.	Annual Review
4	Participate in regional & local data matching and counter fraud exercises.	Veritau	<p>Data matching exercises are undertaken on a rolling basis. Recent focus has been on Council Tax related fraud which has resulted in 30 new investigations which will be investigated as resources allow.</p> <p>The council is participating in a business rates data matching exercise with the National Fraud Initiative (NFI) alongside regional partners.</p> <p>A proactive exercise looking at council tax evasion fraud at caravan sites has been successful. Further work is planned to be undertaken in this area.</p>	Ongoing
5	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	Chief Finance Officer (s151) / Veritau	Training is delivered on a rolling basis depending on priorities and emerging fraud risk.	Ongoing
6	Raise awareness of cyber security issues and promote	Chief Finance Officer (s151) /	Veritau, alongside the ICT department, promotes guidance and best practice	Ongoing

Ref	Action Required	Responsibility	Update	Status
	good practice.	Veritau	from the National Cyber Security Centre.	

## One Off and Developmental Activity:

Ref	Action Required	Target Date	Responsibility	Notes
1	Liaise with HR officers to incorporate general counter fraud awareness training into induction training for all new employees.	March 2019 (originally March 2017)	Veritau / Head of HR	Veritau have procured an online counter fraud training package and are currently looking at platforms available to best deliver this content to members of staff.
2	Consider whether counter fraud risk assessment can be integrated into service risk management arrangements, supported by counter fraud expertise.	October 2019	Chief Finance Officer (s151) / Veritau	Risk Management workshops with the leadership team are scheduled. Fraud risk will be considered for inclusion in service based risk registers.
3	Increase ability to detect procurement fraud.	March 2019	Chief Finance Officer (s151) / Veritau	The counter fraud team is exploring the use of the Competition and Markets Authority's cartel screening tool to detect fraud within council procurement exercises. There are some technical issues to overcome to load the software onto council systems. Once resolved, Veritau will liaise with the relevant departments to develop use of the tool.

<b>Ref</b>	<b>Action Required</b>	<b>Target Date</b>	<b>Responsibility</b>	<b>Notes</b>
4	Monitor Money Laundering guidance.	March 2019	Chief Finance Officer (s151) / Veritau	New Money Laundering Regulations were issued by Government in 2017. It is not clear whether these changes will impact council practices. Veritau will look for any local authority guidance on these new regulations which may require changes to council policy.

## Completed Activities:

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<b>Ref</b>	<b>Action Required</b>	<b>Target Date</b>	<b>Responsibility</b>	<b>Update</b>
1	Prepare an anti-money laundering (AML) policy.	July 2016	Chief Finance Officer (s151) / Veritau	An updated policy was presented to the O&S Committee in July 2016 for comment. The policy was subsequently approved by Full Council in September 2016.
2	Undertake a publicity campaign to raise awareness of the counter fraud strategy and policy, internally within the council.	September 2016	Veritau	Training on the council's counter fraud policy and strategy has formed part of fraud awareness training delivered to members of staff over a number of years.
3	Introduce regular reporting to Overview and Scrutiny committee on counter fraud	September 2016	Chief Finance Officer (s151) / Veritau	Regular reporting to the committee on fraud activity was introduced in 2016. Four progress reports and one annual policy review are

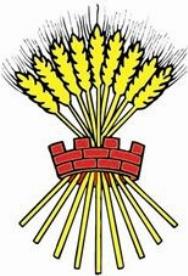
<b>Ref</b>	<b>Action Required</b>	<b>Target Date</b>	<b>Responsibility</b>	<b>Update</b>
	activity.			produced for the committee annually.
4	Review wider governance and other policies (eg employee related policies, gifts, interests, financial regulations) to ensure they: <ul style="list-style-type: none"> <li>• cover all required areas (eg anti-bribery)</li> <li>• are consistent with the counter fraud strategy and policy.</li> </ul>	March 2017	Chief Finance Officer (s151) / Veritau	Council policies are regularly reviewed in the course of Internal Audit work. Reviews to date have not highlighted any potential weaknesses.
5	Launch and promote regional fraud hotline.	September 2017	Veritau	A new 0800 regional fraud hotline number was introduced in 2017. Promotional material was released as part of annual billing in 2018.
6	Review council recruitment processes.	March 2018	Veritau / Head of HR	A review of recruitment processes was completed in 2017/18 and found to be robust.

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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*Photograph by rjbphotographic.co.uk*



## **Statement of Accounts 2017/18**

**Ryedale District Council**

*Continuing to do what matters for Ryedale*

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## 1. Introduction

The Narrative Report provides a concise explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.

## 2. Explanation of the Financial Statements

The Council's accounts for the year ended 31 March 2018 are set out on pages 10 to 86. They have been compiled using the *Code of Practice on Local Authority Accounting in the UK 2017/18* (the Code). A summary of the statements in the accounts and an explanation of their purpose is highlighted below:

- the ***Statement of Responsibilities for the Accounts*** - sets out the respective responsibilities of the Authority and the Chief Financial Officer.
- the ***Expenditure & Funding Analysis*** - the objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers how the funding available to the Authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- the ***Comprehensive Income and Expenditure Statement*** - this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The Cost of Services on the face of the Comprehensive Income and Expenditure Statement is analysed on the basis of the organisational structure under which the Authority operates and manages its services.
- the ***Movement in Reserves Statement*** – this statement shows the movement from the start of the year to the end on the different reserves held by the Authority analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. This statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.
- the ***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'.

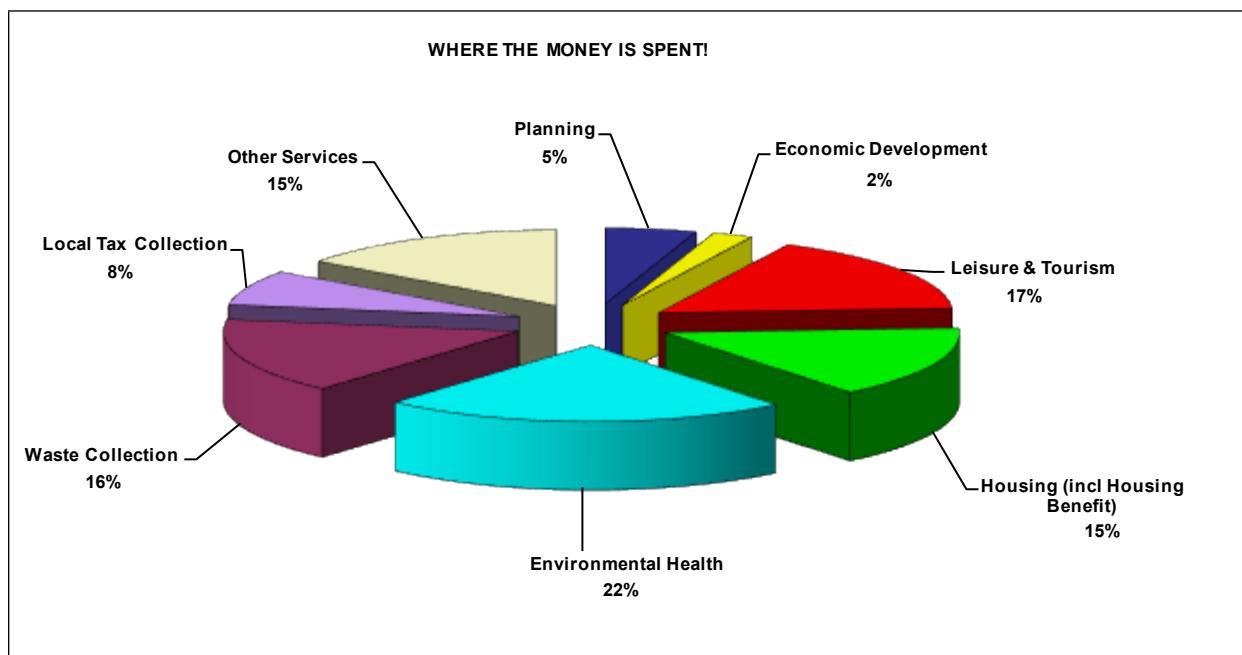
- the **Cash Flow Statement** - which shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount 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.

### **Supplementary Statements:**

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

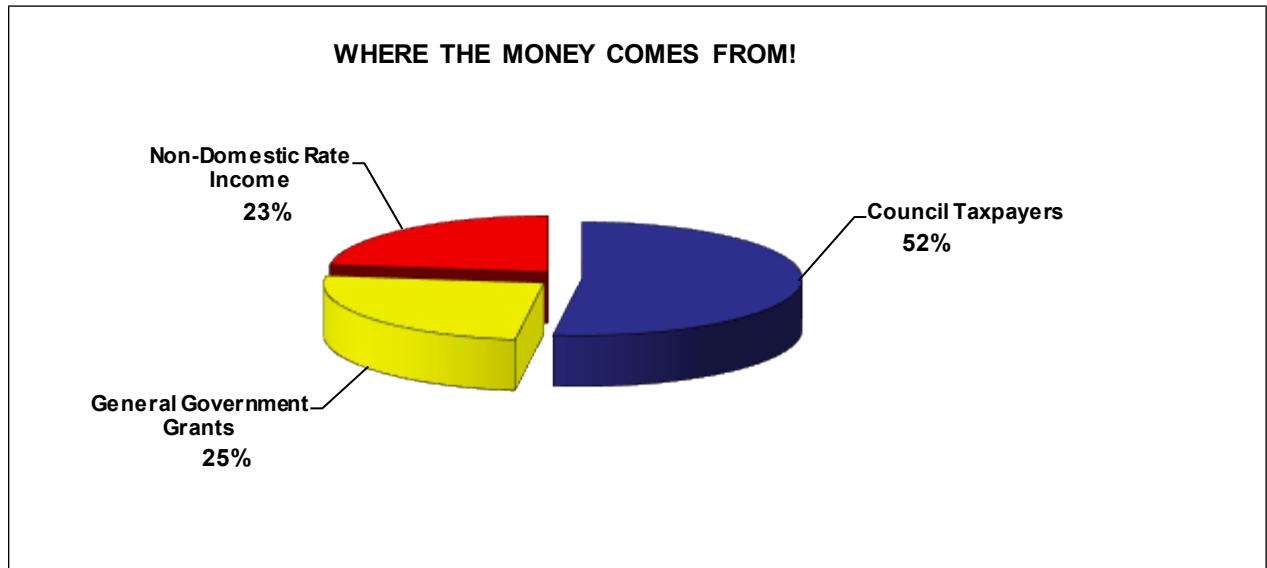
### **3. General Fund Revenue Expenditure in 2017/18**

The net cost of the Authority's revenue activities was £5.128m, 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 90 and 91 of this document.

After adjusting for the payment of parish precepts of £0.887m, the receipt of investment income (£0.085m) and the net debit from appropriations £3.408m the amount met from Taxation and Non-Specific Grant Income was £9.338m, which is funded as follows:



The above chart shows that, of the funding to meet the Authority's net revenue expenditure, around 52% (£4.864m) was provided by the Council Taxpayers, an additional 23% (£2.142m) from the Authority's share of Non-Domestic Rates from the Business Rates Retention Scheme, some 25% (£2.332m) from non-ringfenced general government grants such as the Revenue Support Grant.

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

The main components of the revenue budget for 2017/18 and how these compared with the actual expenditure are set out below:

	Original Budget £000	Actual £000	Difference £000
<b>Net Cost of Services</b>	<b>6,837</b>	<b>5,128</b>	<b>(1,709)</b>
<b>Other Operating Expenditure:</b>			
Precepts paid to Parish Councils	887	887	-
Capital Receipts unattached to non current assets	-	-	-
(Gains) / Losses on disposal of non current assets	-	-	-
	<b>887</b>	<b>887</b>	<b>-</b>
<b>Financing and Investment Income &amp; Expenditure</b>			
Interest Payable	102	78	(24)
Pensions interest cost & expected return on pension assets	650	488	(162)
Income from Investments	(65)	(85)	(20)
Income and expenditure in relation to investment properties	(18)	(154)	(136)
	<b>669</b>	<b>327</b>	<b>(342)</b>
<b>Taxation &amp; Non Specific Grant Income</b>			
Council Precept	(4,846)	(4,846)	-
Collection Fund Surplus	(45)	(18)	27
Retained Business Rates	(1,775)	(2,142)	(367)
Revenue Support Grant	(379)	(379)	-
Other General Government Grants	(1,904)	(1,953)	(49)
	<b>(8,949)</b>	<b>(9,338)</b>	<b>(389)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(556)</b>	<b>(2,996)</b>	<b>(2,440)</b>
(Surplus) / Deficit on revaluation of property, plant & equipment assets	-	(220)	(220)
(Surplus) / Deficit on revaluation of available for sale financial assets	-	-	-
Actuarial (gains) / losses on Pensions assets / liabilities	-	(2,750)	(2,750)
<b>Total Comprehensive Income and Expenditure</b>	<b>(556)</b>	<b>(5,966)</b>	<b>(5,410)</b>
Adjustments between accounting basis and funding basis under regulations - transfers to (+) or from (-) unusable reserves	(672)	1,850	2,522
Contributions to (+) or from (-) earmarked reserves	1,228	4,116	2,888
<b>Increase/Decrease in General Fund Balance for Year</b>	<b>-</b>	<b>-</b>	<b>-</b>

In overall terms, the Council achieved a surplus of £2.088m for the financial year when comparing budgeted (planned) expenditure with actual expenditure. The surplus for the year has been allocated to the Council's General Reserve.

Supplementary information regarding the actual Net Cost of Services is shown at the end of this document on pages 90 and 91.

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

#### **5. Reserves**

The balance of General Fund Earmarked Reserves during 2017/18 has increased by £4.116m from £8.692m to £12.808m at 31 March 2018.

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

- £321k was transferred from the New Homes Bonus Reserve to the Capital Fund earmarked towards the Milton Rooms redevelopment project.

- £289k was transferred from the Operational Reserve to the Capital Fund following a decision on the use of the Community Housing Fund Grant.

Major drawings were limited to a sum of £0.114m from the Capital Fund to finance the Capital Programme.

Major contributions to reserves and balances included the transfer of £0.372m into the Capital Fund to finance the capital programme, the transfer of £1.200m into the New Homes Bonus Reserve, the transfer of £0.270m into the Collection Fund Equalisation Reserve to cover the deficit on the collection fund which will be recognised in future years and £2.088m into the General Reserve.

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

## 6. **Pension Liability**

The Authority participates in the Local Government Pension Scheme, administered by North Yorkshire County Council. The Pension Liability shown in the Balance Sheet decreased from £19.767m as at 31 March 2017 to £17.071m as at 31 March 2018. This decrease of £2.696m is matched by a decrease in the level of the Pension Reserve and does not represent a decrease in the Authority's cash reserves or impact on the council tax.

