Public Document Pack

RYEDALE DISTRICT COUNCIL

Please Contact	Mrs Audrey Adnitt
Extension	203
Date of Publication	16 September 2011
E Mail	audrey.adnitt@ryedale.gov.uk

OVERVIEW AND SCRUTINY COMMITTEE

Monday 26 September 2011 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 **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.

AUDIT ITEMS

4 **Annual Statement of Accounts & Annual Governance Statement** (Pages 1 - 126)

This page is intentionally left blank

RYEDALE
DISTRICT
COUNCIL

Statement of Accounts 2010 / 2011

Ryedale District Council
working with you to make a difference

STATEMENT OF ACCOUNTS

for the

YEAR ENDED 31 MARCH 2011

TABLE OF CONTENTS

EXPLANATORY FOREWORD

1. Introduction

This document sets out Ryedale District Council's Statement of Accounts for 2010/11 in accordance with its statutory obligations as set out in the Accounts and Audit Regulations 2003.

The accounts included in this statement consist of:

- the ***Statement of Responsibilities for the Accounts*** - which sets out the Authority's and Chief Finance Officer's legal and professional responsibilities for the accounts

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

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

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

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

- the ***Collection Fund Statement*** – is an agents 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.

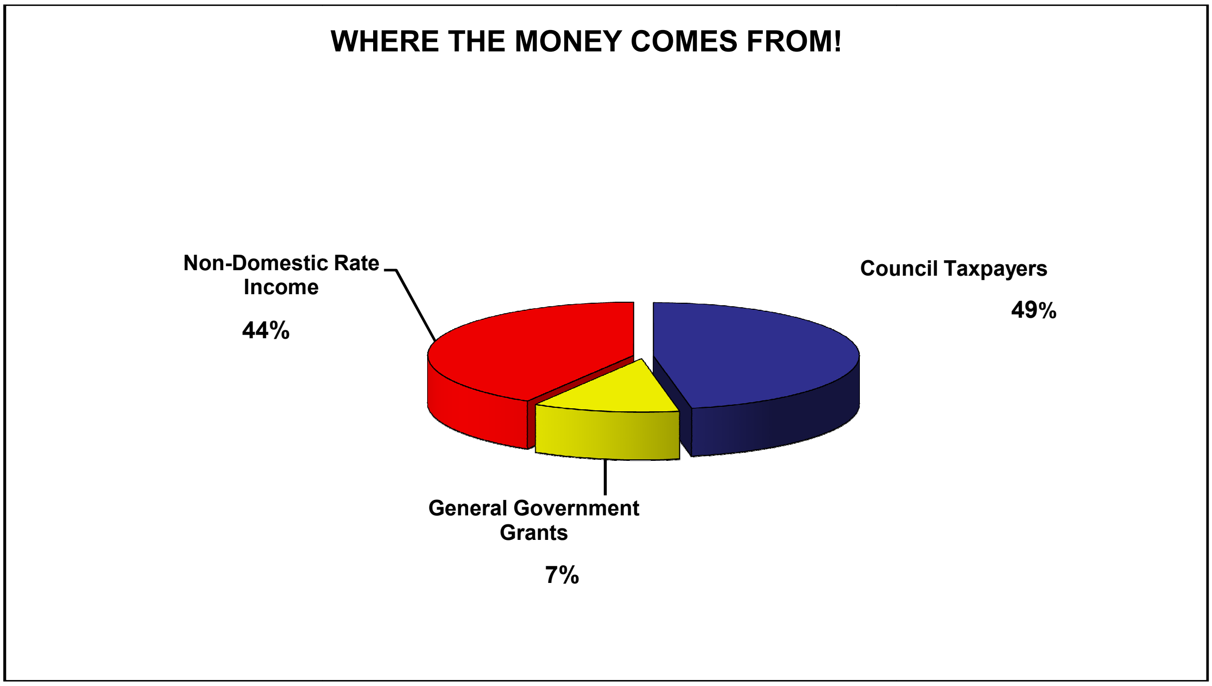
This Foreword provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.

2. General Fund Revenue Expenditure

The net cost of the Authority's revenue activities was £8.186m, this being spent on services as highlighted below:

Service Areas	**Actual Net Expenditure £000**	**Original Budget £000**
Planning	1,237	1,341
Economic Development	218	181
Leisure and Tourism	3,237	3,767
Housing (incl. Housing Benefit)	995	1,258
Environmental Health	1,600	1,509
Waste Collection	1,309	1,273
Local Tax Collection	519	471
Other Services	2,021	1,923
Retirement Benefits	(2,950)	41
Total Cost of Services	**8,186**	**11,764**

After adjusting for parish precepts, investment income and appropriations, the amount to be met from government grants and local taxpayers was £8.963m, which is funded as follows:



3. Revenue Budget Compared to Actual Income and Expenditure

The main components of the revenue budget for 2010/11 and how these compared with the actual expenditure are set out below:

	Original Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	**11764**	**8186**	**(3578)**
Other Operating Expenditure:			
Precepts paid to Parish Councils	638	638	-
Loss on disposal of non-current assets	-	141	141
	638	**779**	**141**
Financing and Investment Income & Expenditure			
Interest Payable	10	42	32
Pensions interest cost & expected return on pension assets	500	1,114	614
Income from Investments	(230)	(127)	103
Income and expenditure in relation to investment properties	(17)	(13)	4
	263	**1,016**	**753**
Taxation & Non Specific Grant Income			
Council Precept	(4,348)	(4,348)	-
Collection Fund Surplus	(51)	(34)	17
Non-Domestic Rate Income	(573)	(573)	-
Revenue Support Grant	(3,947)	(3,947)	-
Other General Government Grants	(76)	(61)	5
	(8,995)	**(8,963)**	**32**
(Surplus) / Deficit on Provision of Services	**3,670**	**1,018**	**(2,652)**
(Surplus) / Deficit on revaluation of property, plant & equipment assets	-	(848)	(848)
Actuarial (gains) / losses on Pensions assets / liabilities	-	(2,915)	(2,915)
Total Comprehensive Income and Expenditure	**3,670**	**(2,745)**	**(6,415)**
Adjustments between accounting basis and funding basis under regulations	(3,783)	2,852	6,635
Transfers to or from the General Fund that are required to be taken into account – contribution from earmarked reserves	113	(107)	(220)
Increase/Decrease in General Fund Balance for Year	**0**	**0**	**0**

Supplementary information for this statement regarding the actual Net Cost of Services is shown at the end of this document on pages 87 and 88.

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

4. Earmarked Reserves and Balances

The balance of General Fund Earmarked Reserves has reduced by £107k during 2010/11.

Major contributions to reserves and balances included the transfer of investment income of £127k into the Capital Fund to finance the capital programme.

Major drawings included the revenue support for the capital programme of £336k from the Capital Fund.

For further details regarding the Authority's reserves see Note 8 in the Notes to the Accounts.

5. **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 reduced from £23.814m as at 31 March 2010 to £18.833m as at 31 March 2011. This decrease of £4.981m is matched by a decrease in the level of the Pension Reserve and does not represent a reduction in the Authority's cash reserves or impact on the council tax.

The pension fund actuary has allowed for the change announced by the Chancellor in his June 2010 budget that public pension increases will fall in line with the consumer price index rather than the retail price index. Primarily because of this change the accounts include a negative "past service cost" of £3.119m which is shown within the 'Other Corporate and Non Distributed Costs line in the Comprehensive Income and Expenditure Statement and also in the Movement in Reserves Statement.

6. **Capital Expenditure**

In 2010/11 the Authority spent £3.569m on capital projects, compared with an original estimate of £5,624m. Major projects completed in 2010/11 included the provision of leisure facilities for community use at Malton School (£1.5m) and the private energy efficiency programme.

The shortfall in capital investment was primarily due to cancellation and delays in large external schemes that the Authority were to support with grant funding. These projects included the cancellation of the County Council's scheme to realign the junction at Vivis Lane with the A170 in Pickering (£0.5m); and delays with the development of sports facilities at Helmsley (£0.5m) and the implementation of an economic development scheme (£0.55m).

The main variations are detailed below:

Committee/Scheme	Budget £'000	Actual £'000	Difference £'000
COMMISSIONING BOARD			
Affordable Housing Initiatives	285	145	(140)
House Renovation Grants – Disabled Facilities	305	272	(33)
Mortgage Rescue Scheme	78	-	(78)
Private Energy Efficiency Grants	100	96	(4)
Leisure Facilities	2,000	1,500	(500)
Ryedale Folk Museum	200	-	(200)
Other Schemes	245	358	113
	3,213	2,371	(842)
POLICY & RESOURCES			
Information & Communication Technology	600	783	183
Economic Development	550	-	(550)
Realignment of A170 / Vivis Lane Pickering	500	-	(500)
Other Schemes	761	415	(346)
	2,411	1,198	(1,213)
TOTAL CAPITAL EXPENDITURE	5,624	3,569	(2,055)

7. **Changes in Accounting Policy**

The Statement of Accounts for 2010/11 have been prepared and presented on the basis of International Financial Reporting Standards (IFRS). The move from a UK GAAP basis to an IFRS basis is a significant change and has necessitated the restatement of the balance sheets for 1 April 2009 and 31 March 2010 and the restatement of income and expenditure for 2009/10.

The impact of the changes in the accounting policies are detailed in the notes to the financial statements. The table below provides an overview of the main changes from UK GAAP to IFRS:

	Significant IFRS changes	**Substantially the same**
Financial Statements	New statements and amended layouts. More flexibility – detail can be in the statements or the notes; terminology can be amended; and the order of the statements can be changed to suit the authority	New formats consistent with those used in the SORP where this is possible and helpful.
Purchase of goods and services	None	Everything.
Salaries and Pensions	Untaken holiday pay and similar items accrued for at year end.	Everything else.
Government Grants and Contributions	Capital grants recognised immediately (unless there are conditions) rather than being deferred and matched to annual depreciation expenditure.	Only the same for capital grants if there are conditions.
Property, Plant and Equipment (fixed assets)	More emphasis on component accounting than under UK GAAP. New class of 'assets held for sale'	Everything else. Expenditure that can be capitalised under IFRS remains unchanged.
Leases	90% 'test' to separate finance and operating leases removed. Property leases classified and accounted for as separate leases of land and buildings. Need to assess whether other arrangements contain the substance of a lease.	Everything else. IFRS retains the concept of the finance/operating lease distinction, and the tests carried out to classify leases are substantially the same.
Financial Instruments	None – IFRS is identical to UK GAAP as adopted in the Local Government Statement of Recommended Practice 2009	Everything

8. **Further Information**

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

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required:

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

The Chief Finance Officer's Responsibilities

The Corporate Director (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 Corporate Director (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

The Corporate Director (s151) has also:

- 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 the North Yorkshire Audit Partnership.