## 7. **Capital Expenditure**

The original capital budget for the financial year 2017/18 totalled £0.957m. As 2017/18 progressed, the initial plans were revised to incorporate expenditure re-profiled from the previous year. This in turn has led to the re-profiling of planned financing. The re-profiling of expenditure resulted in an increase of £1.592m and a revised budget of £2.549m.

The total amount invested in the capital programme for 2017/18 was £853k, of which £689k was invested in Housing Grants and Loans.

Under spends included Housing Grants and Loans (£210k), Property Condition Survey (£436k), slippage on the Assembly Rooms and Milton Rooms Preservation Works (£155k) and IT Infrastructure Strategy (£152k).

Of the £853k capital expenditure incurred some £87k was funded through capital receipts, £114k from the Capital Fund with a further £652k being financed by external grants and contributions.

The variance between the forecast capital expenditure and the final outturn for the year was an under spend of £1.696m. This variance will need re-profiling into 2018/19 along with associated financing. Therefore this does not present any financial issues for the Council.

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
The table below summarises the approved resources available for the 2018/19 Capital Programme and the indicative programme to 2021/22. This level of resources ensure that overall planned spending and funding are in balance.				
<i>No revenue consequences</i>				
Capital receipts	543	30	30	30
Grants and Contributions	785	496	496	496
Council Resources	688	265	285	285
<b>Total</b>	<b>2,016</b>	<b>791</b>	<b>811</b>	<b>811</b>
<i>With revenue consequences</i>				
Prudential Borrowing	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>2,016</b>	<b>791</b>	<b>811</b>	<b>811</b>

## 8. Changes in Accounting Policy

There were no significant changes to Accounting Policy in 2017/18.

## 9. Non Adjusting Events after the Reporting Date

On the 23rd June 2016 the UK voted to leave the European Union. The full impact of this is unknown and inevitably the country is now in a period of uncertainty.

## 10. Sustainability

Sustainability in Procurement is the process of purchasing goods and services which takes into account the wider outcomes whether these are social, economic or environmental impact that such purchasing has on people and communities whilst still achieving value for money. This generally means improving the efficiency of public procurement, by optimising public market power to bring about major environmental and social benefits locally and globally.

Ryedale District Council is addressing this through:

- Embedding sustainability within the procurement process including whole life costing
- Raising awareness within the authority
- Embedding of the considerations contained within the Public Services (Social Value) Act 2012

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

- a) how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and
- b) how, in conducting the process of procurement, it might act with a view to securing that improvement"

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

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

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

A number of initiatives have been introduced to reduce greenhouse gas emissions from Council owned buildings, as well as in transportation including LED lighting and efficient gas fired boilers, resulting in lower CO<sub>2</sub> emissions from reduced energy use.

Operational vehicle mileage has reduced as adjustments to waste collection rounds have been made, particularly with the changes to the garden waste service with a reduced level of households since charges were implemented (46% participation rate) plus Staff and Councillor mileage has reduced significantly over the last few years as employee numbers have decreased as part of ongoing transformational efficiencies programmes to rationalise and cutting out “waste” from back office processes. Additionally, all replacement vehicles benefit from the technological advances in reducing vehicle emissions such as Euro 6 technology. Our vehicles are going further on every litres of diesel that we use compared to previous years.

Other initiatives include recycling redundant wheelie bins and every effort is made to source second hand reconditioned parts for vehicles where feasible.

Changes to the waste collection service are on-going using route optimisation software to streamline collection rounds, leading to time saving, fewer road miles and reduced fuel use.

#### **11. Medium Term Financial Plan for 2017/18 to 2021/22**

In preparing the Medium Term Financial Plan (MTFP) for 2017/18 to 2021/22, the aim was to align to the objectives set out in the Council Plan. The MTFP was approved at Council on 21 February 2017 and it set the framework to enable the Council to determine an appropriate course of action to address the significant financial challenges.

The revenue budget reductions included in the MTFP highlighted that the Council would have to continue to significantly reconfigure its future business and organisational arrangements in order to provide value for money public services.

The major influences on the budget going forward into 2018/19 and beyond are the continued anticipated reductions in Government support, including the outcome of the Fair Funding Review, which has been linked to a likely Business Rates baseline reset and the continued financial impact of the changes announced to the New Homes Bonus, coupled with expenditure pressures including pay and price inflation.

The Medium Term Financial Plan will be revisited and will elaborate further on how the Council expects to deliver future savings to tackle the projected deficits over the period 2019/20 to 2021/22. If no action is taken, the deficit by 2021/22 is currently forecast to be £600k. Closing the gap is likely to happen through a combination of a range of measures that are currently being appraised through the Council's transformation programme "Towards 2020". The future impact of the United Kingdom's decision to leave the European Union will be included in these local level considerations as and when it becomes known.

## 12. Further Information

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

## **The Authority's Responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer (s151);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statements of Accounts.

## **The Chief Finance Officer (s151)'s Responsibilities**

The Chief Finance Officer (s151) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer (s151) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities, through the use of Veritau North Yorkshire Ltd;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Certification of the Accounts**

I certify that the Statement of Accounts presents a true and fair view of the financial position of Ryedale District Council as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Signed: ..... Dated: ..... 30 May 2018  
Anton Hodge CPFA  
Chief Finance Officer (s151)

## **Approval of the Accounts**

This Statement of Accounts was approved by the Policy and Resources Committee on 26 July 2018.

Signed: ..... Dated: ..... 26 July 2018  
Cllr. L Ives  
Chairman of Policy & Resources Committee

2016/17			2017/18		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
660	50	710	<b>Policy and Resources Committee</b>		
713	220	933	Central Services to the Public	590	69
2,093	465	2,558	Cultural and Related Services	671	189
945	87	1,032	Environmental and Regulatory Services	1,606	356
(560)	46	(514)	Planning Services	251	121
220	98	318	Highways and Transport Services	(598)	47
1,209	52	1,261	Housing Services	554	225
861	(524)	337	Corporate and Democratic Core	1,000	71
			Other Corporate and Non Distributed Costs	318	(342)
6,141	494	6,635	<b>NET COST OF SERVICES</b>	4,392	736
(8,924)	692	(8,232)	Other Income and Expenditure	(8,508)	384
(2,783)	1,186	(1,597)	<b>(SURPLUS) OR DEFICIT</b>	(4,116)	1,120
(5,909)			<b>OPENING GENERAL FUND BALANCE</b>	(8,692)	
(2,783)			(Surplus) or Deficit on General Fund Balance in Year	(4,116)	
(8,692)			<b>CLOSING GENERAL FUND BALANCE</b>	(12,808)	

2016/17			2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,053	343	710	<b>Policy and Resources Committee</b>		
963	30	933	Central Services to the Public	987	328
4,663	2,105	2,558	Cultural and Related Services	881	21
1,795	763	1,032	Environmental and Regulatory Services	4,180	2,218
362	876	(514)	Planning Services	1,512	1,140
12,660	12,342	318	Highways and Transport Services	284	835
1,335	74	1,261	Housing Services	11,413	(551)
340	3	337	Corporate and Democratic Core	1,139	10,634
			Other Corporate and Non Distributed Costs	(24)	779
					1,071
					(24)
23,171	16,536	6,635	<b>COST OF SERVICES</b>	20,372	15,244
					5,128
814	19	795		887	887
897	295	602		723	327
-	-	-		-	-
5,357	14,986	(9,629)	Taxation and Non-Specific Grant Income (Note 13)	5,616	14,954
					(9,338)
			<b>(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>		(2,996)
			(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets		(220)
			Impairment Losses on Non Current Assets Charged to the Revaluation Reserve		-
			(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets		-
			Actuarial (Gains) / Losses on Pension Assets / Liabilities		(2,750)
			<b>OTHER COMPREHENSIVE INCOME &amp; EXPENDITURE</b>		(2,970)
			<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>		(5,966)

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance as at 31 March 2016</b>	<b>5,909</b>	<b>285</b>	<b>-</b>	<b>6,194</b>	<b>(2,245)</b>	<b>3,949</b>
<b><u>Movement in reserves during 2016/17 Restated</u></b>						
Total Comprehensive Income and Expenditure	1,597	-	-	1,597	362	1,959
Adjustments between accounting basis & funding basis under regulations (note 9)	1,186	(64)	96	1,218	(1,218)	-
<b>Increase / Decrease in 2016/17</b>	<b>2,783</b>	<b>(64)</b>	<b>96</b>	<b>2,815</b>	<b>(856)</b>	<b>1,959</b>
<b>Balance as at 31 March 2017</b>	<b>8,692</b>	<b>221</b>	<b>96</b>	<b>9,009</b>	<b>(3,101)</b>	<b>5,908</b>
<b><u>Movement in reserves during 2017/18</u></b>						
Total Comprehensive Income and Expenditure	2,996	-	-	2,996	2,970	5,966
Adjustments between accounting basis & funding basis under regulations (note 9)	1,120	187	(6)	1,301	(1,301)	-
<b>Increase / Decrease in 2017/18</b>	<b>4,116</b>	<b>187</b>	<b>(6)</b>	<b>4,297</b>	<b>1,669</b>	<b>5,966</b>
<b>Balance as at 31 March 2018</b>	<b>12,808</b>	<b>408</b>	<b>90</b>	<b>13,306</b>	<b>(1,432)</b>	<b>11,874</b>

31 March 2017 £000		31 March 2018 £000	Notes Ref.
16,535	Property Plant & Equipment	16,393	<u>14</u>
-	Heritage Assets	-	<u>15</u>
2,263	Investment Property	2,015	<u>16</u>
65	Intangible Assets	94	<u>17</u>
-	Assets Held for Sale	-	<u>23</u>
-	Long Term Investments	-	<u>18</u>
340	Long Term Debtors	457	<u>18</u>
19,203	<b>Long Term Assets</b>	18,959	
16,013	Short Term Investments	17,115	<u>18</u>
10	Assets Held for Sale	-	<u>23</u>
49	Inventories	47	<u>19</u>
961	Short Term Debtors	930	<u>21</u>
347	Cash and Cash Equivalents	2,753	<u>22</u>
17,380	<b>Current Assets</b>	20,845	
-	Cash and Cash Equivalents	-	<u>22</u>
(22)	Short Term Borrowing	(21)	<u>18</u>
(4,899)	Short Term Creditors	(4,406)	<u>24</u>
(144)	Other Short Term Liabilities	(148)	<u>18</u>
(742)	Provisions	(1,169)	<u>25</u>
-	Liabilities in Disposal Groups	-	
(9)	Revenue Grants Receipts in Advance	(9)	<u>34</u>
(5,816)	<b>Current Liabilities</b>	(5,753)	
(3,033)	Long Term Creditors	(3,234)	<u>18</u>
-	Provisions	-	<u>25</u>
(1,671)	Long Term Borrowing	(1,632)	<u>18</u>
(19,767)	Liability Related to Defined Pension Scheme	(17,071)	<u>40</u>
(388)	Other Long Term Liabilities	(240)	<u>18</u>
-	Donated Assets Account	-	<u>34</u>
-	Capital Grants Received in Advance	-	<u>34</u>
(24,859)	<b>Long Term Liabilities</b>	(22,177)	
5,908	<b>Net Assets / (Liabilities)</b>	11,874	
9,009	Usable Reserves	13,306	<u>26</u>
(3,101)	Unusable Reserves	(1,432)	<u>27</u>
5,908	<b>Total Reserves</b>	11,874	

**Chief Finance Officers Certificate:**

I certify that the above Balance Sheet, fairly states the financial position of the Authority as at 31 March 2018

Signed:

Anton Hodge CPFA  
Chief Finance Officer (s151)

Dated: 30 May 2018

2016/17 £000		2017/18 £000
1,597	Net surplus or (deficit) on the provision of services	2,996
3,947	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 28a)	1,330
(523)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28b)	(1,006)
5,021	Net cash flows from Operating Activities	3,320
(4,044)	Net cash flows from Investing Activities (Note 29)	(257)
(701)	Net cash flows from Financing Activities (Note 30)	(657)
276	Net increase or (decrease) in cash and cash equivalents	2,406
71	Cash and cash equivalents at the beginning of the reporting period	347
<b>347</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 22)</b>	<b>2,753</b>

## 1. ACCOUNTING POLICIES

### i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Authority is required to prepare an annual Statement of Accounts, in accordance with proper accounting practices, by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18, 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. Council Tax and Non-Domestic Rates**

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

## Accounting for Council Tax and NDR

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

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

### viii. Employee Benefits

#### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

#### Post Employment Benefits

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

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

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

- The liabilities of the North Yorkshire pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the North Yorkshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – current bid price;
  - property – market value.
- The change in the net pensions liability is analysed into the following components:
  - Service Cost Comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - net interest cost on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising :
    - the return on plan assets – excluding amounts included in net interest on the net defined liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - contributions paid to the North Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

### **ix. Events After the Reporting Period**

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

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

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

### **x. Financial Instruments**

#### **Financial Liabilities**

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

#### **Financial Assets**

Financial assets 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 2 loans to local businesses. 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 2017/18 the Authority did not enter into any financial instrument transactions.

#### **xii. 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.

#### **xii. Government Grants and Contributions**

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Income (non-ringfenced revenue grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **Community Infrastructure Levy**

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

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

**xiii. Heritage Assets**

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

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

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

**xiv. Intangible Assets**

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**xv. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

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

**xvi. Investment Property**

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain to the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### xvii. Leases

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

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

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

##### **The Authority as Lessee**

###### **Finance Leases**

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

Lease payments are apportioned between:

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

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

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting

transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments, e.g. there is a rent-free period at the commencement of the lease.

### The Authority as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against council tax, as the cost of 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.

### **xviii. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2017/18 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### **xix. Property, Plant and Equipment**

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

#### **Recognition**

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

#### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been

made conditionally. Until conditions are satisfied the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account and in the Movement in Reserves Statement.

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

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

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

### **Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party e.g. from an insurance claim, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

#### **xxi. Reserves**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

#### **xxii. Revenue Expenditure Funded from Capital under Statute**

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

#### **xxiii. VAT**

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

#### **xxiv. Fair Value Measurement**

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of new or amended standards within the 2018/19 Code and there is therefore no impact on the 2017/18 Statement of Accounts.

IFRS 9 Financial Instruments (implementation from 1 April 2018) - This standard will prescribe revised methods for classifying financial instrument assets, valuing these instruments and the point at which impairment losses should be recognised by the Authority.

IFRS 15 Revenue Recognition from Contracts with Customers (implementation from 1 April 2018) - This standard clarifies the point in time when an organisation should recognise revenue based on the transfer of goods or services to a customer and in an amount which reflects the expected consideration.

IFRS 16 Leases (implementation from 1 April 2019) - This standard will update and expand the definition of a lease, to reflect the fact that a lease is a contract which conveys to the customer the right to use an asset for a period of time in exchange for consideration. The potential of this accounting change may be that all lease assets and liabilities will need to be recognised on the balance sheet at the present value of the annualised lease payments.