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 2011 and its income and expenditure for the year ended 31 March 2011.

Signed: P Cresswell Dated: 30 June 2011
P D Cresswell
Corporate Director (s151)

Approval of the Accounts

This Statement of Accounts was approved by the Policy and Resources Committee on 29 September 2011.

Signed: ______________ Dated: ______________
Cllr. G Acomb
Chairman of Policy & Resources Committee

MOVEMENT IN RESERVES STATEMENT
For the Year Ended 31 March 2011

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2009	**-**	**6,353**	**5,140**	**154**	**11,647**	**(6,502)**	**5,145**
Movement in reserves during 2009/10							
Surplus or (deficit) on the provision of services.	(1,514)	-	-	-	(1,514)	-	(1,514)
Other Comprehensive Income and Expenditure.	-	-	-	-	-	(539)	(539)
Total Comprehensive Income and Expenditure	(1,514)	-	-	-	(1,514)	(539)	(2,053)
Adjustments between accounting basis & funding basis under regulations (note7)	463	-	15	-	478	(478)	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(1,051)	-	15	-	(1,036)	(1,017)	(2,053)
Transfers to/from Earmarked Reserves (note 8)	1,051	(1,051)	-	-	-	-	-
Increase / Decrease in 2009/10	**-**	**(1,051)**	**15**	**-**	**(1,036)**	**(1,017)**	**(2,053)**
Balance as at 31 March 2010	**-**	**5,302**	**5,155**	**154**	**10,611**	**(7,519)**	**3,092**
Movement in reserves during 2010/11							
Surplus or (deficit) on the provision of services	(1,018)	-	-	-	(1,018)	-	(1,018)
Other Comprehensive Income and Expenditure	-	-	-	-	-	3,763	3,763
Total Comprehensive Income and Expenditure	(1,018)	-	-	-	(1,018)	3,763	2,745
Adjustments between accounting basis & funding basis under regulations (note7)	911	-	(2,503)	(97)	(1,689)	1,689	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(107)	-	(2,503)	(97)	(2,707)	5,452	2,745
Transfers to/from Earmarked Reserves (note 8)	107	(107)	-	-	-	-	-
Increase / Decrease in 2010/11	**-**	**(107)**	**(2,503)**	**(97)**	**(2,707)**	**5,452**	**2,745**
Balance as at 31 March 2011	**-**	**5,195**	**2,652**	**57**	**7,904**	**(2,067)**	**5,837**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
for the year Ended 31 March 2011

2009/10 (As restated)				2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £000
4,659	3,852	807	Central Services to the Public	4,827	3,918	909
8,608	2,701	5,907	Cultural, Environmental, Regulatory and Planning Services	10,177	2,576	7,601
861	996	(135)	Highways and Transport Services	1,045	954	91
11,915	11,033	882	Housing Services	12,749	11,754	995
1,358	-	1,358	Corporate and Democratic Core	1,376	-	1,376
561	11	550	Other Corporate and Non Distributed Costs	(2,775)	11	(2,786)
27,962	18,593	9,369	**COST OF SERVICES**	27,399	19,213	8,186
604	7	597	Other Operating Expenditure (Note 9)	779	-	779
2,694	2,293	401	Financing and Investment Income and Expenditure (Note 10)	2,933	1,917	1,016
-	-	-	(Surplus) or Deficit of Discontinued Operations	-	-	-
-	8,853	(8,853)	Taxation and Non-Specific Grant Income (Note 11)	-	8,963	(8,963)
		1,514	**(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES**			1,018
		(2,689)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(848)
		-	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets			-
		3,228	Actuarial (Gains) / Losses on Pension Assets / Liabilities			(2,915)
		539	**OTHER COMPREHENSIVE INCOME & EXPENDITURE**			(3,763)
		2,053	**TOTAL COMPREHENSIVE INCOME & EXPENDITURE**			(2,745)

BALANCE SHEET AS AT 31 MARCH 2011

1 April 2009 £'000 (As restated)	31 March 2010 £'000 (As restated)		31 March 2011 £'000	Notes Ref.
11,889	14,012	Property Plant & Equipment	14,275	12
1,596	2,428	Investment Property	2,435	13
333	299	Intangible Assets	773	14
-	-	Assets Held for Sale	-	20
-	-	Long Term Investments	-	15
21	14	Long Term Debtors	7	15
13,839	16,753	**Long Term Assets**	17,490	
14,299	10,076	Short Term Investments	9,527	15
2	160	Assets Held for Sale	-	20
164	87	Inventories	75	16
976	2,456	Short Term Debtors	1,104	18
517	724	Cash and Cash Equivalents	-	19
15,958	13,503	**Current Assets**	10,706	
-	-	Cash and Cash Equivalents	(70)	19
-	-	Short Term Borrowing	-	15
(4,354)	(2,794)	Short Term Creditors	(2,817)	21
(135)	(122)	Other short term liabilities	(166)	15
-	-	Provisions	-	22
-	-	Liabilities in Disposal Groups	-	
(4,489)	(2,916)	**Current Liabilities**	(3,053)	
-	-	Long Term Creditors	-	15
-	-	Provisions	-	22
-	-	Long-term Borrowing	-	15
(19,607)	(23,814)	Liability Related to Defined Pension Scheme	(18,833)	38
(556)	(434)	Other Long Term Liabilities	(473)	15
-	-	Donated Assets Account	-	32
-	-	Capital Grants Received in Advance	-	32
(20,163)	(24,248)	**Long Term Liabilities**	(19,306)	
5,145	3,092	**Net Assets**	5,837	
11,647	10,611	Usable Reserves	7,904	23
(6,502)	(7,519)	Unusable Reserves	(2,067)	24
5,145	3,092	**Total Reserves**	5,837	

CHIEF FINANCE OFFICER'S CERTIFICATE
I certify that the above Balance Sheet, fairly states the financial position of the Authority as at 31 March 2011

Signed: P D Cresswell
CORPORATE DIRECTOR (S151) 30 JUNE 2011

CASH FLOW STATEMENT
For the Year Ended 31 March 2011

2009/10 £'000 (As restated)		2010/11 £'000
1,514	Net (surplus) or deficit on the provision of services	1,018
2,930	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(1,203)
628	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	626
5,072	Net cash flows from Operating Activities (Note 25)	441
(4,191)	Investing Activities (Note 26)	91
(1,088)	Financing Activities (Note 27)	262
(207)	Net (increase) or decrease in cash and cash equivalents	794
517	Cash and cash equivalents	724
724	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**(70)**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International 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.

NOTES TO THE ACCOUNTS

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. <u>Exceptional Items</u>

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. <u>Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors</u>

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. <u>Charges to Revenue for Non-Current Assets</u>

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
- amortisation of intangible fixed assets attributable to the service.

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

The scheme provides defined benefits to members (retirement lump sums and pensions) related to pay and service.

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 acturarial 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 seven components:

  -current service cost – the increase in liabilities as 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 arising from current year decisions 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

  -interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment line in the Comprehensive Income and Expenditure Account

  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment line in the Comprehensive Income and Expenditure Statement

  -gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account as a part of Non Distributed Costs

  -acturial 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 – debited to the Pensions Reserve

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

Discretionary Benefits

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

viii. <u>Events After the Balance Sheet Date</u>

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;

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

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

ix. <u>Financial Instruments</u>

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- 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.

However, the Authority has made a number of loans to voluntary organisations that are interest free (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest, with the difference serving to increase the amortised cost of the loan to the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instrument Adjustment Account in the Movement in Reserves Statement.

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.

NOTES TO THE ACCOUNTS

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
- Equity shares with no quoted market prices – independent appraisal of company valuations.

During the financial year 2010/11 the Authority did not enter any financial instrument transactions.

x. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment line in the Comprehensive Income and Expenditure Statement.

xi. Government Grants and Contributions

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

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

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

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

Income (non-ringfenced revenue grants) in the Comprehensive Income and Expenditure Statement.

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

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xii. Intangible Assets

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

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

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

xiii 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.

xiv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Finacing 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.

xv. 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 Balances 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.

xvi. 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 Best value Accounting Code of Practice 2010/11 (BVACOP). 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 past service retirement benefits, unused shares of assets and impairment losses chargeable on non-current Assets Held for Sale and assets under construction.

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

xvii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

- 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.

NOTES TO THE ACCOUNTS

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 basis:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer;

- 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

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.

xviii. 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.

For the financial year 2010/11 the Authority has no such provisions, other than for bad and doubtful debts.

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.

xix. <u>Reserves</u>

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

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

xx. <u>Revenue Expenditure Funded from Capital under Statute</u>

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

xxi. <u>VAT</u>

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

2. <u>ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET BEEN ADOPTED : HERITAGE ASSETS</u>

The Code of practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held, which will need to be adopted fully by local authorities in the 2011/12 financial statements.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the

Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. Full adoption of the new standard will be required for the 2011/12 statements, however, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

The Authority has reviewed its assets and can report that there are none that require reclassification to heritage assets.

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.

One major critical judgement in the Statement of Accounts that should be highlighted is the 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 it's 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. IFRS TRANSITION ARRANGEMENTS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. The IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following extracts from the 2008/09 and the 2009/10 financial statements summarise the effect on the values previously presented arising on the adoption of IFRS. As the adjustments highlight certain lines that have changed, the extract below does not therefore total in themselves.