## **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 2018 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 £1.370m.
Arrears	At 31 March 2018, the Authority had a balance for short term debtors of £1.974 m. A review of significant balances suggested that an impairment of doubtful debts of 19.9% (£392k) 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 £392k to be set aside as an allowance.

**5. MATERIAL ITEMS OF INCOME AND EXPENSES**

There are no material items of income and expenditure in 2017/18 that warrant separate disclosure.

**6. EVENTS AFTER THE REPORTING PERIOD**

Under IAS 10 the Authority is required to disclose the date that the financial statements are authorised for issue. This confirms the date after which events will not have been recognised in the Statement of Accounts. The Statement of Accounts was issued by the responsible financial officer, Anton Hodge Chief Finance Officer (s151) on 31 May 2018.

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

## 7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

### Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2017/18			
	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Policy and Resources Committee</b>	14	54	1	69
	172	17	-	189
	111	243	2	356
	26	93	2	121
	43	4	-	47
	122	101	2	225
	21	48	2	71
	-	(342)	-	(342)
<b>Net Cost of Services</b>	509	218	9	736
Other Income and Expenditure from the Expenditure and Funding Analysis	(401)	488	297	384
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	108	706	306	1,120

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2016/17			
	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Policy and Resources Committee</b>	12	43	(5)	50
	211	11	(2)	220
	302	176	(13)	465
	28	70	(11)	87
	43	4	(1)	46
	33	71	(6)	98
	18	41	(7)	52
	-	(524)	-	(524)
<b>Net Cost of Services</b>	647	(108)	(45)	494
Other Income and Expenditure from the Expenditure and Funding Analysis	(187)	617	262	692
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	460	509	217	1,186

## **8. EXPENDITURE AND INCOME ANALYSED BY NATURE**

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

<b>Expenditure/Income</b>	<b>2017/18 £000</b>	<b>2016/17 £000</b>
<b>Expenditure</b>		
Employee benefits expenses	4,641	5,468
Other service expenses	13,654	15,208
Support service recharges	1,779	1,980
Depreciation, amortisation and impairment	298	515
Interest payments	566	696
Precepts and levies	887	814
Gain or loss on disposal of non-current assets	-	-
Capital receipts unattached to non-current assets	-	(19)
<b>Total Expenditure</b>	<b>21,825</b>	<b>24,662</b>
<b>Income</b>		
Fees, charges and other service income	5,131	4,532
Interest and investment income	239	94
Income from council tax and non-domestic rates	7,006	6,547
Government grants and contributions	12,445	15,086
<b>Total Income</b>	<b>24,821</b>	<b>26,259</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(2,996)</b>	<b>(1,597)</b>

## **9. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

**2017/18 Adjustments**

<b>2017/18</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	396	-	-	(396)
Revaluation losses on Property Plant and Equipment	-	-	-	-
Movements in the fair value of investment properties	(112)	-	-	112
Amortisation of intangible assets	24	-	-	(24)
Capital grants and contributions applied	(646)	-	-	646
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	740	-	-	(740)
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	360	-	-	(360)
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(179)	-	-	179
Capital expenditure charged against the General Fund	(114)	-	-	114
<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	-	-	(6)	6
<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	(230)	230	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(87)	-	87
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	-	4	-	(4)
Capital receipts unattached to non-current assets	-	-	-	-
Repayment of principal on loans	-	40	-	(40)
<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	(130)	-	-	130
<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)	1,864	-	-	(1,864)
Employers pensions contributions and direct payments to pensioners payable in the year	(1,158)	-	-	1,158
<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	296	-	-	(296)
<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	9	-	-	(9)
<b>Total Adjustments</b>	<b>1,120</b>	<b>187</b>	<b>(6)</b>	<b>(1,301)</b>

## 2016/17 Comparative Figures

2016/17	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	614	-	-	(614)
Revaluation losses on Property Plant and Equipment	-	-	-	-
Movements in the fair value of investment properties	43	-	-	(43)
Amortisation of intangible assets	18	-	-	(18)
Capital grants and contributions applied	(312)	-	-	312
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	426	-	-	(426)
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	96	-	-	(96)
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(174)	-	-	174
Capital expenditure charged against the General Fund	(41)	-	-	41
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(96)	-	96	-
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	(96)	96	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(185)	-	185
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	(19)	19	-	-
Repayment of principal on loans	-	6	-	(6)
<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)	2,059	-	-	(2,059)
Employers pensions contributions and direct payments to pensioners payable in the year	(1,550)	-	-	1,550
<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	264	-	-	(264)
<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	(46)	-	-	46
<b>Total Adjustments</b>	<b>1,186</b>	<b>(64)</b>	<b>96</b>	<b>(1,218)</b>

## **10. TRANSFERS TO/FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18.

	Balance At 31/03/16 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance At 31/03/17 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance At 31/03/18 £000
General Reserve	547	(150)	931	1,328	(85)	2,088	3,331
Capital Fund	1,840	(41)	400	2,199	(627)	1,357	2,929
Collection Fund Equalisation Reserve	81	-	155	236	-	270	506
Ryedale Developm't Fund	102	(7)	-	95	(1)	-	94
Election Reserve	21	-	20	41	-	20	61
Council Tax Hardship Fund	12	-	6	18	-	6	24
New Homes Bonus Reserve	1,636	(958)	1,711	2,389	(404)	1,713	3,698
Grants Reserve	152	-	12	164	(1)	-	163
IT Fund	100	(11)	8	97	(8)	6	95
ICE Fund	621	(185)	330	766	(9)	50	807
Local Developm't Framework Reserve	50	-	-	50	-	-	50
Operational Reserve	358	(24)	536	870	(334)	112	648
Restructure Reserve	389	(778)	828	439	(37)	-	402
<b>Total</b>	<b>5,909</b>	<b>(2,154)</b>	<b>4,937</b>	<b>8,692</b>	<b>(1,506)</b>	<b>5,622</b>	<b>12,808</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.

## **11. OTHER OPERATING EXPENDITURE**

2016/17 £000		2017/18 £000
814	Parish council precepts	887
-	Payments to the Government Housing Capital Receipts Pool	-
-	(Gains)/losses on the disposal of non-current assets	-
(19)	Capital receipts unattached to non-current assets	-
795	Total	887

## **12. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

2016/17 £000		2017/18 £000
79	Interest payable and similar charges	78
617	Pensions net interest on the net defined benefit liability/(asset)	488
(90)	Interest receivable and similar income	(85)
(4)	Income and expenditure in relation to investment properties and changes in their fair value	(154)
602	Total	327

## **13. TAXATION AND NON SPECIFIC GRANT INCOME**

2016/17 £000		2017/18 £000
(4,655)	Council tax income	(4,864)
(1,892)	Non domestic rates income and expenditure	(2,142)
(3,082)	Non-ringfenced government grants	(2,332)
-	Capital grants and contributions	-
(9,629)	Total	(9,338)

## **14. PROPERTY, PLANT AND EQUIPMENT**

### **Movements on Balance Sheet**

Movements in 2017/18

	Other Land & Buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community Assets £000	Surplus assets £000	Assets under construction £000	Total property, plant & equipment £000
<b>Cost or Valuation</b>							
At 1 April 2017	<b>15,435</b>	<b>4,682</b>	-	<b>511</b>	<b>652</b>	-	<b>21,280</b>
Additions	12	11	-	-	1	-	24
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	162	-	-	-	3	-	165
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	112	-	-	-	10	-	122
Derecognition – disposals	-	(651)	-	-	-	-	(651)
Derecognition – other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	10	-	10
Other movements in cost or valuation	-	-	-	-	-	-	-
<b>At 31 March 2018</b>	<b>15,721</b>	<b>4,042</b>	-	<b>511</b>	<b>676</b>	-	<b>20,950</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2017	<b>736</b>	<b>3,994</b>	-	-	<b>15</b>	-	<b>4,745</b>
Depreciation charge	336	210	-	-	6	-	552
Depreciation written out to the Revaluation Reserve	(55)	-	-	-	-	-	(55)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(33)	-	-	-	-	-	(33)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition – disposals	-	(652)	-	-	-	-	(652)
Derecognition – other	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2018</b>	<b>984</b>	<b>3,552</b>	-	-	<b>21</b>	-	<b>4,557</b>
<b>Net Book Value</b>							
<b>At 31 March 2018</b>	<b>14,737</b>	<b>490</b>	-	<b>511</b>	<b>655</b>	-	<b>16,393</b>
<b>At 31 March 2017</b>	<b>14,699</b>	<b>688</b>	-	<b>511</b>	<b>637</b>	-	<b>16,535</b>
Owned asset as at 31 March 2018	14,737	108	-	511	655	-	16,011
Asset acquired under finance lease as at 31 March 2018	-	382	-	-	-	-	382
<b>Total</b>	<b>14,737</b>	<b>490</b>	-	<b>511</b>	<b>655</b>	-	<b>16,393</b>

## Comparative Movements in 2016/17

	Other Land & Buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community Assets £000	Surplus assets £000	Assets under construction £000	Total property, plant & equipment £000
<b>Cost or Valuation</b>							
At 1 April 2016	<b>14,165</b>	<b>4,587</b>	-	<b>511</b>	<b>656</b>	-	<b>19,919</b>
Additions	(8)	95	-	-	-	-	87
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,278	-	-	-	(4)	-	1274
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>15,435</b>	<b>4,682</b>	-	<b>511</b>	<b>652</b>	-	<b>21,280</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2016	<b>462</b>	<b>3,710</b>	-	-	<b>10</b>	-	<b>4,182</b>
Depreciation charge	325	284	-	-	5	-	614
Depreciation written out to the Revaluation Reserve	(51)	-	-	-	-	-	(51)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>736</b>	<b>3,994</b>	-	-	<b>15</b>	-	<b>4,745</b>
<b>Net Book Value</b>							
<b>At 31 March 2017</b>	<b>14,699</b>	<b>688</b>	-	<b>511</b>	<b>637</b>	-	<b>16,535</b>
<b>At 31 March 2016</b>	<b>13,703</b>	<b>877</b>	-	<b>511</b>	<b>646</b>	-	<b>15,737</b>
Owned asset as at 31 March 2017	14,699	157	-	511	637	-	16,004
Asset acquired under finance lease as at 31 March 2017	-	531	-	-	-	-	531
<b>Total</b>	<b>14,699</b>	<b>688</b>	-	<b>511</b>	<b>637</b>	-	<b>16,535</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 2018 the Authority had not entered into any contracts for the construction or enhancement of Property Plant and Equipment. However the Authority had ordered three recycling vehicles valued at £643k which are due to be financed through an operating lease.

## Revaluations

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

All properties have been reviewed in 2017/18 by the City of York Council.

## **15. HERITAGE ASSETS**

In compliance with the 2017/18 Code, the Authority has reviewed its assets and concluded that there is no reclassification of assets to heritage assets to disclose in the accounts.

## **16. INVESTMENT PROPERTIES**

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

	2017/18 £000	2016/17 £000
Income from Investment Property	199	205
Net gain / (loss) from fair value adjustment	112	(43)
	311	162
Direct operating expenses arising from investment property	(157)	(158)
<b>Net gain / (loss)</b>	<b>154</b>	<b>4</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.

	2017/18 £000	2016/17 £000
<b>Balance at start of the year</b>	<b>2,263</b>	<b>2,306</b>
Additions	-	-
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	(360)	-
Net gains / (losses) from fair value adjustments	112	(43)
Transfers:	-	-
To/from inventories	-	-
To/from Property Plant and Equipment	-	-
Other changes	-	-
<b>Balance at end of the year</b>	<b>2,015</b>	<b>2,263</b>

#### Fair Value Hierarchy

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

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

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

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

#### Highest and Best Use

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

#### Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2017 by the City of York Council in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

### 17. INTANGIBLE ASSETS

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

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £23k charged to revenue in 2017/18 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:

	2017/18			2016/17		
	Internally Generated Assets £000	Other Asset Costs £000	Total £000	Internally Generated Assets £000	Other Asset Costs £000	Total £000
Balance at start of year:						
Gross carrying amounts	-	1,222	1,222	-	1,171	1,171
Accumulated amortisation	-	(1,157)	(1,157)	-	(1,139)	(1,139)
Net carrying amount at start of year	-	65	65	-	32	32
Additions:						
Internal development	-	-	-	-	-	-
Purchases	-	52	52	-	51	51
Acquired through business combinations	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
Other disposals	-	-	-	-	-	-
Revaluation increases or decreases	-	-	-	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised in the surplus/deficit on the Provision of Services	-	-	-	-	-	-
Reversal of amortisation on disposal	-	-	-	-	-	-
Amortisation for the period	-	(23)	(23)	-	(18)	(18)
Other changes	-	-	-	-	-	-
Net carrying amount at year end	-	94	94	-	65	65
Compromising:						
Gross carrying amounts	-	1,274	1,222	-	1,222	1,222
Accumulated amortisation	-	(1,180)	(1,180)	-	(1,157)	(1,157)
	-	94	94	-	65	65

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

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

## 18. FINANCIAL INSTRUMENTS

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

	Long-term		Current	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
<b>Investments</b>				
Loans and receivables	-	-	17,115	16,013
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
<b>Total Investments</b>	<b>-</b>	<b>-</b>	<b>17,115</b>	<b>16,013</b>
<b>Debtors</b>				
Loans and receivables	457	340	-	-
Financial assets carried at contract amounts	-	-	930	961
<b>Total Debtors</b>	<b>457</b>	<b>340</b>	<b>930</b>	<b>961</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(1,632)	(1,671)	(21)	(22)
Financial liabilities at fair value through profit and loss	-	-	-	-
<b>Total Borrowings</b>	<b>(1,632)</b>	<b>(1,671)</b>	<b>(21)</b>	<b>(22)</b>
<b>Other Liabilities</b>				
Finance lease liabilities	(240)	(388)	(148)	(144)
<b>Total Other Liabilities</b>	<b>(240)</b>	<b>(388)</b>	<b>(148)</b>	<b>(144)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	(3,234)	(3,033)	-	-
Financial liabilities carried at contract amount	-	-	(4,406)	(4,899)
<b>Total Creditors</b>	<b>(3,234)</b>	<b>(3,033)</b>	<b>(4,406)</b>	<b>(4,899)</b>

### Fair value of Assets and Liabilities

	Fair value		Historic cost	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Borrowings	(2,092)	(2,141)	(1,653)	(1,693)
Loans and receivables	17,115	16,090	17,115	16,013

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

The fair value of borrowings is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £2.092m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms

that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates. However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £1.653m would be valued at £2.092m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £2.535m.