NOTES TO THE ACCOUNTS

2009/10 Comprehensive Income and Expenditure Statement

	Net expenditure as previously reported £'000	Accounting for leases £'000	Accounting for grant income £'000	Accounting for non-current assets £'000	Accounting for accumulated absences £'000	Accounting for cash and cash equivalents £'000	Net expenditure as restated £'000
		(i Leases)	(ii Grants)	(iii Non-current assets)	(iv Absences)	(v Cash)	
Cost of services	8,949	(26)	443	-	3	-	9,369
Interest payable and similar charges	-	34	-	-	-	-	34
Investment property revaluation	-	-	-	(862)	-	-	(862)
(Surplus) / deficit on provision of service	1,922	8	443	(862)	3	-	1,514

NOTES TO THE ACCOUNTS

2009/10 Balance Sheet

	As previously reported £'000	Accounting for leases £'000	Accounting for grant income £'000	Accounting for non-current assets £'000	Accounting for accumulated absences £'000	Accounting for cash and cash equivalents £'000	As restated £'000
		(i Leases)	(ii Grants)	(iii Non-current assets)	(iv Absences)	(v Cash)	
Property plant and equipment	16,108	563	-	(2,659)	-	-	14,012
Investment properties	-	-	-	2,428	-	-	2,428
Assets held for sale	-	-	-	160	-	-	160
Short term investments	10,446	-	-	-	-	(370)	10,076
Cash and cash equivalents	354	-	-	-	-	370	724
Creditors	(2,746)	-	69	-	(117)	-	(2,794)
Government grants deferred	(287)	-	287	-	-	-	-
Capital grants unapplied	(154)	-	154	-	-	-	-
Other short term creditors	-	(122)	-	-	-	-	(122)
Other long term creditors	-	(434)	-	-	-	-	(434)
Net assets	**2,762**	**7**	**510**	**(71)**	**(117)**	**-**	**3,092**

Revaluation reserve	4,080	-	-	(880)	-	-	3,200
Capital adjustment account	12,054	7	287	809	-	-	13,157
Capital grants unapplied	-	-	154	-	-	-	154
Accumulated absences account	-	-	-	-	(117)	-	(117)
Earmarked reserves	5,232	-	69	-	-	-	5,302
Total reserves	**2,762**	**7**	**510**	**(71)**	**(117)**	**-**	**3,092**

2008/09 Balance Sheet

	As previously reported £'000	Accounting for leases £'000	Accounting for grant income £'000	Accounting for non-current assets £'000	Accounting for accumulated absences £'000	Accounting for cash and cash equivalents £'000	As restated £'000
		(i Leases)	(ii Grants)	(iii Non-current assets)	(iv Absences)	(v Cash)	
Property, plant and equipment	12,870	706	-	(1,687)	-	-	11,889
Investment property	-	-	-	1,596	-	-	1,596
Assets held for sale	-	-	-	2	-	-	2
Short term investments	14,599	-	-	-	-	(300)	14,299
Cash and cash equivalents	217	-	-	-	-	300	517
Creditors	(4,302)	-	62	-	(114)	-	(4,354)
Government grants deferred grants	(721)	-	721	-	-	-	-
Capital grants unapplied	(154)	-	154	-	-	-	-
Other short term creditors	-	(135)	-	-	-	-	(135)
Other long term creditors	-	(556)	-	-	-	-	(556)
Net assets	4,395	**15**	**937**	**(89)**	**(114)**	**-**	**5,145**
Revaluation reserve	635	-	-	(52)	-	-	583
Capital adjustment accrual	11,869	15	721	(37)	-	-	12,568
Capital grants unapplied	-	-	154	-	-	-	154
Accumulated absence account	-	-	-	-	(114)	-	(114)
Earmarked reserves	6,291	-	62	-	-	-	6,353
Total reserves	**4,395**	**15**	**937**	**(89)**	**(114)**	**-**	**5,145**

i. Leases

The government has issued regulations and statutory guidance in relation to accounting for leases. Under the Code, the change in accounting treatment can result in an asset lease being accounted for as a finance lease where it was previously treated as an operating lease.

Under the new arrangements, the Authority has five leases where the accounting treatment has changed. As a consequence of reclassifying the leases as a finance lease, the financial statements have been amended as follows:

- The Authority has recognised an asset (the vehicles) and a finance liability.
- The operating lease charge within Cultural, Environmental, Regulatory and Planning Services has been reduced by the amount that relates to the vehicle lease payments.
- A depreciation charge has been included within Cultural, Environmental Regulatory and Planning Services.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as a 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment in respect of the vehicles is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

The net change to Cost of Services consists of the removal of the operating lease charge for the vehicles (-£169,000) and the inclusion of the depreciation charge (+£143,000).

The net increase in Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account and the inclusion of the Minimum Revenue Provision charge of £135,000. These transfers are shown in the Movement in Reserves Statement.

ii. Grants

Under the Code, grants and contributions for the capital schemes are recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- A grant was received prior to 2009/10 but not used and was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

iii. Non-current assets

IFRS introduces a number of new accounting treatments in respect of non-current assets.

- Investment Properties are now a distinct category of asset and separately identified on the face of the balance sheet. Movements in the valuation of investment properties are now recorded through the surplus or deficit of provision of services rather than recognised within the Revaluation Reserve.

- A new balance sheet heading of Assets held for Sale is recognised for those properties that are being marketed and are anticipated to be sold within a twelve month period of the reporting date.

iv. Absences

Short-term compensated absences, primarily earned but not taken holiday pay, are recognised as a short-term creditor on the balance sheet. This balance is offset into a new unusable reserve account to avoid a charge on the General Fund. Movements in the period end accruals are charged to the Provision of Services in the Comprehensive Income and Expenditure Statement.

v. Cash

Cash Equivalents is a new balance sheet heading to include both cash and highly liquid short term investments that are held for cash management purposes (which are considered as the 'equivalent' of cash), such as call accounts and short term deposits that mature in one month or less from the date of acquisition.

5. 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 2011 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 0.5% increase in the discount rate would result in a decrease in the pension liability of £4.34m.

Arrears	At 31 March 2011, the Authority had a balance for sundry debtors of £1,416,000. A review of significant balances suggested that an impairment of doubtful debts of 22.0% (£312,000) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £312,000 to be set aside as an allowance.

6. EVENTS AFTER THE BALANCE SHEET DATE

Under IAS 10 *Events after the Reporting Date,* 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 Authority has recognised in it's Accounts, a decision of the Government to uprate Public Sector pensions using the Consumer Price Index rather than the Retail Price Index. The Government's decision is currently before the courts in judicial review proceedings. The Government is to robustly defend the case and therefore no adjustment has been made to the Accounts for this matter. The financial implications consequent on the findings of the judicial review going against the Government have not been assessed.

The Statement of Accounts was issued by the responsible financial officer, Paul Cresswell Corporate Director (s151) on 30 June 2011.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority to 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.

NOTES TO THE ACCOUNTS

2010/11	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the capital adjustment account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	609	-	-	(609)
Revaluation losses on Property Plant and Equipment	848	-	-	(848)
Movements in the market value of investment properties	-	-	-	-
Amortisation of intangible assets	173	-	-	(173)
Capital grants and contributions applied	(606)	-	-	606
Movement in the Donated Assets Account	-	-	-	-
Revenue expenditure funded from capital under statute	2,296	-	-	(2,296)
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	161	-	-	(161)
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(170)	-	-	170
Capital expenditure charged against the General Fund	(336)	-	-	336
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied are credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(97)	97
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and expenditure Statement	(20)	20	-	-
Use of the Capital receipts reserve to finance new capital expenditure	-	(2,529)	-	2,529
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from Capital Receipts	-	-	-	-

Reserve to finance the payments to the Government capital receipts pool				
Transfer from Deferred Capital receipts Reserve upon receipt of cash	-	-	-	-
Repayment of principal on loans	-	6	-	(6)
Adjustments primarily involving the Deferred Capital receipts Reserve:				
Transfer of deferred sale proceeds credited as part as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 38)	(803)	-	-	803
Employers pensions contributions and direct payments to pensioners payable in the year	(1,263)	-	-	1,263
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	17	-	-	(17)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5	-	-	(5)
Total Adjustments	**911**	**(2,503)**	**(97)**	**1,689**

NOTES TO THE ACCOUNTS

2009/10 Comparative Figures

2009/10 Comparative Figures	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the capital adjustment account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	961	-	-	(961)
Revaluation losses on Property Plant and Equipment	-	-	-	-
Movements in the market value of investment properties	(832)	-	-	832
Amortisation of intangible assets	146	-	-	(146)
Capital grants and contributions applied	(628)	-	-	628
Movement in the Donated Assets Account	-	-	-	-
Revenue expenditure funded from capital under statute	921	-	-	(921)
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	2	-	-	(2)
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(135)	-	-	135
Capital expenditure charged against the General Fund	(961)	-	-	961
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied are credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and expenditure Statement	-	-	-	-
Use of the Capital receipts reserve to finance new capital expenditure	-	-	-	-
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-

Contribution from Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital receipts Reserve upon receipt of cash	-	-	-	-
Repayment of principal on loans	-	8	-	(8)
Capital receipts unattached to non-current assets	(7)	7	-	-
Adjustments primarily involving the Deferred Capital receipts Reserve:				
Transfer of deferred sale proceeds credited as part as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 38)	2,207	-	-	(2,207)
Employers pensions contributions and direct payments to pensioners payable in the year	(1,228)	-	-	1,228
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	14	-	-	(14)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3	-	-	(3)
Total Adjustments	**463**	**15**	**-**	**(478)**

NOTES TO THE ACCOUNTS

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 1/04/09 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance At 31/03/10 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance At 31/03/11 £000
General Reserve	500	(19)	151	632	-	16	648
Capital Fund	4,111	(911)	324	3,524	(336)	180	3,368
Capital Contingency Fund	200	(200)	-	-	-	-	-
Community Investment Fund	37	(20)	-	17	(17)	-	-
Election Reserve	35	-	14	49	-	16	65
Grants Reserve	101	(31)	-	70	-	21	91
IT Fund	150	(19)	8	139	(18)	9	130
ICE Fund	351	(129)	-	222	(24)	-	198
Local Developm't Framework Reserve	100	(50)	-	50	-	-	50
Operational Reserve	632	(179)	10	463	(28)	24	459
Restructure Reserve	136	-	-	136	-	50	186
Total	**6,353**	**(1,558)**	**507**	**5,302**	**(423)**	**316**	**5,195**

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 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 management restructure of the Council.

(i) This reserve was established to cover the additional cost associated with accelerating the completion of the Local Development Framework.

(j) The Community Investment Fund was available for capital and revenue projects that contributed to the achievement of the Community Plan priorities.