## **19. INVENTORIES**

	Consumable Stores		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
<b>Balance outstanding at start of year</b>	<b>49</b>	<b>37</b>	-	-	-	-	<b>49</b>	<b>37</b>
Purchases	246	303	-	-	-	-	246	303
Recognised as an expense in the year	(248)	(290)	-	-	-	-	(248)	(290)
Written off balances	-	(1)	-	-	-	-	-	(1)
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>47</b>	<b>49</b>	-	-	-	-	<b>47</b>	<b>49</b>

## **20. CONSTRUCTION CONTRACTS**

As at the 31 March 2018 the Authority had no significant contracts in progress.

## **21. DEBTORS**

	31 March 2018 £000	31 March 2017 £000
Central government bodies	81	77
Other local authorities	207	259
NHS Bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	642	625
Total	930	961

## **22. CASH AND CASH EQUIVALENTS**

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

	31 March 2018 £000	31 March 2017 £000
Cash held by the Council	244	351
Bank current account	2,509	(4)
Special Interest Bearing Account	-	-
<b>Total Cash and Cash Equivalents</b>	<b>2,753</b>	<b>347</b>

**23. ASSETS HELD FOR SALE**

	Current		Non Current	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
<b>Balance outstanding at start of year</b>	<b>10</b>	<b>170</b>	-	-
Assets newly classified as held for sale:				
Property, Plant and equipment	-	-	-	-
Intangible Assets	-	-	-	-
Revaluation losses	-	(64)	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and equipment	(10)	-	-	-
Intangible Assets	-	-	-	-
Assets sold	-	(96)	-	-
Transfers from non-current to current	-	-	-	-
<b>Balance outstanding at year end</b>	<b>-</b>	<b>10</b>	-	-

**24. CREDITORS**

	31 March 2018 £000	31 March 2017 £000
Central government bodies	1,736	2,198
Other local authorities	1,364	1,563
NHS Bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,306	1,138
<b>Total</b>	<b>4,406</b>	<b>4,899</b>

**25. PROVISIONS**

2017/18	Business Rate Retention Appeals £000
Balance at 1 April 2017	742
Additional Provisions made in 2017/18	427
Amounts used in 2017/18	-
Unused amounts reversed in 2017/18	-
<b>Total</b>	<b>1,169</b>

2016/17	Business Rate Retention Appeals £000
Balance at 1 April 2016	643
Additional Provisions made in 2016/17	99
Amounts used in 2016/17	-
Unused amounts reversed in 2016/17	-
<b>Total</b>	<b>742</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 2013.

Ryedale District Council, as the business rates billing authority, acts as an agent on behalf Central Government, North Yorkshire County Council, North Yorkshire Fire & Rescue Service and themselves and are required to make a provision for any refunds that may become payable to ratepayers following successful appeals against the rateable value of their properties on the ratings list.

The Council retains a 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 2018.

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 2018.

## 26. USABLE RESERVES

31 March 2017 £000		31 March 2018 £000
8,692	Earmarked General Fund Reserves	12,808
221	Capital Receipts Reserve	408
96	Capital Grants Unapplied	90
<b>9,009</b>	<b>Total Usable Reserves</b>	<b>13,306</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 10, together with an explanation of the purpose of each reserve.

### **Capital Receipts Reserve**

2016/17 £000		2017/18 £000
285	<b>Balance at 1 April</b>	221
96	Receipts from disposal of non-current assets and held for sale assets	230
-	Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	4
25	Other receipts	40
406	Receipts used to finance capital expenditure	495
(185)		(87)
<b>221</b>	<b>Balance at 31 March</b>	<b>408</b>

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

### **Capital Grants Unapplied**

2016/17 £000		2017/18 £000
-	<b>Balance at 1 April</b>	96
96	Reversal of grants credited to the Comprehensive Income and Expenditure Statement but expenditure has not been incurred	-
96	Grants used to finance capital expenditure	96
-		(6)
<b>96</b>	<b>Balance at 31 March</b>	<b>90</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.

## 27. UNUSABLE RESERVES

31 March 2017 £000		31 March 2018 £000
5,142	Revaluation Reserve	5,283
-	Available for Sale Financial Instruments Reserve	-
11,771	Capital Adjustment Account	11,434
-	Financial Instruments Adjustment Account	-
-	Deferred Capital Receipts Reserve	126
(19,767)	Pensions Reserve	(17,723)
(179)	Collection Fund Adjustment Account	(475)
(68)	Accumulated Absences Account	(77)
<b>(3,101)</b>	<b>Total Unusable Reserves</b>	<b>(1,432)</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.

2016/17 £000		£000	2017/18 £000
3,924	<b>Balance at 1 April</b>		5,142
1,329	Upward revaluation of assets	220	
(39)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
1,290	Surplus or deficit on revaluation of non-current assets and held for sale assets not posted to the Surplus or Deficit on the Provision of Services		220
(72)	Difference between fair value depreciation and historical cost depreciation	(79)	
-	Accumulated gains on assets sold or scrapped	-	
(72)	Amount written off to the Capital Adjustment Account		(79)
<b>5,142</b>	<b>Balance at 31 March</b>		<b>5,283</b>

### 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 historical cost basis). The Account is credited

with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

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

2016/17 £000		£000	2017/18 £000
12,219	<b>Balance at 1 April</b> Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: <ul style="list-style-type: none"><li>• Charges for depreciation and impairment of non-current assets</li><li>• Revaluation losses on Property, Plant and Equipment</li><li>• Loss on revaluation of held for sale assets</li><li>• Reduction in Revaluation Reserve on disposal of held for sale assets</li><li>• Amortisation of Intangible Assets</li><li>• Amounts of non-current assets and held for sale assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement</li><li>• Revenue Expenditure Funded by Capital Under Statute</li></ul>	(396)	11,771
(614)		-	
-		-	
(64)		-	
35		-	
(18)		(24)	
(96)		(360)	
(426)		(740)	
(1,183)			(1,520)
72			79
11,108	Adjusting amounts written out of the Revaluation Reserve Net written out amount of the cost of non-current assets consumed in the year		10,330
185	Capital financing applied in the year: <ul style="list-style-type: none"><li>• Use of the capital receipts reserve to finance new capital expenditure</li><li>• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing</li><li>• Application of grants to capital financing from the Capital Grants Unapplied Account</li><li>• Statutory provision for the financing of capital investment charged against the General fund</li><li>• Capital expenditure charged against the General Fund</li></ul>	87	
312		646	
-		6	
174		179	
41		114	
712			1,032
(43)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		112
-	Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(6)	Movements in Long-term Debtors		(40)
11,771	<b>Balance at 31 March</b>		11,434

### 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.

2016/17 £000		2017/18 £000
(18,359)	<b>Balance at 1 April</b>	(19,767)
(899)	Re-measurements of the net defined benefit liability/(asset)	2,750
(2,059)	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	(1,864)
1,550	Employer's pensions contributions and direct payments to pensioners payable in the year	1,158
(19,767)	<b>Balance at 31 March</b>	(17,723)

### 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.

2016/17 £000		2017/18 £000
-	<b>Balance at 1 April</b>	-
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	130
-	Transfer to the Capital Receipts Reserve upon receipt of cash	(4)
-	<b>Balance at 31 March</b>	126

### 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.

2016/17 £000		2017/18 £000
85	<b>Balance at 1 April</b>	(179)
(264)	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	(296)
(179)	<b>Balance at 31 March</b>	(475)

### 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.

2016/17 £000		£000	2017/18 £000
(114)	<b>Balance at 1 April</b>		(68)
114	Settlement or cancellation of accrual made at the end of the preceding year	68	
(68)	Amount accrued at the end of the current year	(77)	
46	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		(9)
(68)	<b>Balance at 31 March</b>		(77)

## 28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2016/17 £000		2017/18 £000
614	Depreciation	551
-	Impairment and downward valuations	(155)
18	Amortisation	24
-	Increase / decrease in impairment for bad debts	-
2,462	Increase / decrease in creditors	150
118	Increase / decrease in debtors	29
(12)	Increase / decrease in inventories	2
509	Movement in pension liability	54
96	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	360
142	Other non-cash items charged to the net surplus or deficit on the provision of services	315
3,947		1,330

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

2016/17 £000		2017/18 £000
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	-
(115)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(360)
(408)	Any other items for which the cash effects are investing or financing cash flows	(646)
(523)		(1006)

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

2016/17 £000		2017/18 £000
89	Interest received	83
(79)	Interest paid	(79)
-	Dividends received	-

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

2016/17 £000		2017/18 £000
(151)	Purchase of property, plant and equipment, investment property and intangible assets	(46)
(33,700)	Purchase of short-term and long-term investments	(26,900)
(24)	Other payments for investing activities	(36)
115	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	234
29,300	Proceeds from short-term and long-term investments	25,800
416	Other receipts from investing activities	691
(4,044)	Net cash flows from investing activities	(257)

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

2016/17 £000		2017/18 £000
-	Cash receipts of short and long term borrowing	-
-	Other receipts from financing activities	-
(139)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(145)
(39)	Repayments of short and long-term borrowing	(39)
(523)	Other payments for financing activities	(473)
(701)	Net cash flows from financing activities	(657)

**31. MEMBERS ALLOWANCES**

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

	2017/18 £000	2016/17 £000
Allowances	125	127
Expenses	7	6
Total	132	133

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

### **32. OFFICERS REMUNERATION**

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

Job Title	Year	Salary, fees and allowances £	Bonuses £	Expenses allowances £	Compensation for loss of office £	Pension contribution £	Total £	Note
Chief Executive	2017/18	49,432	-	2,554	-	9,244	61,230	A
	2016/17	105,505	-	5,505	-	15,193	126,203	
Corporate Director	2017/18	-	-	-	-	-	-	B
	2016/17	36,057	-	482	-	5,192	41,731	C
Deputy Chief Executive	2017/18	79,450	-	963	-	14,857	95,270	D
	2016/17	-	-	-	-	-	-	
Delivery & Frontline Services Lead Head of Env, Streetscene & Facilities	2017/18	53,659	-	963	-	10,148	64,770	E
	2016/17	51,934	-	963	-	7,716	60,613	
Head of Corporate Services	2017/18	-	-	-	-	-	-	F
	2016/17	62,875	-	883	-	9,054	72,812	G
Economy & Partnerships Lead Head of Economy & Infrastructure	2017/18	57,448	-	963	-	10,743	69,154	
	2016/17	56,879	-	963	-	8,191	66,033	H
Head of Planning Head of Planning & Housing	2017/18	57,448	-	963	-	10,743	69,154	
	2016/17	56,879	-	963	-	8,191	66,033	I
Head of Legal Services Council Solicitor	2017/18	57,448	-	963	-	10,743	69,154	
	2016/17	56,879	-	963	-	8,191	66,033	
Resources & Enabling Lead Finance Manager (s151)	2017/18	51,068	-	963	-	9,550	61,581	
	2016/17	48,043	-	311	-	6,918	55,272	J
Customer Services Lead Business Hub Manager	2017/18	45,898	-	963	-	8,595	55,456	
	2016/17	39,969	-	311	-	5,756	46,036	K

Senior Officers served for the whole of 2017/18 unless stated below.

Notes:

- A The Chief Executive left the Authority on 17<sup>th</sup> September 2017.
- B New Structure in April 2017 – no Corporate Director role.
- C The Corporate Director left the Authority on 30<sup>th</sup> September 2016, the remuneration highlighted in the table above excludes any termination benefits which are shown in note 39.
- D The Deputy Chief Executive assumed their temporary position as Chief Executive on 1<sup>st</sup> September 2017.
- E The Head of Environment, Streetscene & Facilities assumed their new position of Delivery & Frontline Services Lead on 5<sup>th</sup> December 2016.
- F New Structure in April 2017 – no Head of Corporate Services role.
- G The Head of Corporate Services assumed their new position of Deputy Chief Executive on 17<sup>th</sup> October 2016.
- H The Head of Economy & Infrastructure assumed their new position of External Partnerships Lead on 5<sup>th</sup> December 2016.
- I The Head of Planning & Housing assumed their new position of Head of Planning on 5<sup>th</sup> December 2016.
- J The Finance Manager (s151) assumed their new position of Resources & Enabling Services Lead on 5<sup>th</sup> December 2016.
- K The Business Hub Manager assumed their new position of Customer Services Lead on 5<sup>th</sup> December 2016.

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

Remuneration Band	2017/18 Number of employees	2016/17 Number of employees
£50,000 - £54,999	3	1
£55,000 - £59,999	3	3
£60,000 - £64,999	-	1
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	1	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 to £114,999	-	1

### **33. EXTERNAL AUDIT COSTS**

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

	2017/18 £000	2016/17 £000
* Fees payable to KPMG LLP with regard to external audit services carried out by the appointed auditor for the year	42	42
* Fees payable to KPMG LLP for the certification of grant claims and returns for the year	11	12
* Fees payable in respect of other services provided by KPMG LLP during the year	-	-
* Refund of fees payable by PSAA during the year	(6)	-
	47	54

### **34. GRANT INCOME**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18 £000	2016/17 £000
<b>Credited to Taxation and Non Specific Grant Income:</b>		
Revenue Support Grant	379	763
New Homes Bonus	1,420	1,673
Transitional Grant to Rural Local Authorities	459	569
S31 grant Business Rates	1039	531
Other Grants	73	77
<b>Total</b>	<b>3,370</b>	<b>3,613</b>
<b>Credited to Services:</b>		
<b>Government Grants:</b>		
Disabled Facilities Grant	596	408
Housing Benefit Subsidy and Rent Rebate	8,986	10,675
Housing Benefit & Council Tax Support Administration	173	198
Safer Stronger Communities	-	11
Community Housing Grant	-	431
Food Enterprise Zone	-	41
Other Government Grants	115	59
<b>Total</b>	<b>9,870</b>	<b>11,823</b>
<b>Contributions</b>	<b>286</b>	<b>63</b>

As at the 31 March 2018 the Authority has one grant with a balance of £9,000 that has yet to be recognised as income as it has conditions attached to it. This is in relation to a DEFRA grant towards the development of a Food Enterprise Zone (31 March 2017 £9,000).

### **35. RELATED PARTIES**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### **Central Government**

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

#### **Members**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 31.

#### **Officers**

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

#### **Other Public Bodies**

During the year transactions with related parties arose as follows:

		Receipts £000	Payments £000
The Vale of Pickering Internal Drainage Board	- levy	-	93
Foss Internal Drainage Board	- levy	-	3
Veritau North Yorkshire Ltd	see note below	-	55
North Yorkshire Building Control Partnership	see note below	(17)	61

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 2018. 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 £36,000 as at 31 March 2018.

### 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 £182,000 was made to Sports & Leisure Management Ltd to support the operation of the leisure facilities in 2017/18. Previously, Community Leisure Ltd, an Industrial Provident Society, ran the leisure centre and swimming pools for Ryedale until 30 September 2014.

### **36. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2017/18 £000	2016/17 £000
<i>Opening Capital Financing Requirement</i>	2,227	2,351
Capital investment		
Property plant and equipment	24	88
Investment properties	-	-
Held for sale assets	-	-
Intangible assets	53	51
Revenue expenditure funded from capital under statute	740	426
Loans	36	23
<i>Sources of finance</i>		
Capital receipts	(87)	(185)
Government grants and other contributions	(652)	(312)
Sums set aside from revenue		
Direct revenue contributions	(114)	(41)
Minimum Revenue Provision	(179)	(174)
<i>Closing Capital Financing Requirement</i>	2,048	2,227
<i>Explanation of movements in year</i>		
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(179)	(174)
Assets acquired under finance leases	-	50
<i>Increase / (decrease) in Capital Financing Requirement</i>	(179)	(124)

### **37. LEASES**

#### **Authority as Lessee – Finance Leases**

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

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

	31 March 2018 £000	31 March 2017 £000
Finance lease liabilities (net present value of minimum lease payments)		
Current	148	144
Non-current	240	388
Finance costs payable in future years	37	59
Minimum lease payments	425	591

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Not later than one year	166	166	148	144
Later than one year and not later than five years	259	425	240	388
Later than five years	-	-	-	-
	425	591	388	532

#### **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 2018 £000	31 March 2017 £000
Not later than one year	63	65
Later than one year and not later than five years	90	98
Later than five years	-	7
	153	170

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:

	2017/18 £000	2016/17 £000
Minimum lease payments	137	153
Contingent rents	-	-
Sublease payments receivable	-	-
	137	153

### **Authority as Lessor**

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

### **38. IMPAIRMENT LOSSES**

During 2017/18 the Authority has recognised reversals of impairment losses of £155k following the 5 year revaluation of all Property, Plant and Equipment.

### **39. TERMINATION BENEFITS**

The Authority has agreed to terminate the contracts of 4 employees in 2017/18, incurring liabilities of £36,157.

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£0 - £20,000	-	-	4	15	4	15	£36,157	£122,396
£20,001 - £40,000	-	-	-	4	-	4	-	£119,115
£40,001 - £60,000	-		-	1	-	1	-	£41,220
£60,001 - £80,000	-		-	2	-	2	-	£143,566
£80,001 - £100,000	-		-	-	-	-	-	-
£100,001 - £150,000	-		-	1	-	1	-	£129,105
Total	-	-	4	23	4	23	£36,157	£555,402

### **40. DEFINED BENEFIT PENSION SCHEMES**

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

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

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

### Transactions Relating to Retirement Benefits

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
• Current service cost	1,383	1,133	-	-
• Past service costs / (gains)	10	328	-	-
• (Gain) / Loss from settlements	-	-	-	-
<i>Financing and Investment Income and Expenditure:</i>				
• Net interest expense	464	589	7	9
<b>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,857</b>	<b>2,050</b>	<b>7</b>	<b>9</b>
<b>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
• Return on plan assets (excluding the amount included in the net interest expense)	(3,134)	(9,168)	-	-
• Actuarial gains and losses due to changes in financial assumptions	(72)	13,585	4	36
• Actuarial gains and losses due to changes in demographic assumptions	-	628	-	3
• Actuarial gains and losses due to liability experience	430	(4,183)	22	(2)
<b>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(919)</b>	<b>2,912</b>	<b>33</b>	<b>46</b>
<b>Movement in Reserves Statement:</b>				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(919)	2,912	33	46
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• Employers contributions payable to scheme	1,142	1,534		
• Retirement benefits payable to pensioners			16	16

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government: Pension Scheme £000		Discretionary Benefits £000	
	2017/18	2016/17	2017/18	2016/17
Present value of the defined benefit obligation	(79,036)	(77,836)	(306)	(289)
Fair value of plan assets	62,271	58,358	-	-
Net liability arising from defined benefit obligation	(16,765)	(19,478)	(306)	(289)

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

	Local Government: Pension Scheme £000		Discretionary Benefits Arrangements £000	
	2017/18	2016/17	2017/18	2016/17
Opening fair value of scheme assets	58,358	48,205	-	-
Interest income	1,451	1,629	-	-
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	3,134	9,168	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	1,794	1,534	16	16
Contributions from employees into the scheme	284	325	-	-
Benefits paid	(2,750)	(2,503)	(16)	(16)
Closing fair value of scheme assets	62,271	58,358	-	-

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

	Funded liabilities: Local Government Pension Scheme £000		Unfunded liabilities: Discretionary Benefits £000	
	2017/18	2016/17	2017/18	2016/17
Opening balance at 1 April	77,836	66,305	289	259
Current service cost	1,383	1,133	-	-
Interest cost	1,915	2,218	7	9
Contribution from scheme participants	284	325	-	-
Remeasurement (gains) and losses:				
• Financial Assumptions	(72)	13,585	4	36
• Demographic Assumptions	-	628	-	3
• Liability Experience	430	(4,183)	22	(2)
Past service costs	10	328	-	-
Losses/(gains) on curtailment	-	-	-	-
Entity combinations	-	-	-	-
Benefits paid	(2,750)	(2,503)	(16)	(16)
Closing balance at 31 March	79,036	77,836	306	289

### Local Government Pension Scheme assets comprised:

	31 March 2018 £000	31 March 2017 £000
Equities	40,352	38,166
Property	4,982	4,961
Government Bonds	10,275	8,287
Corporate Bonds	-	1,809
Cash	124	58
Other	6,538	5,077
<b>Closing fair value of scheme assets at 31 March</b>	<b>62,271</b>	<b>58,358</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	31 March 2018	31 March 2017
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.9 yrs	22.8 yrs
Women	26.4 yrs	26.3 yrs
Longevity at 65 for future pensioners:		
Men	25.1 yrs	25.0 yrs
Women	28.7 yrs	28.6 yrs
Rate of Inflation (RPI)	3.20%	3.10%
Rate of Inflation (CPI)	2.10%	2.00%
Rate of increase in salaries	3.35%	3.25%
Rate of increase in pensions	2.10%	2.00%
Rate of revaluation in pension accounts	2.10%	2.00%
Rate for discounting scheme liabilities	2.60%	2.50%

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

### Impact on the Defined Benefit Obligation in the Scheme

	Base Figure	+0.1% pa -0.1% pa Discount Rate	+0.1% pa -0.1% pa Salary Increase Rate	+0.1% pa -0.1% pa Pension Increase Rate	-1 year +1 year Mortality Assumption
Present Value of Total Obligation (£000)	79,036	77,666 80,431	79,307 78,768	80,157 77,932	81,368 76,718
Change in Present Value of Total Obligation (%)		-1.7 1.8	0.3 -0.3	1.4 -1.4	3.0 -2.9
Projected Service Cost (£000)	1,430	1,390 1,471	1,430 1,430	1,471 1,390	1,481 1,379
Approx Change in Projected Service Cost (%)		-2.8 2.8	0.0 0.0	2.8 -2.8	3.6 -3.6

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

### Impact on the Authority's Cash Flows

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

Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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 £1,158,000 expected contributions to the scheme in the year to 31 March 2018.

The weighted average duration of the defined benefit obligation for scheme members is 17.5 years 2017/18 (17.5 years 2016/17).

#### **41. CONTINGENT LIABILITIES**

At 31 March 2018, the Authority had one material contingent liability:

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

The authority has paid a sum of £19k following the triggering of the scheme of arrangement by Municipal Mutual Insurance Limited (MMI). This figure equates to a levy calculated by the scheme administrators at 25% of settlements paid since 1993. The total amount of claims payments which would be liable to claw-back, at a levy rate of 100%, is currently £75k.

##### **Local Land Charges**

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The Council agreed to settle and some costs were settled in 2016/17. There remains the potential for new claimants to come forward but the value of the liability is unknown.

##### **Pay Claims**

The Employment Appeal Tribunal (November 2014) ruled that holiday pay should include non-guaranteed overtime which may have implications for the Council where our employees are required to work overtime as a regular part of their job. There remains the potential for some claims but the scale of any liabilities cannot be assessed.

##### **Employers Liability Insurance Claim**

The Authority has one ongoing significant employers liability insurance claim, this is being handled by the Council's insurers Zurich Municipal. It is not anticipated that there will be any further financial liability on the Council in respect of this claim as there is a zero excess applicable to this policy.

#### **42. CONTINGENT ASSETS**

At 31 March 2018 the Authority had no material contingent assets to report.

### **43. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

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

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

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations, standing orders and constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The council's 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 2018 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 31 March 2017 £000	Historical Experience of Default %	Historical Experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and uncollectabil ity at 31 March 2018 £000	Estimated maximum exposure to default and uncollectabi lity at 31 March 2017 £000
Deposits with Banks and Financial Institutions	17,115	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 2018 £000	31 March 2017 £000
Up to 20 years	639	679
21 to 50 years	1,014	1,014
	1,653	1,693

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.

**Collection Fund Statement  
For the Year Ended 31 March 2018**

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2016/17			2017/18		Note
Council Tax £000	Business Rates £000		Council Tax £000	Business Rates £000	
(34,831)		<b>INCOME</b>	(36,581)		
		Council Tax			
		Transfers from General Fund - Council Tax Benefits			
	(16,832)	Income collectable from business ratepayers		(16,153)	
	142	Transitional Protection Payments		(1,062)	
(34,831)	(16,690)	Total Income	(36,581)	(17,215)	
		<b>EXPENDITURE</b>			
		Precepts and Demands:			
24,310		North Yorkshire County Council	25,539		(2)
4,613		North Yorkshire Police & Crime Commissioner	4,753		
1,400		North Yorkshire Fire & Rescue	1,443		
4,689		Ryedale District Council	4,890		
35		Street Lighting Expenses	50		
		Business Rates:			
	8,462	Payment to National Pool			(3)
	6,770	Central Government	8,364		
	1,523	Ryedale District Council	6,691		
	169	North Yorkshire County Council	1,505		
		North Yorkshire Fire & Rescue	167		
(40)	111	Allowance for cost of Business Rate Collection	110		
	(40)	Allowance for Impairment	30	(10)	(4)
	248	Provision for Appeals		1,066	(4)
72	22	Write Off of uncollectable amounts	67	(3)	(4)
35,079	17,265	Total Expenditure	36,772	17,890	
248	575	(Surplus) / deficit for the year	191	675	
(674)	16	Surplus at 1 April	(426)	591	
(426)	591	Surplus at 31 March	(235)	1,266	

## 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	2,367	1,932	6/9	1,288
B	6,285	5,594	7/9	4,351
C	5,863	5,340	8/9	4,747
D	4,373	4,113	1	4,113
E	3,453	3,239	11/9	3,959
F	2,058	1,954	13/9	2,822
G	1,163	1,097	15/9	1,828
H	109	101	18/9	202
<b>TOTAL</b>	<b>25,671</b>	<b>23,370</b>		<b>23,310</b>
Empty Property Premium				23.79
Cost of LCTS Scheme				(1,754.89)
Less adjustment for Collection Rate				(301.78)
<b>Council Tax Base</b>				<b>21,277.12</b>

Precepts and demands for 2017/18 are analysed as follows:

	Ryedale DC £000	NYCC £000	NYPCC £000	NYFRA £000
2017/18 Precept/Demand Payment in respect of 2016/17 surplus	4,845 45	25,309 230	4,709 44	1,430 13
	4,890	25,539	4,753	1,443

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	(31)
North Yorkshire County Council	(164)
North Yorkshire Police & Crime Commissioner	(31)
North Yorkshire Fire & Rescue Authority	(9)

### 3. Income from Business Rates

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

Additional information is as follows:

Total National Non Domestic Rateable Value in £ at 31 March 2018	48,899,315
NDR Rate in £ for 2017/18	47.9p
Small Business Rate in £ for 2017/18	46.6p
Number of Business Premises (Hereditament) at 31 March 2018	3,009
Number of Local Council Tax Support Claimants at 31 March 2018	3,016

Business Rate Yield for 2017/18 is analysed as follows:

	Ryedale DC £000	NYCC £000	NYFRA £000	Government £000
2017/18 Estimates Yield Payment in respect of 2016/17 deficit	6,767 (76)	1,522 (17)	169 (2)	8,459 (95)
	6,691	1,505	167	8,364

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

	£000
Ryedale District Council	506
North Yorkshire County Council	114
Central Government	633
North Yorkshire Fire & Rescue Authority	13

### 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 £340,000 (2016/17: £310,000) and Business Ratepayers of £50,000 (2016/17: £60,000) and is included within Debtors in the Authority's Balance Sheet. Provision has been made for the cost of successful business rate appeals of £2,921,000 (2016/17: £1,855,000).

## Scope of Responsibility

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



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

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

## The Purpose of the Governance Framework

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

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

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

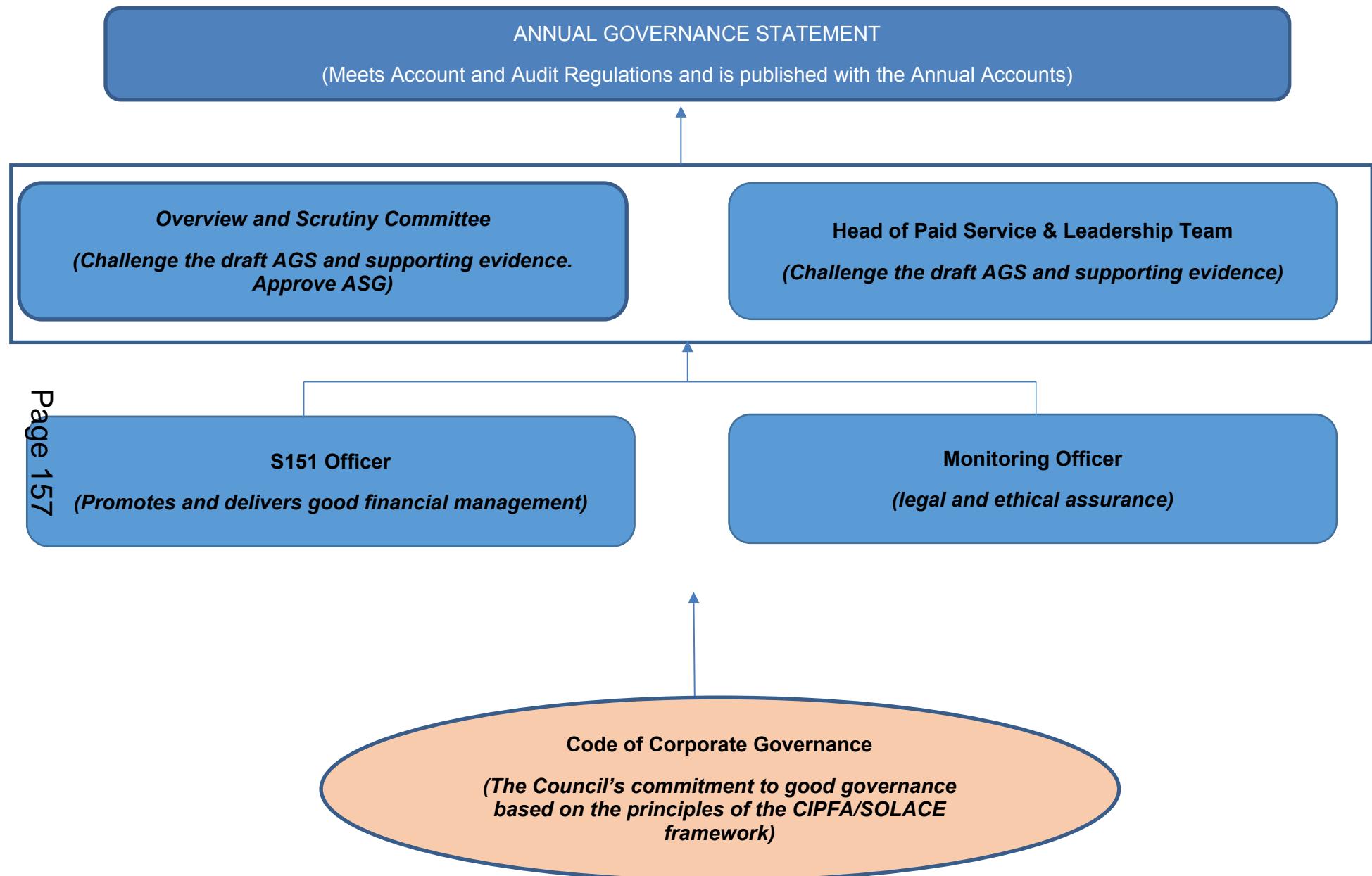
The governance framework has been in place at Ryedale District Council for the year ended 31 March 2018 and up to the date of approval of the annual statement of accounts.