9. OTHER OPERATING EXPENDITURE

2009/10 £000		2010/11 £000
602	Parish council precepts	638
-	Payments to the Government Housing Capital Receipts Pool	-
2	Losses on the disposal of non-current assets	141
(7)	Capital receipts unattached to non-current assets	-
597	Total	779

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £000 (As restated)		2010/11 £000
34	Interest payable and similar charges	42
1,495	Pensions interest cost and expected return on pensions assets	1,114
(266)	Interest receivable and similar income	(127)
(862)	Income and expenditure in relation to investment properties and changes in their fair value	(13)
401	Total	1,016

11. TAXATION AND NON SPECIFIC GRANT INCOME

2009/10 £000		2010/11 £000
(4,331)	Council tax income	(4,382)
(3,563)	Non domestic rates	(3,947)
(959)	Non-ringfenced government grants	(634)
-	Capital grants and contributions	-
(8,853)	Total	(8,963)

NOTES TO THE ACCOUNTS

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balance Sheet

Movements in 2010/11

	Other Land & Buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community Assets £000	Surplus assets £000	Assets under construction £000	Total property, plant & equipment £000
Cost or Valuation							
At 1 April 2010	12,638	4,389	-	213	513	-	17,753
Additions	451	399	-	21	-	-	871
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition – disposals	-	(217)	-	-	-	-	(217)
Derecognition – other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
At 31 March 2011	**13,089**	**4,571**	**-**	**234**	**513**	**-**	**18,407**
Accumulated Depreciation and Impairment							
At April 2010	301	3,439	-	-	1	-	3,741
Depreciation charge	273	334	-	-	1	-	608
Depreciation written out to the Revaluation Reserve	-	(217)	-	-	-	-	(217)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Impairment loses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2011	**574**	**3,556**	**-**	**-**	**2**	**-**	**4,132**
Net Book Value							
At 31 March 2011	**12,515**	**1,015**	**-**	**234**	**511**	**-**	**14,275**
At 31 March 2010	**12,337**	**950**	**-**	**213**	**512**	**-**	**14,012**
Owned asset as at 31 March 2011	12,515	380	-	234	511	-	13,640
Asset acquired under finance lease as at 31 March 2011	-	635	-	-	-	-	635
Total	**12,515**	**1,015**	**-**	**234**	**511**	**-**	**14,275**

NOTES TO THE ACCOUNTS

Comparative Movements in 2009/10 (As restated)

	Other Land & Buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community Assets £000	Surplus assets £000	Assets under construction £000	Total property, plant & equipment £000
Cost or Valuation At 1 April 2009	11,200	4,567	1	207	497	-	16,472
Additions	341	205		9	-	-	555
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,172	-	(1)	(3)	102	-	1,270
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	(383)	-	(383)
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	(161)	-	(161)
Other movements in cost or valuation	(75)	(383)	-	-	458	-	-
At 31 March 2010	**12,638**	**4,389**	**-**	**213**	**513**	**-**	**17,753**
Accumulated Depreciation and Impairment At April 2009	1,462	3,121	-	-	-	-	4,583
Depreciation charge	266	375	-	-	-	-	641
Depreciation written out to the Revaluation Reserve	(1,426)	-	-	-	-	-	(1,426)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Impairment loses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	(57)	-	(57)
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Other movements in depreciation and impairment	(1)	(57)	-	-	58	-	--
At 31 March 2010	**301**	**3,439**	**-**	**-**	**1**	**-**	**3,741**
Net Book Value							
At 31 March 2010	**12,337**	**950**	**-**	**213**	**512**	**-**	**14,012**
At 31 March 2009	**9,738**	**1446**	**1**	**207**	**497**	**-**	**11,889**
Owned assets as at 31 March 2011	12,337	387	-	213	512	-	13,449
Assets acquired under finance leases at 31 March 2011	-	563	-	-	-	-	563
Total	**12,337**	**950**	**-**	**213**	**512**	**-**	**14,012**

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 2011 the Authority had not entered into any contracts for the construction or enhancement of property.

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 carried out internally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Charted Surveyors. Valuations of vehicles, plant, furniture and equipment are based on historic cost.

The valuation process is led by Roger Barnsley, who is an externally appointed Chartered Surveyor.

During 2010/11 there were no revaluations of property, plant and equipment as there was a full revaluation of assets in the preceding year. An adjustment on revaluation in the prior year has been recorded to 2010/11 (Note 36).

13. 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:

	2010/11 £000	2009/10 £000
Rental Income from Investment Property	136	144
Net gain from fair value adjustment	-	832
	136	976
Direct operating expenses arising from investment property	123	114
Net gain	13	862

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.

	2010/11 £000	2009/10 £000
Balance at start of the year	**2,428**	**1,596**
Additions	-	-
Purchases	-	-
Construction	-	-
Subsequent expenditure	7	-
Disposals	-	-
Net gains / (losses) from fair value adjustments	-	832
Transfers:	-	-
To/from inventories	-	-
To/from Property Plant and Equipment	-	-
Other changes	-	-
Balance at end of the year	**2,435**	**2,428**

14. 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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £174k charged to revenue in 2010/11 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:

	2010/11			2009/10		
	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	-	827	827	-	715	715
Accumulated amortisation	-	(528)	(528)	-	(382)	(382)
Net carrying amount at start of year	-	299	299	-	333	333
Additions:						
Internal development	-	-	-	-		
Purchases	-	648	648	-	112	112
Acquired through business combinations	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
Other disposals	-	(1)	(1)	-	-	-
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	-	-	-	-	-	-
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Amortisation for the period	-	(173)	(173)	-	(146)	(146)
Other changes	-	-	-	-		
Net carrying amount at year end	-	773	773	-	299	299
Compromising:						
Gross carrying amounts	-	1,472	1,472	-	827	827
Accumulated amortisation	-	(699)	(699)	-	528	528
	-	773	773	-	299	299

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

	Carrying Amount		Remaining Amortised period
	31 March 2011 £000	31 March 2010 £000	
Revenues and benefits system	399	-	5 years

The Authority has capital commitments amounting to £90k for the acquisition of intangible assets.

15. FINANCIAL INSTRUMENTS

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

	Long-term			Current		
	31 March 2011 £000	31 March 2010 (As restated) £000	31 March 2009 (As restated) £'000	31 March 2011 £000	31 March 2010 (As restated) £000	31 March 2009 (As restated) £'000
Investments						
Loans and receivables	-	-	-	9,527	10,076	14,299
Available-for-sale financial assets	-	-	-	-	-	-
Unquoted equity investment at cost	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Total Investments	**-**	**-**	**-**	**9,527**	**10,076**	**14,299**
Debtors						
Loans and receivables	7	14	21	-	-	-
Financial assets carried at contract amounts	-	-	-	1,104	2,456	976
Total Debtors	**7**	**14**	**21**	**1,104**	**2,456**	**976**
Borrowings						
Financial liabilities at amortised cost	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
Total Borrowings	**-**	**-**	**-**	**-**	**-**	**-**
Other Liabilities						
Finance lease liabilities	(473)	(434)	(556)	(166)	(122)	(135)
Total Other Liabilities	**(473)**	**(434)**	**(556)**	**(166)**	**(122)**	**(135)**
Creditors						
Financial liabilities at amortised cost	-	-	-	-	-	-
Financial liabilities carried at contract amount	-	-	-	2,817	2,794	4,354
Total Creditors	**-**	**-**	**-**	**2,817**	**2,794**	**4,354**

Fair value of Assets and Liabilities

	Fair value			Historic cost		
	31 March 2011 £000	31 March 2010 £000	31 March 2009 £'000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £'000
Loans and receivables	9,529	10,094	14,399	9,527	10,076	14,299

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 35.

NOTES TO THE ACCOUNTS

16. INVENTORIES

	Consumable Stores		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2010/11 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	**87**	**164**	**-**	**-**	**-**	**-**	**87**	**164**
Purchases	396	396	-	-	-	-	396	396
Recognised as an expense in the year	(408)	(379)	-	-	-	-	(408)	(379)
Written off balances	-	(94)	-	-	-	-	-	(94)
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance outstanding at year-end	**75**	**87**	**-**	**-**	**-**	**-**	**75**	**87**

17. CONSTRUCTION CONTRACTS

As at the 31 March 2011 the Authority had no contracts in progress.

18. DEBTORS

	31 March 2011 £000	31 March 2010 (As restated) £000	1 April 2009 (As restated) £'000
Central government bodies	205	1,533	194
Other local authorities	156	252	103
NHS Bodies	-	-	-
Public corporations and trading funds	-	-	-
Other entities and individuals	743	671	679
Total	1,104	2,456	976

19. CASH AND CASH EQUIVALENTS

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

	31 March 2011 £000	31 March 2010 (As restated) £'000	1 April 2009 (As restated) £'000
Cash held by the Council	153	145	203
Bank current account	(263)	209	14
Special Interest Bearing Account	40	370	300
Total Cash and Cash Equivalents	(70)	724	517

20. ASSETS HELD FOR SALE

	Current		Non Current	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	**160**	**2**	**-**	**-**
Assets newly classified as held for sale:				
Property, Plant and equipment	-	160	-	-
Intangible Assets	-	-	-	-
Revaluation losses	-	-	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and equipment	-	-	-	-
Intangible Assets	-	-	-	-
Assets sold	(160)	(2)	-	-
Transfers from non-current to current	-	-	-	-
Balance outstanding at year end	**0**	**160**	**-**	**-**

21. CREDITORS

	31 March 2011 £000	31 March 2010 (As restated) £000	1 April 2009 (As restated) £'000
Central government bodies	677	331	1,605
Other local authorities	335	530	806
NHS Bodies	-	-	-
Public corporations and trading funds	-	-	-
Other entities and individuals	1,805	1,933	1,943
Total	2,817	2,794	4,354

22. PROVISIONS

No provisions were required for the financial year ending 31 March 2011 (31 March 2010 £nil).

23. USABLE RESERVES

1 April 2009 £'000	31 March 2010 £000		31 March 2011 £000
6,353	5,302	Earmarked General Fund Reserves	5,195
5,140	5,155	Capital Receipts Reserve	2,652
154	154	Capital Grants Unapplied	57
11,647	**10,611**	**Total Usable Reserves**	**7,904**

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

Earmarked General Fund Reserves

Details of the movements within the individual earmarked reserves are shown in note 8, together with an explanation of the purpose of each reserve.

Capital Receipts Reserve

2009/10 £000		2010/11 £000
5,140	Balance at 1 April	5,155
-	Receipts from disposal of non-current assets	20
15	Other receipts	6
5,155		5,181
-	Receipts used to finance capital expenditure	(2,529)
5,155	**Balance at 31 March**	**2,652**

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

Capital Grants Unapplied

2009/10 £000		2010/11 £000
154	Balance at 1 April	154
-	Reversal of grants credited to the Comprehensive Income and Expenditure Statement but expenditure has not been incurred	-
154		154
-	Grants used to finance capital expenditure	(97)
154	**Balance at 31 March**	**57**

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.

24. UNUSABLE RESERVES

1 April 2009 £'000	31 March 2010 £000		31 March 2011 £000
583	3,200	Revaluation Reserve	3,953
-	-	Available for Sale Financial Instruments Reserve	-
12,568	13,157	Capital Adjustment Account	12,897
-	-	Financial Instruments Adjustment Account	-
-	-	Deferred Capital Receipts Reserve	-
(19,608)	(23,814)	Pensions Reserve	(18,833)
69	55	Collection Fund Adjustment Account	38
(114)	(117)	Accumulated Absences Account	(122)
(6,502)	**(7,519)**	**Total Unusable Reserves**	**(2,067)**

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 games 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.