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focused upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Corporate Plan.

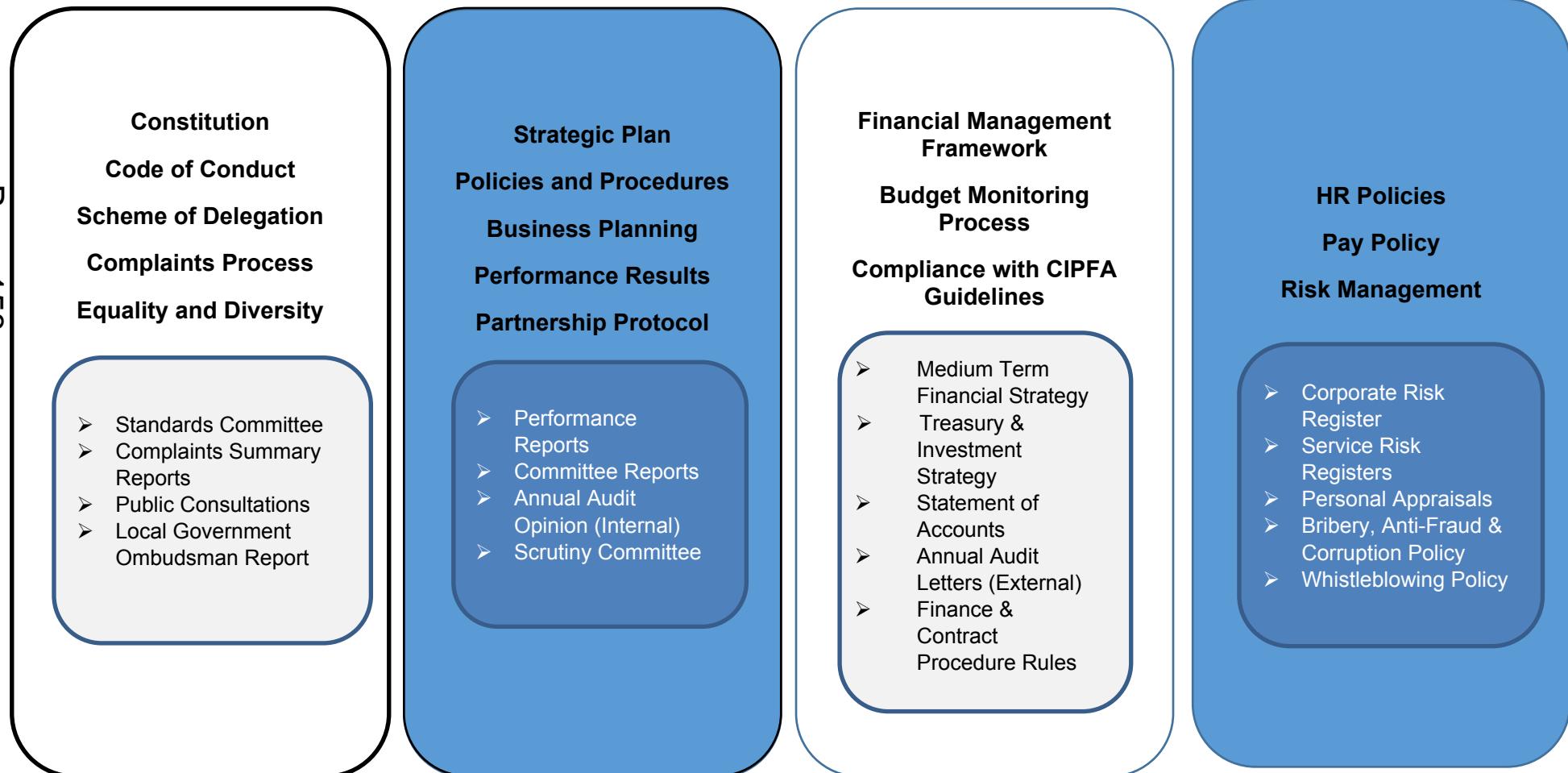
The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Leadership Team which comprises the Head of Paid Service, Lead Officers and the Council Solicitor.

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



## Code of Corporate Governance



### Review of Effectiveness

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

- the work of the Leadership Team who have responsibility for the development and maintenance of the governance environment;
- the Annual Internal Audit Assurance opinion, as provided by Veritau North Yorkshire;
- comments made by the external auditors and other review agencies and inspectorates;
- the Overview & Scrutiny Committee review that the elements of the governance framework are in place and effective, to ensure compliance with the principles. They also reviewed the system of internal audit and concluded it was effective and remained a key source of assurance for the Council in 2017/18.

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In accordance with section 3.7 of the Code of Practice on Local Authority Accounting for 2017/18, Ryedale's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2010).

The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. In 2017/18 the Monitoring Officer continued his review of the efficiency and effectiveness of all arrangements relating to Council and Committee meetings, working groups, and the required officer support.

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

In 2017-18 the Council responded to 44 stage 1 and 12 stage 2 formal customer complaints, with an average response time of 4.60 days (the service standard is 5 days).

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

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

The Performance Management Framework has operated effectively during the year. Monitoring information on key areas of performance has been provided to the Leadership Team for review and action. Performance management outputs have also been reviewed by the Overview & Scrutiny and Policy & Resources Committee.

## **Review of Effectiveness**

The Overview and Scrutiny (O&S) Committee process has provided challenge and has monitored the Council's policies and performance on an ongoing basis. Lead Members have also kept issues under review during meetings with managers. During 2017/18 the Members of O&S have worked together, adopting a non-political approach, developing and using their knowledge and expertise, and that of others to the best effect. An evidence-based approach to the O&S work has been instrumental in achieving good results. There have been contributions, and input, from a range of stakeholders, including public and voluntary sector organisations, the public, officers and Members of the Council. Highlights have included:

- Scrutiny
  - Treasury Management
  - Statement of Accounts
  - Complaints
  - Council Plan and Performance

- Task Groups on
    - Performance Indicators
    - Affordable Housing Targets
    - Staff Survey
    - Swimming Lessons

- Other Work
    - Attendance at Policy Committees
    - Review of Membership of Outside Bodies

## Monitoring Reports from Key Partnerships and External Bodies including: Safer Ryedale      Everyone Active      Ombudsman

During 2017-18, Overview and Scrutiny has been reviewing the performance reporting of the Council's key indicators and a new and improved report has been developed. Affordable Housing has been a specific target of interest

The Council is dedicated to ensuring that its resources are utilised in the most effective and efficient manner whilst delivering continuous improvement. Work during 2017-18 on the **Towards 2020** transformation programme delivered financial savings of circa £436k towards the 2018-19 budget. Transformation work in 2017-18 focussed on Streetscene services, Assets and Ryecare and delivered c. £200k towards the 2018-19 budget savings target. In addition officers have acted on feedback from Internal and External audit; and fed back customer complaints to the relevant Operational Managers to improve service delivery.

The Council has in place regular reporting arrangements on the financial affairs of the Council. The budget for 2017/18 was agreed by Full Council in February 2017 and financial performance was reported on a regular basis to Members

### Review of Effectiveness

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

All key systems were audited in 2017-18 and a total of 15 audit reports were provided to management and the O&S Committee. This included an audit of the Council's Risk Management arrangements the findings of which were addressed and reported to the O&S Committee Review of Effectiveness

In September 2017 the Council's external auditor (KPMG) provided the Council with an unqualified opinion on the Council's accounts within their Annual Audit and Inspection letter. KPMG also provided an unqualified opinion of the Council's arrangements to secure Value For Money.

Ryedale has undergone a Corporate Peer Challenge during 2016/17 and 2017/18, officers produced an action plan to address the findings. A Member working group was established in 2017-18 to address the findings.

In the 2016-17 Annual Governance Statement, six key issues were identified. Four of these issues are ongoing and will rollover into and/or be amended in the new version.

### Key Issues

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, 6 issues have been identified that need to be addressed to ensure continuous improvement in the Governance Framework. The aim is to address these weaknesses during the 2018-19 financial year, by way of an action plan for improving the governance framework and system of internal control. This will be subject to monitoring by the Overview and Scrutiny Committee.

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
<b>Brought Forward and amended</b> <small>Page 162</small>	On-going and future changes to the Council's financial framework including several changes to national and local funding regimes will increase the financial pressure on the Council and risk profile. These changes arise from continued downward pressure on government funding of Councils as confirmed in the indicative long term financial settlement	The agreed Medium Term Financial Strategy of the Council reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. This informs the budget process for future years.  The s151 Officer considers the risk as part of the closure of accounts including the need to make appropriate provisions and	Chief Finance Officer (s151)	Ongoing, but with review of financial monitoring by October 2018. Quarterly reporting thereafter	The updated Medium Term Financial Strategy was approved by Members in February 2018.

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
	Ensure that officers and members receive adequate and robust financial information on which to base budget decisions	reserves at the year-end.  Review budget monitoring processes and information flows and reporting arrangements			
<b>Brought forward</b>	The Corporate Peer Challenge findings recommended a review of Governance arrangements	The areas highlighted were: Political Leadership Succession planning, Member development, involvement of members in priority setting	Members and Officers	Ongoing	The Corporate Peer Challenge findings recommended a review of Governance arrangements
<b>Brought forward</b>	The results of the recent Staff Survey indicated the bullying of employees within Ryedale District Council.	Overview & Scrutiny Committee is conducting a full investigation into the indication of bullying of employees.  Officers will comply with all requests for information that the Committee makes in relation to the investigation. A budget of £10,000 (funded from general reserves) was agreed to facilitate this.	Members	Ongoing	Members have now received an initial report and are considering that.

Status	Control Issue	Action Proposed	Responsibility	Target Date	Current Position
<b>2018-19</b>	Ensure that arrangements regarding shared services, such as HR, payroll and financial support are in place to support the Council.	Monitoring of performance by Leadership Team	Leadership Team, but to note that Scrutiny will also review this area.	Quarterly reporting	Currently finalising arrangements. Overview and Scrutiny Committee has confirmed (on 14 June 2018) that this will be a topic for review in 2018-19.
<b>Amended</b>	The audit opinion of the control environment for the management of risk is “provides limited assurance”. This has been updated from “weak” in the previous year, but a number of issues remain which will ensure this remains a priority.	An action plan has been agreed including sharing risk register with OSC, regularly reviewing risks, looking at online training	S151 officer and service leads	October 2018	Action plan now agreed

Approval of the  
Annual  
Governance  
Statement

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

Signed:

Date: 26 July 2018

Councillor Luke Ives  
Chairman of Policy and Resources Committee

Signed:

Date: 26 July 2018

Clare Slater  
Interim Chief Executive

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RYEDALE DISTRICT COUNCIL****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

We have audited the financial statements of Ryedale District Council ('the Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's 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 2017/18.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Other information published with the financial statements**

The Chief Financial Officer is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

**Chief Financial Officer's responsibilities**

As explained more fully in the statement set out on page 10, the Chief Financial Officer is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

**REPORT ON OTHER LEGAL AND REGULATORY MATTERS****Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources****Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, 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 ended 31 March 2018.

**Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Ryedale District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Ryedale District Council put in place proper arrangements for

securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### **Statutory reporting matters**

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **CERTIFICATE OF COMPLETION OF THE AUDIT**

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

Rashpal Khangura  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

July 2018

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:

2016/17 Net Exp. £000	Service	2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net Exp. £000
102	<b>Central Services to the Public</b>	103	-	103
39	Grants, Bequests & Donations	34	-	34
418	Emergency Planning	626	241	385
148	Local Tax Collection	128	3	125
3	Elections	96	84	12
<b>710</b>	<b>Net Expenditure Central Services to the Public</b>	<b>987</b>	<b>328</b>	<b>659</b>
116	<b>Cultural &amp; Related Services</b>	107	-	107
95	Culture & Heritage	84	5	79
598	Open Spaces	563	10	553
124	Recreation & Sport	127	6	121
<b>933</b>	<b>Net Expenditure Cultural &amp; Related Services</b>	<b>881</b>	<b>21</b>	<b>860</b>
32	<b>Environmental &amp; Regulatory Services</b>	5	-	5
-	Closed Churchyards	1	(1)	2
59	Community Safety (CCTV)	58	-	58
1	Community Safety (Crime Reduction)	-	(1)	1
110	Community Safety (Safety Services)	132	-	132
576	Flood Defence & Land Drainage	1,450	1,158	292
888	Recycling	849	252	597
366	Regulatory Services	366	17	349
(19)	Street Cleansing	758	781	(23)
545	Trade Waste	561	12	549
<b>2,558</b>	<b>Net Expenditure Environmental &amp; Regulatory Services</b>	<b>4,180</b>	<b>2,218</b>	<b>1,962</b>
(26)	<b>Planning Services</b>	244	247	(3)
57	Building Control	42	-	42
89	Business Support	86	-	86
376	Community Development	632	636	(4)
146	Development Control	177	63	114
92	Economic Development	86	-	86
298	Environmental Initiatives	245	194	51
<b>1,032</b>	<b>Net Expenditure Planning Services</b>	<b>1,512</b>	<b>1,140</b>	<b>372</b>

2016/17 Net Exp. £000	Service	2017/18 Expenditure £000	2017/18 Income £000	2017/18 Net Exp. £000
(570)	<b>Highways &amp; Transport Services</b>			
56	Parking Services	233	835	(602)
	Transport Support	51	-	51
<b>(514)</b>	<b>Net Expenditure Highways &amp; Transport Services</b>	<b>284</b>	<b>835</b>	<b>(551)</b>
	<b>Housing Services</b>			
59	Enabling	99	50	49
214	Homelessness	479	338	141
71	Housing Advice	68	-	68
180	Housing Benefits Administration	440	240	200
(2)	Housing Benefits Payments	8,987	8,986	1
(348)	Housing Strategy	169	38	131
17	Other Council Property	136	62	74
32	Other Welfare Services	252	244	8
95	Private Sector Housing Renewal	783	676	107
<b>318</b>	<b>Net Expenditure Housing Services</b>	<b>11,413</b>	<b>10,634</b>	<b>779</b>
	<b>Corporate &amp; Democratic Core</b>			
661	Corporate Management	608	68	540
600	Democratic Representation & Management	531	-	531
<b>1,261</b>	<b>Net Expenditure Corporate &amp; Democratic Core</b>	<b>1,139</b>	<b>68</b>	<b>1,071</b>
	<b>Other Corporate &amp; Non Distributed Costs</b>			
13	Other Services	(2)	-	(2)
324	Non Distributed Costs	(22)	-	(22)
<b>337</b>	<b>Net Expenditure Other Corporate &amp; Non Distributed Costs</b>	<b>(24)</b>	<b>-</b>	<b>(24)</b>
<b>6,635</b>	<b>COST OF SERVICES</b>	<b>20,372</b>	<b>15,244</b>	<b>5,128</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.