2009/10 £000		£000	2010/11 £000
583	**Balance at 1 April**		3,200
2,689	Upward revaluation of assets	-	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
3,272	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-
(72)	Difference between fair value depreciation and historical cost depreciation	(75)	
-	Accumulated gains on assets sold or scrapped	(20)	
-	Adjustment to reclassify prior year impairment to the Capital Adjustment Account	848	
(72)	Amount written off to the Capital Adjustment Account		753
3,200	**Balance at 31 March**		3,953

Available for Sale Financial Instruments Reserve

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

Capital Adjustment Account

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

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

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

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

2009/10 (As restated) £000		£'000	2010/11 £000
12,568	**Balance at 1 April**		13,157
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(961)	• Charges for depreciation and impairment of non-current assets	(609)	
-	• Revaluation losses on Property, Plant and Equipment	-	
(146)	• Amortisation of Intangible Assets	(174)	
(2)	• 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	(160)	
(921)	• Revenue Expenditure Funded by Capital Under Statute	(2,296)	
(2,030)			(3,239)
72	Adjusting amounts written out of the Revaluation Reserve		(753)
10,610	Net written out amount of the cost of non-current assets consumed in the year		9,165
	Capital financing applied in the year:		
-	• Use of the capital receipts reserve to finance new capital expenditure	2,529	
628	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	606	
-	• Application of grants to capital financing from the Capital Grants Unapplied Account	98	
135	• Statutory provision for the financing of capital investment charged against the General fund	170	
961	• Capital expenditure charged against the General Fund	336	
1,724			3,739
832	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
-	Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(8)	Movements in Long-term Debtors		(7)
13,157	**Balance at 31 March**		12,897

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 has a small balance of £199 that relates to a soft loan arrangement with the Milton Rooms Management Committee.

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.

2009/10 £000		2010/11 £000
(19,608)	Balance at 1 April	(23,814)
(3,228)	Actuarial gains or losses on pensions assets and liabilities	2,915
(2,206)	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	803
1,228	Employer's pensions contributions and direct payments to pensioners payable in the year	1,263
(23,814)	Balance at 31 March	(18,833)

Deferred Capital Receipts Reserve

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

There were no gains during the 2010/11 financial year.

Collection Fund Adjustment Account

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

2009/10 £000		2010/11 £000
69	Balance at 1 April	55
(14)	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	(17)

	statutory requirements	
55	Balance at 31 March	38

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.

2009/10 £000		£000	2010/11 £000
(114)	Balance at 1 April		(117)
114	Settlement or cancellation of accrual made at the end of the preceding year	117	
(117)	Amount accrued at the end of the current year	(122)	
(3)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(5)
(117)	Balance at 31 March		(122)

25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(266)	Interest received	(128)
34	Interest paid	42
-	Dividends received	-

26. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2009/10 £000		2010/11 £000
667	Purchase of property, plant and equipment, investment property and intangible assets	1,273
42,000	Purchase of short-term and long-term investments	39,800
-	Other payments for investing activities	-
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(20)
(46,223)	Proceeds from short-term and long-term investments	(40,349)
(635)	Other receipts from investing activities	(613)
(4,191)	Net cash flows from investing activities	91

27. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2009/10 £000		2010/11 £000
-	Cash receipts of short and long term borrowing	-
-	Other receipts from financing activities	(45)
135	Cash payments for the reduction of the outstanding liabilities relating to finance leases	170
-	Repayments of short and long-term borrowing	-
(1,223)	Other payments for financing activities	137
(1,088)	Net cash flows from financing activities	262

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATIONS DECISIONS

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cashflows (payment of employers pensions contributions) rather than current service cost of benefits accrued in the year

2010/11

Committee Income and Expenditure	Commissioning Board £000	Policy & Resources £000	Total £000
Fees, charges & other service income	2,740	965	3,705
Government grants	690	14,818	15,508
Total Income	**3,430**	**15,783**	**19,213**
Employee expenses	3,260	2,425	5,685
Other service expenses	5,036	16,096	21,132
Support service recharges	1,088	1,378	2,466
Total Expenditure	**9,384**	**19,899**	**29,283**
Net Expenditure	**5,954**	**4,116**	**10,070**

2009/10 Comparative Figures

Committee Income and Expenditure	Commissioning Board £000	Policy & Resources £000	Total £000
Fees, charges & other service income	2,927	853	3,780
Government grants	813	14,001	14,814
Total Income	**3,740**	**14,854**	**18,594**
Employee expenses	3,483	2,613	6,096
Other service expenses	3,766	15,522	19,288
Support service recharges	978	1,270	2,248
Total Expenditure	**8,227**	**19,405**	**27,632**
Net Expenditure	**4,487**	**4,551**	**9,038**

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

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

	2010/11 £000	2009/10 £000
Net expenditure in the Committee Analysis	10,070	9,038
Net expenditure of service and support services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(1,884)	331
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	**8,186**	**9,369**

NOTES TO THE ACCOUNTS

Reconciliation to Subjective Analysis

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

2010/11

	Committee Analysis £000	Amounts not Reported to Management for Decision Making £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	3,705	-	3,705	-	3,705
Surplus or deficit on associates and joint ventures	-	-	-	-	-
Interest and investment income	-	-	-	140	140
Income from council tax	-	-	-	8,329	8,329
Government grants and contributions	15,508	-	15,508	634	16,142
Total Income	**19,213**	**-**	**19,213**	**9,103**	**28,316**
Employee expenses	5,685	(3,042)	2,643	-	2,643
Other service expenses	21,132	-	21,132	-	21,132
Support service recharges	2,466	-	2,466	-	2,466
Depreciation, amortisation and impairment	-	1,158	1,158	-	1,158
Interest payments	-	-	-	1,156	1,156
Precepts & levies	-	-	-	638	638
Gain or loss on disposal of non-current assets	-	-	-	141	141
Capital receipts unattached to non-current assets	-	-	-	-	-
Total Expenditure	**29,283**	**(1,884)**	**27,399**	**1,935**	**29,334**
Surplus or Deficit on the Provision of Services	**10,070**	**(1,884)**	**8,186**	**(7,168)**	**1,018**

NOTES TO THE ACCOUNTS

2009/10 Comparative Figures

	Committee Analysis £000	Amounts not Reported to Management for Decision Making £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	3,780	-	3,780	-	3,780
Surplus or deficit on associates and joint ventures	-	-	-	-	-
Interest and investment income	-	-	-	1,128	1,128
Income from council tax	-	-	-	7,894	7,894
Government grants and contributions	14,814	-	14,814	959	15,773
Total Income	**18,594**	**-**	**18,594**	**9,981**	**28,575**
Employee expenses	6,096	(501)	5,595	-	5,595
Other service expenses	19,288	-	19,288	-	19,288
Support service recharges	2,248	-	2,248	-	2,248
Depreciation, amortisation and impairment	-	832	832	-	832
Interest payments	-	-	-	1,529	1,529
Precepts & levies	-	-	-	602	602
Gain or loss on disposal of non-current assets	-	-	-	2	2
Capital receipts unattached to non-current assets	-	-	-	(7)	(7)
Total Expenditure	**27,632**	**331**	**27,963**	**2,126**	**30,089**
Surplus or Deficit on the Provision of Services	**9,038**	**331**	**9,369**	**(7,855)**	**1,514**

NOTES TO THE ACCOUNTS

29. MEMBERS ALLOWANCES

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

	2010/11 £000	2009/10 £000
Allowances	123	122
Expenses	11	12
Total	134	134

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.

30. OFFICERS REMUNERATION

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

Job Title	Year	Salary, fees and allowances £	Bonuses £	Expenses allowances £	Compen-sation for loss of office £	Pension contribution £	Total £
Chief Executive	2010/11	104,460	-	5,505	-	21,101	131,066
	2009/10	104,252	-	5,505	-	21,101	130,858
Corporate Director (s151)	2010/11	70,000	-	2,604	-	14,140	86,744
	2009/10 (As restated)	70,000	-	2,619	-	14,140	86,759
Corporate Director	2010/11	62,649	-	5,766	40,586	12,560	121,561
	2009/10	61,652	-	7,169	-	12,454	81,275

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

Remuneration Band	2010/11 Number of employees	2009/10 Number of employees
£50,000 - £54,999	6	5
£55,000 - £59,999	1	1
£60,000 - £64,999	-	-
£65,000 - £69,999	-	1
£70,000 - £74,999	1	1
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	2	1

31. 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:

	2010/11 £'000	2009/10 £'000
* Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year	89	88
* Fees payable to Deloitte LLP in respect of statutory inspections	-	8
* Fees payable to Deloitte LLP for the certification of grant claims and returns	22	27
* Fees payable in respect of other services provided by Deloitte LLP during the year	2	-
	113	123

The fees for other services payable in 2010/11 related to professional fees for additional challenge work, following the receipt of an elector's question.

32. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	573	822
Area Based Grant	23	23
New Burdens Grant	12	-
Planning Delivery Grant	26	88
Local Authority Business Growth Incentives Scheme	-	26
Total	**634**	**959**
Credited to Services		
Housing Benefit & Council Tax Benefit Subsidy	13,930	13,032
Housing Benefit & Council Tax Benefit Admin.	325	370
Homelessness	61	46
Regional Housing Board Pot	229	300
Disabled Facilities Grant	204	209
Concessionary Fares	235	210
Safer Stronger Communities	44	59
Personal Search Fee s31	34	-
Other grants	246	298
Total	**15,308**	**14,524**

The Authority is required to disclose any grants, contributions or donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. As at the 31 March 2011 the Authority did not hold any such balances for Capital Grants Receipts in Advance or Donated Assets.

33. 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 32.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 29.

Officers

The Corporate Director (Section 151), P D Cresswell, of Ryedale District Council is a related party of the North Yorkshire Audit Partnership 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
Rye Internal Drainage Board	- *levy*	-	59
Thornton Internal Drainage Board	- *levy*	-	13
Muston & Yedingham Internal Drainage Board	- *levy*	-	2
Foss Internal Drainage Board	- *levy*	-	1
North Yorkshire Audit Partnership	*see note below*	(6)	63
North Yorkshire Building Control Partnership	*see note below*	(31)	39

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

The North Yorkshire Audit Partnership provides an internal audit service for a number of local authorities in the region. Ryedale District Council is the host authority and a full partner, other local authorities within the Partnership being Scarborough BC, Selby DC, Hambleton DC and Richmondshire DC. Ryedale District Council's proportion of the Partnership's accumulated surplus is £11,175 as at 31 March 2011.

NOTES TO THE ACCOUNTS

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 surplus is £3,703 as at 31 March 2011.