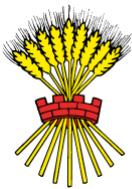
**Useful Life**

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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When telephoning, please ask for:

Anton Hodge  
ext 392

[anton.hodge@ryedale.gov.uk](mailto:anton.hodge@ryedale.gov.uk)

July 2018

Dear Rashpal

This representation letter is provided in connection with your audit of the financial statements of Ryedale District Council ("the Authority"), for the year ended 31 March 2018, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended;
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the Collection Fund and the related notes (including the Expenditure and Funding Analysis).

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### **Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements:
  - i. give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended;
  - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.



- 
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

**Information provided**

4. The Authority has provided you with:

- access to all information of which it is 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 the Authority for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Authority confirms the following:

- i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- ii) Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.
- ii) The Authority has disclosed to you all information in relation to:
  - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.



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9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

10. The Authority confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) Employee Benefits.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - funded or unfunded; and
  - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Policy & Resources Committee on 26 July 2018.

Yours sincerely

Councillor Luke Ives  
Chair of Policy and Resources Committee

Anton Hodge  
S151 Officer



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## **Appendix to the Authority Representation Letter of Ryedale District Council: Definitions**

### **Financial Statements**

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

"Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

### **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.



## Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

## Related Party and Related Party Transaction

### Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled, or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.



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Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

**Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.



# External Audit ISA260 Report 2017/18

**Ryedale District  
Council**  
**July 2018**  
**DRAFT**

Note - This is draft document and subject to change as we finalise our audit work. Text in red will be updated/removed as appropriate as our audit work is finalised.

# Summary for Audit Committee

This document summarises the key findings in relation to our 2017-18 external audit at Ryedale District Council ('the Authority').

This report covers our final on-site work which was completed in June and July 2018 on the Authority's significant risk areas, as well as other areas of your financial statements.

## Financial statements

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018. We note the following outstanding work:

- Enquiries in relation to the carrying value of assets not revalued in 2017/18 and the impairment review in 2017/18;
- Enquiries relating to pensions queries;
- Testing of post closing journal entries; and
- Final review of the financial statements following processing of adjustments.

Based upon our initial assessment of risks to the financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 6):

- **Valuation of PPE;**
- **Valuation of Pensions Liabilities; and**
- **Faster Close.**

We have identified one audit adjustments with a total value of £0.652million. See page 21 for details. These adjustments result in a net decrease of £0.652 million in the reported surplus on provision of services. This adjustment also affected a number of other notes in the statement of accounts.

Based on our work, we have raised 5 new recommendations. Details of our recommendations can be found in Appendix 1.

While we have completed the audit of the Council's draft financial statements subject to completing testing on the areas listed above, we have not yet completed the audit work on the Council's Whole of Government Accounts submission. Until that work is completed we will not be able to issue our completion certificate.

# Summary for Audit Committee (cont.)

<b>Value for money arrangements</b>	We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.  <b>We therefore anticipate issuing an unqualified value for money opinion.</b> See further details on page 14.
<b>Exercising of audit powers</b>	We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.  We have not identified any matters that would require us to issue a public interest report.  In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.
<b>Acknowledgements</b>	We would like to take this opportunity to thank officers and Members for their continuing help.

**Section one**

# Financial Statements

# Accounts production and audit process

**Audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.**

**We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.**

**The Authority's overall process for the preparation of the financial statements is adequate.**

**The Authority has implemented some of the recommendations in our *ISA 260 Report 2016/17*.**

## **Accounts practices and production process**

The Authority incorporated a number of measures into its closedown plan to further improve the project management of this complex process. Specifically, the Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerge.

We consider that the overall process for the preparation of your financial statements is adequate.

We also consider the Authority's accounting practices appropriate.

## **Going concern**

The financial statements of the Authority have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority to continue as a going concern.

## **Implementation of recommendations**

We raised 2 recommendations in our ISA 260 Report 2016/17. Further details are included in Appendix 2.

## **Completeness of draft accounts**

We received a complete set of draft accounts on 31 May 2018, which is the statutory deadline.

## **Quality of supporting working papers**

The supporting working papers were provided in a timely manner and were of an adequate quality.

## **Response to audit queries**

Officers dealt with our audit queries in a timely manner.

# Specific audit areas

**We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements by 31 July 2018. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.**

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

## **Management override of controls**

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

02

## **Fraudulent revenue recognition**

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2017-18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

# Specific audit areas

## Significant Audit Risks – Authority

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:	<b>Valuation of PPE</b>
	<p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at the year end.</p>
<b>Our assessment and work undertaken:</b>	<p>We reviewed the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.</p> <p>In addition, we considered movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we assessed the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).</p> <p>As a result of this work we determined that the Authority has accounted for the valuation of PPE appropriately.</p> <p>We have set out our view of the assumptions used in relation to accounting for Property, Plant &amp; Equipment at page 9.</p>

# Specific audit areas (cont.)

## Significant Audit Risks – Authority (cont.)

<b>Risk:</b>	<b>Pension Liabilities</b> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of North Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
<b>Our assessment and work undertaken:</b>	<p>As part of our work we reviewed the controls that the Council has in place over the information sent directly to the Scheme Actuary. We also liaised with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This included consideration of the process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the Actuary.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuation, compared them to expected ranges, and consider the need to make use of a KPMG Actuary. We reviewed the methodology applied in the valuation by the Actuary.</p> <p>In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements.</p> <p>As a result of this work we determined that the Authority has accounted for the pension liability appropriately.</p> <p>We did identify one audit misstatement which has been adjusted for in the statement of accounts. This related to a pensions up front payment towards the pension deficit which had incorrectly been included as a prepayment in the draft statement of accounts. This cost has to be fully recognised in the CIES in the year of the payment. These adjustments result in a net decrease of £0.652 million in the reported surplus on provision of services. This adjustment also affected a number of other notes in the statement of accounts.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 10.</p>

# Specific audit areas (cont.)

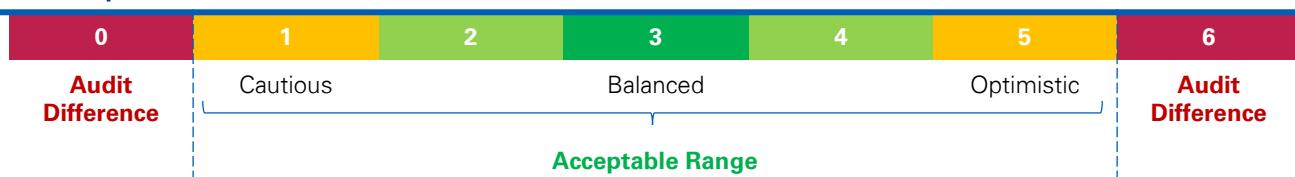
## Significant Audit Risks – Authority (cont.)

<b>Risk:</b>	<p><b>Faster Close</b></p> <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none"><li>— Ensuring that any third parties involved in the production of the accounts (including valuers and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;</li><li>— Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;</li><li>— Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and</li><li>— Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.</li></ul> <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.</p>
<b>Our assessment and work undertaken:</b>	<p>We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines.</p> <p>We received draft financial statements on the statutory deadline of 31 May 2018. The quality of this draft was consistent that of prior years and a result we identified that faster close did not pose a significant risk to the audit. Therefore this does not constitute a significant risk to the financial statements audit.</p>

# Judgements

We have considered the level of prudence within key judgements in your 2017-18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

## Level of prudence



## Subjective area

### 2017-18 2016-17 Commentary

Provisions	3	3	The provisions included in the accounts are balanced. We consider the provisions and related disclosures to be proportionate.
Accruals	3	3	Our work has not identified any matters arising with the accruals that the Council has made. The accruals tested were supported by detailed calculations and evidence and we conclude that the Council has taken a balanced approach to estimating these accruals.
Property Plant & Equipment (valuations)	3	3	<p>The Authority has utilised City of York Council valuers to review PPE assets.</p> <p>We have assessed the independence of the City of York valuers and confirmed that their valuations and assumptions were in line with our understanding of the current factors influencing the valuation.</p> <p>Our work has concluded that the Council's valuer has taken a balanced and reasonable approach to valuing the assets, and that the resulting valuation is compliant with the Code of Practice requirements.</p>

# Judgements (cont.)

Subjective area	2017-18	2016-17	Commentary																																
Valuation of pension assets and liabilities	4	3	<p>The Authority continues to use Aon Hewitt to provide actuarial valuations in relation to the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation.</p> <p>The actual assumptions adopted by the actuary were determined to be slightly optimistic overall but fell within our expected ranges as set out below:</p> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>KPMG Range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.60%</td> <td>2.35-2.65%</td> <td style="background-color: #90EE90;">4</td> </tr> <tr> <td>CPI inflation</td> <td>2.10%</td> <td>1.91-2.41%</td> <td style="background-color: #3CB371;">3</td> </tr> <tr> <td>Net discount rate</td> <td>0.5%</td> <td>(0.06)-0.74%</td> <td style="background-color: #90EE90;">4</td> </tr> <tr> <td>Salary Increases</td> <td>CIP plus 1.25%</td> <td>CPI plus 0% to 2.0%</td> <td style="background-color: #3CB371;">3</td> </tr> <tr> <td>Life expectancy</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Males currently 45/65</td> <td>25.1/22.9</td> <td>23.5/22.1</td> <td></td> </tr> <tr> <td>Females currently 45/65</td> <td>28.7/26.4</td> <td>25.4/23.9</td> <td style="background-color: #90EE90;">2</td> </tr> </tbody> </table>	Assumption	Actuary Value	KPMG Range	Assessment	Discount rate	2.60%	2.35-2.65%	4	CPI inflation	2.10%	1.91-2.41%	3	Net discount rate	0.5%	(0.06)-0.74%	4	Salary Increases	CIP plus 1.25%	CPI plus 0% to 2.0%	3	Life expectancy				Males currently 45/65	25.1/22.9	23.5/22.1		Females currently 45/65	28.7/26.4	25.4/23.9	2
Assumption	Actuary Value	KPMG Range	Assessment																																
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# Proposed opinion and audit differences

**Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing [an unqualified audit opinion on the Authority's 2017-18 financial statements following approval of the Statement of Accounts by the Audit Committee on 25 July 2018.**

## Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4) for this year's audit was set at £0.4 million. Audit differences below £20k are not considered significant.

We identified one material misstatement relating to an up front payment of pension deficit contributions. The tables below illustrate the total impact of audit differences on the Authority's movements on the General Fund for the year and balance sheet as at 31 March 2018. We identified a number of issues that have not been adjusted by management as they do not have a material effect on the financial statements.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). We have set out details of significant presentational adjustments in Appendix 3. We understand that the Authority will be addressing these where significant.

## Movement on the General Fund 2017-18

£m	Pre-Audit	Post-Audit	£m	Pre-Audit	Post-Audit
Surplus on the provision of services	3,648	2,996	Property, Plant & Equipment	16,393	16,393
Adjustments between accounting basis and funding basis under regulations	468	1,120	Other long term assets	2,566	2,566
<b>Increase in General Fund</b>	<b>4,116</b>	<b>4,116</b>	Current assets	21,497	20,845
			Current liabilities	-5,753	-5,753
			Long term liabilities	-22,177	-22,177
			<b>Net worth</b>	<b>12,526</b>	<b>11,874</b>
			General Fund	12,808	12,808
			Other useable reserves	498	498
			Unusable reserves	-780	-1,432

## Annual governance statement

We have reviewed the Authority's 2017-18 Annual Governance Statement and confirmed that:

- It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

## Narrative report

We have reviewed the Authority's 2017-18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.



# Completion

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017/18 financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.**

## **Declaration of independence and objectivity**

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Ryedale District Council for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and Ryedale District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

## **Management representations**

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the S151 Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

## **Other matters**

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017-18 financial statements.

**Section two**

# Value for Money Arrangements

# Specific value for money risk areas

Our 2017-18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

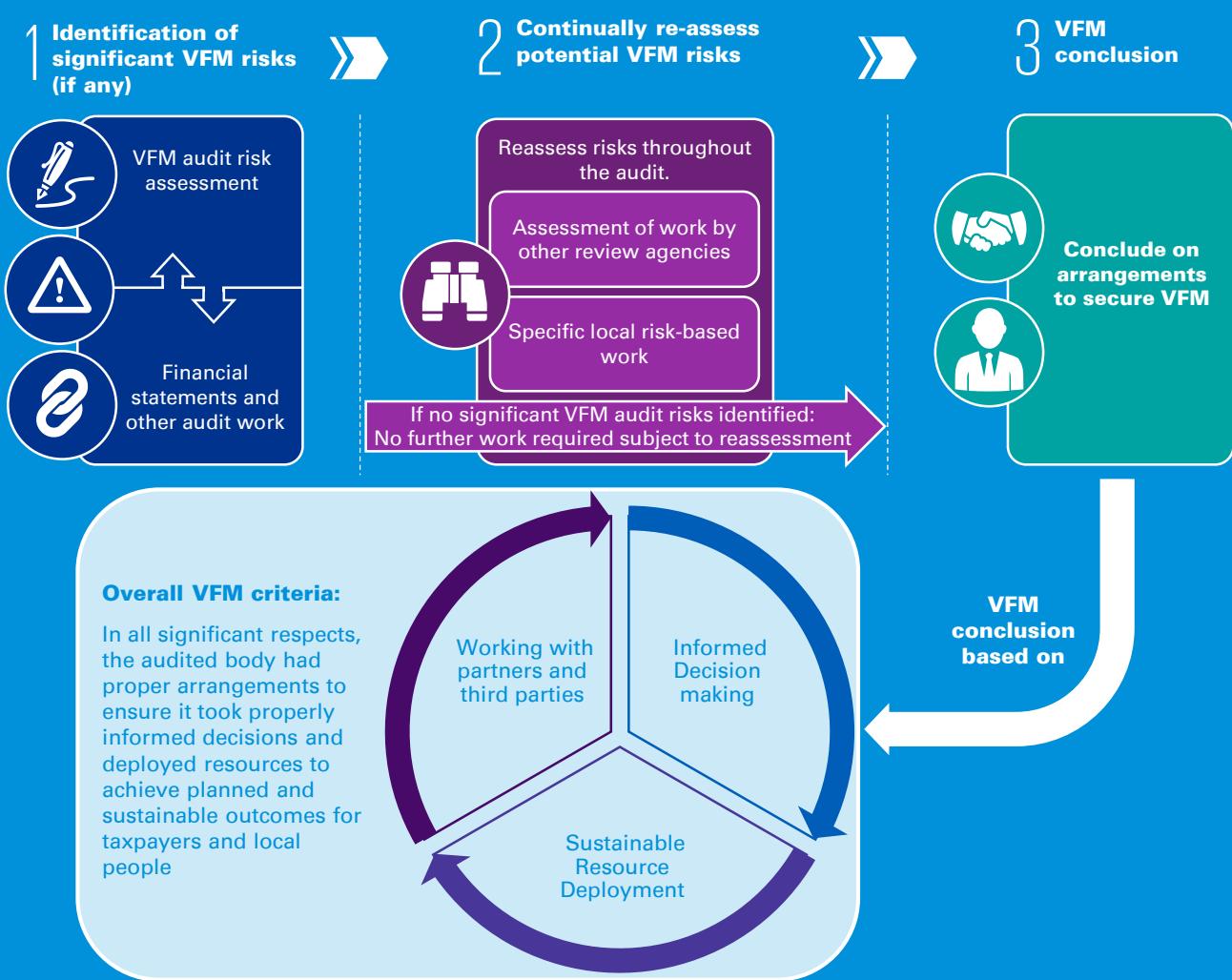
We have concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

As communicated to you in our *External Audit Plan 2017-18*, we have not identified any risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



# Appendices

## Appendix 1:

# Key issues and recommendations

**Our audit work on the Authority's 2017-18 financial statements has identified a number of issues. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management's response to this recommendation.**

**The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.**

We have given each recommendation a risk rating and agreed what action management will need to take.

### Priority Rating for Recommendations

1	<b>Priority One:</b> Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	<b>Priority Two:</b> Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3	<b>Priority Three:</b> Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.
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The following is a summary of the issues and recommendations raised in the year 2017/18.

Priority	This Report	Total
High	0	<b>0</b>
Medium	1	<b>1</b>
Low	4	<b>4</b>
<b>Total</b>	<b>5</b>	<b>5</b>

## Appendix 1:

# Key issues and recommendations (cont.)

No.	Risk	Issue & Recommendation	Management Response
1	3	<p><b>Northgate review of privileged access users</b></p> <p>There are no periodic reviews of the administrative roles for privileged access users. Responsibility for identification of excess privileges lies with line managers. This may result in users who have excess privileges on the Northgate system. We recommend instituting access users reviews, including the relevant privileges of each user. We also recommend that this is documented to provide evidence that this has been completed on a regular basis.</p>	<p>This has been identified in previous annual internal audits and it has been accepted that due to the relatively small number of staff employed by the Authority, members of the ICT &amp;/or Revenues and Benefits teams are familiar with everyone and this in itself can be an informal control. We do undertake an annual check however we are developing a regular procedure for identifying inactive accounts on the directory relating to individuals that may not be familiar to ICT &amp;/or Revenues and Benefits system administrators. Current procedure for RDC leavers involves a note on the intranet from HR and a formal user amendment form sent to ICT from the leaver's manager.</p> <p><b>Responsible Officer</b> Angela Jones, Customer Service Lead</p> <p><b>Implementation Deadline</b> 31st Oct 18</p>
2	3	<p><b>Northgate leavers</b></p> <p>There is no formalised notification process to notify the Northgate systems admin team of leavers to be removed from Northgate. We recommend instituting a formalised procedure to notify the Northgate team of leavers so these people can be removed from the system on a timely basis.</p>	<p>This has been identified in previous annual internal audits and it has been accepted that due to the relatively small number of staff employed by the Authority, members of the ICT, Revenues and Benefits teams are familiar with everyone and this in itself can be an informal control. We do undertake an annual check however we are developing a regular procedure for identifying inactive accounts on the directory relating to individuals that may not be familiar to ICT, Revenues and Benefits system administrators. Current procedure for RDC leavers involves a note on the intranet from HR and a formal user amendment form sent to ICT from the leaver's manager.</p> <p><b>Responsible Officer</b> Angela Jones, Customer Service Lead</p> <p><b>Implementation Deadline</b> 31st Oct 18</p>

# Key issues and recommendations (cont.)

No.	Risk	Issue & Recommendation	Management Response
3	3	<p><b>Civica review of system users</b></p> <p>There is no periodic review of the system's users, including super-users to determine if the current user access list is sufficient and correct. This is a control that should be undertaken on at least a quarterly basis to ensure that all system users, including super-users, are still correct, sufficient, and will effectively ensure that access to the system is restricted to those who require it.</p>	<p>This has been identified in previous annual internal audits and it has been accepted that due to the relatively small number of staff employed by the Authority, members of the ICT &amp;/or Customer Service (Business &amp; Democracy) teams are familiar with everyone and this in itself can be an informal control. We do undertake an annual check however we are developing a regular procedure for identifying inactive accounts on the directory relating to individuals that may not be familiar to ICT &amp;/or Customer Service (Business &amp; Democracy) administrators. Current procedure for RDC leavers involves a note on the intranet from HR and a formal user amendment form sent to ICT from the leaver's manager.</p> <p><b>Responsible Officer</b> Anton Hodge</p> <p><b>Implementation Deadline</b> 31st Oct 18</p>
4	3	<p><b>Payroll controls retaining of documentation</b></p> <p>The documentation of the control around reconciling oncosts invoices from CYC to the CYC voucher are not retained. As a matter of best practice, these should be retained going forward.</p> <p>The control around reviewing exception reports provided by City of York Council is not formally documented and retained. As a point of best practice, this should be documented.</p>	<p>We are currently reviewing our procedures.</p> <p><b>Responsible Officer</b> Andrew Ellis</p> <p><b>Implementation Deadline</b> 31st Oct 18</p>
5	2	<p><b>Resource in the accounts production team</b></p> <p>There have been recent staffing changes in the finance team that mean there is limited resource in the team. The financial statements are made up of a number of judgements and estimates that require management to come to a decision. The Council currently relies on consulting other Councils to come to a decision.</p> <p>We recommend that management review the current capacity of the team to determine whether further support is required from elsewhere.</p>	<p>A review of the resources available in the finance team is currently underway with a view to securing additional support from another Council.</p> <p><b>Responsible Officer</b> Anton Hodge</p> <p><b>Implementation Deadline</b> 31 Oct 2018</p>

## Appendix 2:

# Follow-up of prior year IT recommendations

The Authority has implemented all of the recommendations raised through our previous audit.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2016/17*.

### Number of recommendations that were

Included in the original report	2
Implemented in year or superseded	2
Outstanding at the time of our audit	0

### No. Risk Issue & Recommendation Management Response Status as at 23/07/2018

1	3	<p><b>Issue:</b></p> <p><b>Accruals identification</b></p> <p>During the cut-off testing we identified non-significant expenditure that had not been accrued into 2016/17.</p> <p>This was not in line with the Council's accounting policy on accruals of income and Expenditure.</p> <p><b>Recommendation:</b></p> <p>For 2017/18 the Council need to review accounting policy on accruing income and expenditure and either amend the accounting policy for de-minimus values, or ensure that the accruals process is in line with the policy.</p>	<p>Accepted</p> <p>Further training will be given to managers and staff on the use of the purchase ordering system. The importance of the information held in the system for identifying accruals will be reiterated.</p>	<p>Through our cut-off testing performed in 2017/18 we did not identify any issues.</p> <p><b>Implemented</b></p>
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## Appendix 2:

# Follow-up of prior year recommendations (Cont.)

No.	Risk	Issue & Recommendation	Management Response	Status as at 23/07/2018
2	2	<p><b>Issue:</b>  <b>Response to Peer Review</b>  The Council received a peer review during the year which included a number of recommendations that are necessary to improve the arrangements at the Council.  An agreed action plan was drawn up and presented to Members in March 2017, however this action plan was referred to Full Council in April 2017.</p> <p>At Full Council, Members decided that they needed a members working party to address the issues raised and confirm / amend the suggested action plan.</p> <p>The working group has been set up and is planning to meet in November 2017.</p> <p><b>Recommendation:</b>  We recommend that action is agreed and implemented as soon as possible to address the issues identified in the peer review.</p>	Accepted The overview and scrutiny committee have reviewed meeting start times and the management of meetings, as highlighted in the Corporate Peer Challenge. Their recommendations will be considered by the Constitution Working Party. The Interim Chief Executive will continue to work with Members through the Corporate Peer Challenge working party to agree and implement other actions from the Peer Review  <b>Responsible Officer</b> Interim Chief Executive <b>Implementation Deadline</b> July 2018	The CPC Improvement Plan Working Party have met on a number of occasions in the last 12 months. The improvement plan has not yet been agreed by members of Council but progress has been made against a number of action in the draft improvement plan and this has been reported to the members of the working party. The LGA CPC review team revisited the Council in April 2018 and the report of this visit is awaited and will be considered initially by the CPC Improvement Plan Working Party at their meeting on 13 September 2018. <b>Implemented</b>

# Audit differences

**We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee).**

**We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.**

A number of minor amendments focused on presentational improvements have also been made to the 2017-18 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

## Adjusted audit differences – Authority

The following table sets out the significant audit differences identified by our audit of Ryedale District Council's financial statements for the year ended 31 March 2018. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

**Table 1: Adjusted audit differences – Authority (£'000)**

No.	Income and expenditure statement	Assets	Liabilities	Basis of audit difference
1	Dr Cost of Services	Cr Prepayments 652		- This related to a pensions up front payment towards the pension deficit which had incorrectly been included as a prepayment in the draft statement of accounts. This cost has to be fully recognised in the CIES in the year of the payment. These adjustments result in a net decrease of £0.652 million in the reported surplus on provision of services. This adjustment also affected a number of other notes in the statement of accounts.
	<b>Dr 652</b>	<b>Cr 652</b>		<b>Total impact of adjustments</b>

## Unadjusted audit differences - Authority

Our audit did not identify any material unadjusted audit misstatements.

## Presentational adjustments - Authority

We identified a number of minor presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code').

# Materiality and reporting of audit differences

**The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.**

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2017-18*, presented to you in January 2018 for the Authority.

## **Reporting to the Audit Committee**

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £20k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

## **Appendix 5:**

# Required communications with the Audit Committee

**We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.**

Required Communication	Commentary
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	We have identified 1 adjusted audit differences with a total value of £0.652 million. See page 21 for details. These adjustments result in a net decrease of £0.652 million in the reported surplus on provision of services. See page 21 for further details.
Unadjusted audit differences	We have not identified any unadjusted audit differences.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We have not identified any significant control deficiencies during our financial statements audit other those disclosed in Appendix 2. See Appendix 2 for further detail.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Authority's Member or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our financial statements audit report. A modification has been made to our opinion on the Authority's Value For Money arrangements.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.

## **Appendix 5:**

# Required communications with the Audit Committee (cont.)

<b>Required Communication</b>	<b>Commentary</b>
Other information	<p>No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement.</p> <p>These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.</p>
Our declaration of independence and any breaches of independence	<p>No matters to report.</p> <p>The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.</p> <p>See Appendix 6 for further details.</p>
Accounting practices	<p>Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.</p> <p>We have set out our view of the assumptions used in valuing pension assets and liabilities at page 10.</p>
Significant matters discussed or subject to correspondence with management	<p>The following significant matters arising from the audit which were discussed, or subject to correspondence, with management:</p> <ul style="list-style-type: none"> <li>— Valuation of PPE;</li> <li>— Valuation of pension liability; and</li> <li>— Faster Close.</li> </ul>

# Declaration of independence

## ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF RYEDALE DISTRICT COUNCIL

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### **General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

## **Appendix 6:**

# **Declaration of independence (cont.)**

### **Independence and objectivity considerations relating to the provision of non-audit services**

#### *Summary of fees*

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 7, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	<b>2017-18 (planned fee) £</b>	<b>2016-17 £</b>
Audit of the Authority	41,826	41,826
<b>Total audit services</b>	<b>41,826</b>	<b>41,826</b>
Audit related assurance services- housing benefits	11,484	12,150
<b>Total Non Audit Services</b>	<b>11,484</b>	<b>12,150</b>

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0:1 as none of the services provided count towards the cap. We therefore do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out table on the following page.

**Appendix 6:**

# Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

<b>Description of scope of services</b>	<b>Principal threats to independence and Safeguards applied</b>	<b>Basis of fee</b>	<b>Estimated value of services committed but not yet delivered £</b>
<b>Mandatory assurance services</b>			
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats.	Fixed Fee	11,484

### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

## **Appendix 6:**

# Declaration of independence (cont.)

### **Confirmation of audit independence**

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

**KPMG LLP**



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## Appendix 7:

# Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit is £41,826 plus VAT (£41,826 in 2016/17), which is consistent the prior year.

Our work on the certification of the Authority's Housing Benefit Subsidy return is planned for September 2018. The planned scale fee for this is £11,484 plus VAT (£12,150 in 2016/17).

Component of the audit	2017-18 Planned Fee £	2016-17 Actual Fee £
<b>Accounts opinion and value for money work</b>		
PSAA Scale fee (Ryedale Council)	41,826	41,826
<b>Total audit services</b>	<b>41,826</b>	<b>41,826</b>
<b>Mandatory assurance services</b>		
Housing Benefits Certification (work planned for September)	11,484	12,150
<b>Total mandatory assurance services</b>	<b>11,484</b>	<b>12,150</b>
<b>Total non-audit services</b>	<b>11,484</b>	<b>12,150</b>
<b>Grand total fees for the Authority</b>	<b>53,310</b>	<b>53,976</b>

All fees quoted are exclusive of VAT.





The key contacts in relation to our audit are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Rashpal Khangura, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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