Entities Controlled or Significantly Influenced by the Council

Community Leisure Ltd is an Industrial Provident Society initially set up to run the Authority's leisure centre and swimming pools. Payment of grant of £263,000 was made to Community Leisure Ltd to support the operation of the leisure facilities in 2010/11.

34. 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.

	2010/11 £000	2009/10 £000
Opening Capital Financing Requirement	556	691
Capital investment		
Property plant and equipment	871	555
Investment properties	7	-
Intangible assets	648	113
Revenue expenditure funded from capital under statute	2,296	921
Sources of finance		
Capital receipts	(2,529)	-
Government grants and other contributions	(704)	(628)
Sums set aside from revenue		
Direct revenue contributions	(336)	(961)
Minimum Revenue Provision	(170)	(135)
Closing Capital Financing Requirement	639	556
Explanation of movements in year		
Decrease in underlying need to borrowing (unsupported by government financial assistance)	(170)	(135)
Assets acquired under finance leases	253	-
Increase / (decrease) in Capital Financing Requirement	83	(135)

35. LEASES

Authority as Lessee – Finance Leases

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

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

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (net present value of minimum lease payments)		
Current	166	122
Non-current	473	434
Finance costs payable in future years	105	113
Minimum lease payments	744	669

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Not later than one year	210	164	166	122
Later than one year and not later than five years	534	505	473	434
Later than five years	-	-	-	-
	744	669	639	556

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 2011 £000	31 March 2010 £000
Not later than one year	137	78
Later than one year and not later than five years	187	142
Later than five years	-	-
	324	220

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:

	2010/11 £000	2009/10 £000
Minimum lease payments	144	165
Contingent rents	-	-
Sublease payments receivable	-	-
	144	165

Authority as Lessor

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

36. IMPAIRMENT LOSSES

The Authority has no impairment losses to report on revaluations made in 2010/11, however, an adjustment has been made in the 2010/11 accounts to rectify the accounting treatment of the downward revaluation of some assets in the 2009/10 accounts. An adjustment of £848k has been made from the Revaluation Reserve to charge the impairment to the Comprehensive Income and Expenditure Account and the reversal to the Capital Adjustment Account.

37. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010/11; incurring liabilities of £469,714 (£nil in 2009/10). Of this total, £40,586 was payable to a Corporate Director in the form of a payment for voluntary redundancy, as disclosed in Note 30. The remaining £429,128 was voluntary redundancy and enhanced personal benefit payments made to 17 officers who were made redundant as part of the Authority's rationalisation of services.

38. 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 that needs to be disclosed 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	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• Current service cost	1,066	715	-	-
• Past service costs / (gains)	(3,085)	-	(34)	-
• Settlement and curtailments	136	(3)	-	-
Financing and Investment Income and Expenditure				
• Interest cost	2,754	2,530	14	15
• Expected return on scheme assets	(1,654)	(1,050)	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(783)	2,192	(20)	15
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• Actuarial gains and losses	(2,915)	3,184	-	44
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(3,698)	5,376	(20)	59
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	3,698	(5,376)	20	(59)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers contributions payable to scheme	1,248	1,213		
• Retirement benefits payable to pensioners			15	15

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £2.915m (2009/10: £3.228m loss).

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligations).

	Funded liabilities: Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Opening balance at 1 April	49,481	35,752	265	221
Current service cost	1,066	715	-	-
Interest cost	2,754	2,530	14	15
Contribution by scheme participants	365	396	-	-
Actuarial gains and losses	2,432	11,430	386	44
Benefits paid	(2,039)	(1,339)	(15)	(15)
Past service costs	(3,085)	-	(34)	-
Entity combinations	-	-	-	-
Curtailments	136	(3)	-	-
Settlements	-	-	-	-
Closing balance at 31 March	51,110	49,481	616	265

Reconciliation of fair value of the scheme assets:

	2010/11 £'000	2009/10 £'000
Opening balance at 1 April	25,932	16,366
Expected rate of return	1,654	1,050
Actuarial gains and losses	5,733	8,246
Employer contributions	1,263	1,228
Contributions by scheme participants	365	396
Benefits paid	(2,054)	(1,354)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	32,893	25,932

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme history

	31.03.11 £'000	31.03.10 £'000	31.03.09 £'000	31.03.08 £'000	31.03.07 £'000
Present value of liabilities:					
Local Government Pension Scheme	(51,112)	(49,483)	(35,756)	(41,918)	(39,833)
Discretionary Benefits	(616)	(265)	(221)	(258)	(225)
Fair value of assets in the Local Government Scheme	32,895	25,934	16,370	25,056	25,838
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(18,217)	(23,549)	(19,386)	(16,862)	(13,995)
Discretionary Benefits	(616)	(265)	(221)	(258)	(225)
Total	(18,833)	(23,814)	(19,607)	(17,120)	(14,220)

The liabilities show the underlying commitments that the authority has in the long-term to pay post employment (retirement) benefits. The total liability of £51.7m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £18.8m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the scheme will be made good by increased contributions over the remaining working life of employees i.e. before payments fall due, as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 is £1.259m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £0.015m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Limited an independent firm of actuaries, estimates for the fund being based on the full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	31.03.11	31.03.10
Long-term expected rate return on assets in the scheme:		
Equity investments	7.5%	7.5%
Government bonds	4.4%	4.5%
Other bonds	5.1%	5.2%
Cash/liquidity	0.5%	0.5%
Other	n/a	n/a
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.1 yrs	21.2 yrs
Women	24.7 yrs	24.1 yrs
Longevity at 65 for future pensioners:		
Men	23.5 yrs	22.2 yrs
Women	26.3 yrs	25.0 yrs
Rate of inflation(RPI)	3.4%	3.3%
Rate of Inflation (CPI)	2.9%	2.8%
Rate of increase in salaries	4.65%	5.05%
Rate of increase in pensions	2.9%	3.3%
Rate for discounting scheme liabilities	5.5%	5.6%
Take-up of option to convert annual pension to retirement grant	50%	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31.03.11 %	31.03.10 %
Equity Investments	74.7	76.2
Debt Instruments	24.8	21.7
Other Assets	0.5	2.1
	100.0	100.0

History of experience gains and losses

The actuarial loss identified as movements on the Pension Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
Differences between the expected and actual return on assets	16.3	31.8	(64.9)	(13.0)	0.5
Experience gains and losses on liabilities	5.6	23.1	(24.7)	7.3	0

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

The Authority also makes payments to the West Yorkshire Superannuation Fund in respect of pension increases for former authorities that amalgamated to form Ryedale. This amounted to £32,899 in 2010/11 (2009/10: £41,124).

NOTES TO THE ACCOUNTS

39. CONTINGENT LIABILITIES

At the 31 March 2011 the Authority had no material contingent liabilities to report.

40. CONTINGENT ASSETS

At the 31 March 2011 the Authority had no material contingent assets to report.

41. 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
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

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

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations, standing orders and constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The councils overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum and annual exposures to investments maturing beyond a year

- 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 advisors. 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
- 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 £2m 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 the 31 March 2011 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 2011 £'000	Historical Experience of Default %	Historical Experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability at 31 March 2011 £000	Estimated maximum exposure to default and uncollectability at 31 March2010 £000
Deposits with Banks and Financial Institutions	9,527	0%	0%	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 authority currently has no borrowings and 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;
- 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 effect 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 20% variable rate exposure to its investments. However, all investments 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 2011

2009/10 £'000		£'000	2010/11 £'000	NOTE
	INCOME			
(28,378)	Council Tax		(29,228)	
	Transfers from General Fund			
(3,176)	- Council Tax Benefits		(3,327)	
(13,193)	Income collectable from business ratepayers		(13,866)	
(44,747)	Total Income		(46,421)	
	EXPENDITURE			
	Precepts and Demands:			
21,710	North Yorkshire County Council	22,452		
4,210	North Yorkshire Police Authority	4,343		
1,287	North Yorkshire Fire & Rescue	1,319		
4,345	Ryedale District Council	4,399		
42	Street Lighting Expenses	52	32,565	(3)
	Business Rates:			
13,032	Payment to National Pool	13,739		(4)
112	Costs of Collection Allowance	112		
50	Allowance for Losses	15		(5)
			13,866	
60	Provision for non-payment of Council Tax		110	(5)
44,848	Total Expenditure		46,541	
101	Deficit for the year		120	
(499)	Surplus at 1 April		(398)	
(398)	Surplus at 31 March		(278)	

NOTES ON THE COLLECTION FUND

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 the 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, North Yorkshire County Council, North Yorkshire Police Authority and North Yorkshire Fire and Rescue Authority in a subsequent financial year.

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 Properties	Ratio	Band D Equivalent Dwellings
A	1,818	6/9	1,212
B	5,055	7/9	3,932
C	4,856	8/9	4,316
D	3,776	1	3,776
E	2,900	11/9	3,544
F	1,811	13/9	2,616
G	1,036	15/9	1,727
H	94	18/9	188
TOTAL	21,346		21,311
Less adjustment for Collection Rate			(319)
Council Tax Base			20992

3. **Precepts**

Precepts and demands for 2010/11 are analysed as follows:

	Ryedale DC £'000	NYCC £'000	NYPA £'000	NYFRA £'000
2010/11 Precept/Demand	4,348	22,199	4,294	1,304
Payment in respect of 2009/10 surplus	51	253	49	15
	4,399	22,452	4,343	1,319

NOTES ON THE COLLECTION FUND

The balance on the Collection Fund is available for funding the precept requirement for the authorities as follows:

	£'000
Ryedale District Council	38
North Yorkshire County Council	192
North Yorkshire Police Authority	37
North Yorkshire Fire & Rescue Authority	11

4. **Income from Business Rates**

The Authority collects business rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts can be analysed as follows:

	£'000
Non-Domestic Rateable Value multiplied by the uniform business rate (net of rateable value adjustments)	16,542
Less net adjust. for Transitional Relief, Part Occupancy, Write-offs and Transitional Premium	(1,920)
	14,622
Less Charitable Relief	(797)
	13,825
Other adjustments including making provision for bad debts and interest payments made	(86)
	13,739

Redistribution from the NNDR Pool is credited to the General Fund Summary.

5. **Bad and Doubtful Debts**

The figures show any movement on the provision for bad and doubtful debts. Provision has been made for Council Tax payers of £560,000 (2009/10: £450,000) and Business Ratepayers of £145,000 (2009/10: £130,000) and is included within Debtors in the Authority's Balance Sheet.

6. **Statistics**

Additional information is as follows:

Total National Non Domestic Rateable Value in £'s at 31.03.11	43,491,130
NDR Rate in £ for 2010/11	41.4p
Small Business Rate in £ for 2010/11	40.7p
Number of Business Premises (Hereditament) at 31.03.11	2,760
Number of Council Tax Benefit claimants at 31.03.11	3,782

ANNUAL GOVERNANCE STATEMENT 2010/11

1. **Scope of Responsibility**

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

2. **The Purpose of the Governance Framework**

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

- Openness and Inclusivity
- Integrity
- Accountability

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

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

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This has been in place within the Authority for the year ended 31 March 2011 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

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

Policies and Guidance:

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

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

Political and Managerial Structures and Processes

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

The Authority has developed a process that is intended to reflect political and community objectives as expressed in the Community Strategy ("Imagine Ryedale") and acts as a basis for corporate prioritisation. The process has identified the Authority's corporate aims together with a number of associated objectives. These will be reviewed at appropriate intervals to ensure that they continue to meet the needs of the community. The Authority has linked the performance management process across all service areas to provide an integrated performance management system. Each service has developed a performance improvement plan as part of their Service Delivery Plan showing how that service will work to achieve the Authority's objectives.

Financial Management

The Corporate Director (s.151Officer) has the overall statutory responsibility for the proper administration of the Authority's financial affairs, including making arrangements for appropriate systems of financial control. The Authority operates within a system of financial regulations, comprehensive budgetary control, regular management information, administrative procedures (including the segregation of duties) and management supervision.

The Corporate Director (s151Officer) is a member of the Authority's Corporate Management Team, and is directly responsible to the Chief Executive. The Authority is therefore fully compliant with the requirements of the 2010 CIPFA/SOLACE Application Note to Delivering Good Governance.

Compliance Arrangements

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

- The Chief Executive Officer
- The Corporate Director (s151) who is the s.151 Officer of the Authority who is the Cheif Finance Officer (CFO)
- The CIPFA Statement on the role of the CFO recommends that the CFO should report directly to the Chief Executive and be a member of the 'Leadership' Team. Furthermore that the Annual Governance Statement should assess the position of the CFO against these criteria and report on a 'comply or explain' basis.
- The CFO has unfettered access to information, to the Chief Executive and to Members of the Authority in order that they can discharge their responsibilities effectively. Therefore we consider that Ryedale DC fully comply with this standard.
- The Monitoring Officer
- The External Auditor and various other external inspection agencies
- Internal Audit (North Yorkshire Audit Partnership)

- Finance Officers and other relevant service managers

Value For Money

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

Risk Management

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

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

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

Internal Audit & Fraud

The Authority operates internal audit and internal (non Housing Benefit) fraud investigation functions through the North Yorkshire Audit Partnership (NYAP) in compliance with the Accounts and Audit Regulations 2011. The Partnership works to the CIPFA Code of Practice for Internal Audit in Local Government. It undertakes an annual programme of review covering financial and operational systems designed to give assurance to Members and managers on the effectiveness of the control environment operating within the Council. It also is complementary to and gives support to the external auditors (Deloitte LLP for 2010/11). In addition the Partnership provides assurance to the Corporate Director (s151) as the Authority's s.151 Officer in discharging his statutory review and reporting responsibilities. The Authority also, as part of the Accounts and Audit Regulations (Reg 6), undertakes an annual review of the effectiveness of its system of internal audit, which is reported to the Overview & Scrutiny (Audit) Committee.

The Partnership also has an advisory role that provides:

- Advice and assistance to managers in the design, implementation and operation of controls

- Support to managers in the prevention and detection of fraud, corruption and other irregularities

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

Performance Management

The Authority has improved its performance management arrangements. The Chief Executive has overall responsibility for the function and the Corporate Management Team retains its monitoring role. Heads of Service and their Service Unit Managers are expected to deliver improvements or maintain performance standards where appropriate. The Covalent performance management system is now extremely well embedded within the Authority.

4. **Review of Effectiveness**

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

- Reports received from the Audit Commission and other inspection agencies
- The results of internal audit and fraud investigation work
- The views of senior managers, including Chief Executive, the s151 Officer and the Monitoring Officer
- The work of the Heads of Service Group in compiling the Authority's Strategic Risk Register.
- Outcomes of service improvement reviews and performance management processes

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

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

An Action Plan is appended which identifies and notes progress with previous year's matters of concern, and includes those arising from this year's review. The Annual Governance Statement for 2010/11 will provide details of the work completed against this

Plan.

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

5. SIGNIFICANT INTERNAL CONTROL ISSUES

A review of the internal control arrangements in place within the Authority has identified areas where improvements could be made. Specific actions are proposed to address the issues identified. Attached is the action plan for 2010/2011 incorporating those issues brought forward from the previous plan, which are still outstanding.

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

Signed: .... Dated: ....
Janet Waggott
Chief Executive

Signed: .... Dated: ....
Cllr Keith Knaggs
Leader of the Council.

ANNUAL GOVERNANCE STATEMENT APPENDIX

STATUS	CONTROL ISSUE	ACTION PROPOSED	RESPONSIBILITY	TARGET DATE	CURRENT POSITION & COMMENTS
Brought Forward From 2007/2008 Action Plan	<u>Asset Management</u> The Audit Commission KloE for UoR Action Plan 2008 notes that the Council's approach to Asset Management did not reach level 3 assessment. (Level 3 requires that the Authority maintains an effective asset register.).	That the software bought to assist with asset management be installed and commissioned as a priority.	Corporate Director (s151) [Head of Resources]	Fully functional by 31/12/09	COMPLETED
New 2009/2010	There are significant changes to IT systems supporting services planned over the forthcoming year and beyond. There is the risk that system controls will be compromised during this period.	• All projects are run using established project management methodology. • Internal audit will be involved in working groups as appropriate. • System specifications ensure appropriate controls.	Corporate Director (s151) as Chair of ICT Programme Board.	Continuing	COMPLETED
Brought Forward From 2008/09	The role and responsibilities of member champions are not established within the Council	Review to be undertaken setting out necessary information for member champions and officer leads.	Head of Transformation	To be completed by 30/9/2009	COMPLETED

ANNUAL GOVERNANCE STATEMENT APPENDIX

Brought Forward From 2008/09	Corporate Business Continuity Plan (BCP) requires testing for resilience and further training may be required.	Use consultancy days from our insurers and specialist to ensure the plan is fit for purpose and appropriate staff have currency of knowledge.	Corporate Director (s151)	To be completed by 31/12/2011	Work ongoing with NYCC - Carry forward as ongoing issue in 2011/2012
New 2009/2010	Risk of compromise and weaknesses in operational systems as a consequence of reduced staffing over forthcoming years through downsizing as Government funding cuts made.	• Where changes in staffing occur, that changes in operating arrangements are reviewed prior to reducing the controls. • Internal audit are included in working groups reviewing operating systems and arrangements, including commissioning, partnership arrangements etc.	Corporate Director (s151)	Continuing	COMPLETED IN 2010/2011, Carry forward as ongoing issue in 2011/2012

New 2010/11	With the potential for new partnerships and changes to existing ones over the forthcoming year there is a risk that system controls could be compromised during the period.	• Partnership risk register to be considered by O and S • Partnership changes to be properly project managed • Internal audit will be involved in working groups and project teams as appropriate • Ensure partnership protocol is followed	Corporate Director (s151)	Ongoing	New control Issue

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to Members of Ryedale District Council

Opinion on the Authority accounting statements

We have audited the accounting statements and related notes of Ryedale District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, Notes to the Collection Fund Accounting Statement and the related notes 1 to 41. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Ryedale District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director (s151) and auditor

As explained more fully in the Statement of the Corporate Director (s151) Responsibilities, the Corporate Director (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. Our responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

INDEPENDENT AUDITOR'S REPORT

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. We read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on financial statements

Included in the restated cash flow statement for 2009/10 within the adjustment to net surplus or deficit on the provision of services for non-cash movements is an amount of £1,095,000. Ryedale District Council has no support for this reconciling item.

Qualified Opinion on accounting statements

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accounting statements:

- give a true and fair view of the state of Ryedale District Council's affairs as at 31 March 2011 and of its income and expenditure 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.

Opinion on other matters

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

Matters on which we report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's Responsibilities

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 regularly to review the adequacy and effectiveness of these arrangements.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Ryedale District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

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

ANALYSIS OF THE COST OF SERVICES (Comprehensive Income & Expenditure Statement)

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 Staement:

2009/10 Net Exp. £'000	Service	2010/11 Expenditure £'000	2010/11 Income £'000	2010/11 Net Exp. £'000
	Central Services to the Public			
65	Emergency Relief Work	78	-	78
95	Grants	73	-	73
299	Cost of Rate/Council Tax Collection	613	217	396
(29)	Council Tax Benefits Payments	3,327	3,351	(24)
96	Council Tax Benefits Administration	286	139	147
70	Conducting Elections	115	-	115
112	Registration of Electors	85	1	84
(9)	Land Charges	82	121	(39)
108	Rate Relief	168	89	79
807	**Net Expenditure Central Services to the Public**	**4,827**	**3,918**	**909**
	Cultural, Environmental & Planning Services			
	Cultural & Related Services			
236	Culture & Heritage	278	1	277
828	Recreation & Sport	2,544	32	2,512
119	Parks & Open Spaces	131	4	127
142	Tourism	146	1	145
168	Tourist Information Centres	214	38	176
1,493		**3,313**	**76**	**3,237**
	Environmental & Regulatory Services			
32	Crime & Disorder	117	71	46
27	Town Centre Security	42	(3)	45
8	Footway Lighting	11	4	7
42	Flood Defence & Land Drainage	44	-	44
140	Pollution Reduction	174	18	156
44	Pest Control	94	51	43
54	Dog Control	56	2	54
173	Food Safety	189	1	188
158	Public Health	168	13	155
233	Public Conveniences	454	4	450
(7)	Cesspool Emptying	20	29	(9)
4	Hackney Carriage & Private Hire Vehicles Licensing	45	34	11
4	Licences	82	81	1
73	Drainage Boards	75	-	75
353	Street Cleansing	418	85	333
572	Refuse Collection	593	10	583
(44)	Trade Waste	639	646	(7)
786	Recycling	1,261	527	734
2,652		**4,482**	**1,573**	**2,909**

ANALYSIS OF THE COST OF SERVICES
(Comprehensive Income & Expenditure Statement)

ANALYSIS OF THE COST OF SERVICES (Comprehensive Income & Expenditure Statement)

2009/10 Net Exp. £'000	Service	2010/11 Expenditur £'000	2010/11 Income £'000	2010/11 Net Exp. £'000
	Planning & Development Services			
25	Street Naming	23	2	21
194	Environmental Initiatives	260	34	226
250	Economic Development Support	241	23	218
(56)	Markets	16	69	(53)
57	Building Control	261	218	43
455	Development Control	815	386	429
550	Planning Policy	461	173	288
133	Non-Industrial Premises & Land	158	12	146
154	Community Development	147	10	137
1,762		**2,382**	**927**	**1,455**
5,907	**Net Expenditure Cultural, Environmental Regulatory & Planning**	**10,177**	**2,576**	**7,601**
	Highways & Transport Services			
(480)	Car Parks	499	703	(204)
345	Transport Support	546	251	295
(135)	**Net Expenditure Highways, Roads & Transport**	**1,045**	**954**	**91**
	Housing Services			
122	Housing Strategy	123	1	122
33	Registered Social Landlords	29	-	29
62	Housing Advice	67	-	67
177	Private Sector Housing Renewal	647	464	183
128	Homelessness	337	216	121
19	Travellers Site, Malton	84	-	84
(15)	Ryecare Services	265	269	(4)
49	Housing Benefits Payments	10,586	10,580	6
307	Housing Benefits Administration	611	224	387
882	**Net Expenditure Housing Services**	**12,749**	**11,754**	**995**
	Corporate & Democratic Core			
730	Democratic Representation & Management	713	-	713
628	Corporate Management	663	-	663
1,358	**Net Expenditure Corporate & Democratic Core**	**1,376**	**-**	**1,376**
	Other Corporate & Non Distributed Costs			
38	Retirement Benefits	(2,950)	-	(2,950)
28	Costs of Unused Shares of Assets	15	-	15
326	Assets Under Construction & Surplus Assets for Disposal	-	-	-
15	General Financial Provisions	25	-	25
90	Other Employee Related Costs	78	2	76
49	Customer Liaison & Marketing	46	-	46
4	Finance Adjustment on Central Expenses	11	9	2
550	**Net Expenditure Other Corporate & Non Distributed**	**(2,775)**	**11**	**(2,786)**
9,369	**COST OF SERVICES**	**27,399**	**19,213**	**8,186**

GLOSSARY

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.
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.
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.

GLOSSARY

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.

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.

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). In Ryedale the Monitoring Officer is Anthony Winship, Council Solicitor.

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.

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-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.

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 UK GAAP 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.

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

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.

Deloitte.

Ryedale District Council

Report to the Overview and Scrutiny Committee on the 2011 Audit

Final Report

September 2011

Contents

Key findings

We have pleasure in setting out in this document our report to the Overview and Scrutiny Committee of Ryedale District Council ("the Authority") for the year ended 31 March 2011 for discussion at the meeting scheduled for 26 September 2011. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2011. The main audit visit took place during July and August and we are happy with the way that the audit has progressed. Audit working papers were of a generally good standard, except for the area of the cash flow statement where there is a material unreconciled difference in the 2009/10 comparatives that have been restated for the IFRS transition. This means the cash flow statement in 2009/10 has been balanced through the inclusion of a reconciling item which Officers are unable to support. Our opinion is qualified in respect of the 2009/10 comparatives to the cash flow statement. We would like to thank those officers involved in the audit.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

Audit status	We are satisfied that the status of the audit is as expected at this stage of the timetable agreed in our audit plan except for the cash flow statement issue noted above. The audit is subject to the satisfactory completion of the matters set out below: • completion of testing on the value for money conclusion; • internal review and quality control procedures; and • receipt of the management representation letter. Our opinion has been qualified in respect of the 2009/10 comparative to the cash flow statement, Except for the effects of this matter we are satisfied that the financial statements will give a true and fair view of the affairs of the Authority subject to satisfactory completion of the outstanding matters noted above. We anticipate issuing an unmodified value for money conclusion (see Section 4).

Key findings on audit risks	The key audit risks we identified in our Audit Plan are set out below with our audit findings: 1. **changes to the accounting framework:** prior year figures have been correctly reworked and current year changes to accounting policies correctly adopted; 2. **changes to the revenue and benefits system:** in February 2011 the revenue and benefits system was migrated from Civica to Northgate. Our testing showed that balances had been correctly migrated to the new system; 3. **valuation of fixed assets:** we have reviewed the valuation of the Authority's property and its approach to componentisation. From the testing performed we are satisfied that valuation of assets of the Authority and its approach to componentisation are in accordance with the guidance issued by the Royal Institute of Chartered Surveyors; 4. **adequacy of bad and doubtful debt provisioning:** the bad debt provision at the balance sheet date is reasonable, although some minor uncorrected extrapolated misstatements are identified at Appendix 1; 5. **pension scheme assumptions:** the assumptions used by the actuary are within expected ranges and therefore are reasonable; 6. **accounting for share of partnership assets and liabilities:** our testing showed that the assets and liabilities of the partnerships have been appropriately excluded from the results of Ryedale District Council; 7. **presumed risk of revenue recognition fraud:** appropriate cut-off and recording procedures have been applied; and 8. **presumed risk of management override of controls:** no issues of management override were noted in the testing performed. More details of our findings on audit risks are given in Section 1.

Key findings (continued)

Identified misstatements	Audit materiality was £361,677 (2010: £386,813) which is amended from the figures set out in our Audit Plan of £428,000 due to a lower final gross expenditure figure being presented for audit. Identified uncorrected misstatements, if adjusted, would decrease the deficit on provision of services by £39,146 and increase net assets by £39,146. Management has concluded that the total impact of the uncorrected misstatements, both individually and in aggregate, is not material in the context of the financial statements taken as a whole. Details of the uncorrected misstatements are included in Appendix 1. Two audit adjustments have been made by Officers from the draft accounts approved by the s151 Officer in June 2011. The first adjustment of £253,000 relates to a reclassification within the capital financing note. The second adjustment relates to reclassification of reconciling items disclosed in the cash flow statement and the notes to the cash flow statement.

Control observations arising from the final audit visit	We set out in this report for your attention our findings and recommendations from our final audit visit together with an update on the findings from our planning visit. The key observations that we have made relate to: 1. documentation of journals; 2. documentation to support the authorisation of the disposal of fixed assets; and 3. IT security. More details of our findings on other matters are given in Section 2.

Accounting policies and financial reporting	As part of our audit, we consider the quality and acceptability of the Authority's accounting policies and financial reporting. The Statements of Accounts have to be prepared under an International Financial Reporting Standards ("IFRS") - based Code of Practice on Local Authority Accounting for the first time this year. The draft financial statements presented for audit met most of the disclosure requirements of the IFRS Code 2010. To improve compliance with the Code we recommended a number of additional disclosures. Two areas of non-compliance with the Code have been identified.

Financial standing – Value for Money (VFM) conclusion	We have considered the financial standing of the Authority for 2010/11 in respect of our VFM conclusion. We have considered this based on current/ongoing expenditure demands, expected grant income and the current cash position of the Authority. The government's funding cuts have caused a reduction in expected grant income in the future; however the Authority has drawn up plans on how to deal with differing levels of grant reduction. More details are given in Section 4.

1. Key audit risks

The results of our audit work on the key audit risks identified in our audit planning report are set out below:

Changes to the accounting framework	
Key findings	**Prior year figures have been correctly reworked and current year changes to accounting policies correctly adopted.**
Background	The financial statements of all Councils are required to comply with the accounting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards ("IFRS"). There are various changes, required as a consequence of the transition to IFRS, which will affect balances in the accounts such as leases, fixed assets, deferred grants and employee benefits. The comparative figures for the year ended 31 March 2009 and 2010 are required to be retrospectively reworked on this new basis and the financial statements will include a prior period restatement in respect of this change in the accounting framework. There is a risk that some of the changes in the accounting framework may be overlooked or misinterpreted.
Deloitte response	At our visit in April 2011 we reviewed the initial conversion work that has been performed by the finance team on the 2009 and 2010 balances in respect of the main changes noted above. We noted that some areas of this work were incomplete at that time, such as, the restatement of property plant and equipment. During our audit work in July and August 2011 we reviewed the re-stated financial statements. We found these accounts complied with most of the disclosure requirements of IFRS Code 2010. To improve compliance with the Code we recommended a number of additional disclosures. Two areas of non-compliance with the Code have been identified. (See Section 3)

Changes to the revenue and benefits system	
Key findings	**Our testing performed showed that balances had been correctly migrated to the new system.**
Background	The revenue and benefits system was changed to the Northgate application in February 2011. The system went live from 18 February 2011. There is a risk that data may not have been migrated correctly from the old to the new system and that data may be incorrectly recorded due to lack of experience on the new system.
Deloitte response	Our testing found that the balances had been correctly migrated from the Civica to the Northgate system. As part of the migration the Authority had performed two tests of the system prior to migrating the live data. This enabled the Authority to resolve all issues identified during the test runs prior to migration being fully implemented. No unresolved issue in respect of the migration were noted from our testing.

1. Key audit risks (continued)

Valuation of non-current assets	
Key findings	**We have reviewed the valuation of the Authority's property and its approach to componentisation and are satisfied that the assets of the authority are recorded in accordance with the guidance issued by the Royal Institute of Chartered Surveyors.**
Background	In the current climate the property market is still volatile and there is the potential for valuations of property and other assets to have fallen. There is also a new requirement under IFRS for all new or revalued fixed assets with component parts, which may have different useful lives, to be reviewed and the components to be depreciated at different rates according to their useful lives. This requirement applies prospectively from 1 April 2010. For the IFRS requirement of componentisation, we will perform a review of the process for identifying components for new and revalued assets and the associated depreciation charge calculation.
Deloitte response	During 2010/11 no revaluations were performed. A full valuation of all assets of the Authority was performed during 2009/10 in advance of the transition to IFRS. From our testing of the assets held by the Authority we have not identified any indications of impairments. We have reviewed the process undertaken by management to identify components within the existing asset base of the Authority. We note that Officers have undertaken analysis which shows that the depreciation charge on a componentised basis is materially consistent with the existing depreciation policy. On that basis no componentisation of assets was undertaken during 2010/11. It is the intention of Officers to keep the need to componentise assets under review when it acquires new assets in the future and also when it performs its next valuation of assets as part of the rolling five year programme of valuations.

Adequacy of bad and doubtful debt provision	
Key findings	**The provision is considered reasonable.**
Background	In the current climate there is likely to be more pressure on the Authority's rate-payers' financial resources. It therefore follows that there is likely to be a higher level of unpaid debts at the balance sheet date and potentially more bad and/or doubtful debts occurring. We will document the process the Authority has in place for reviewing and providing against bad and doubtful debts owed to the Authority at the balance sheet date. We will review the calculation of the year end provision and consider the adequacy of the provision in the light of available evidence including the aging profile of debtors at the year end and at the time of audit, the history of bad debt exposure, recent changes in payment profile and post year-end cash receipts against year-end debtor balances.
Deloitte response	We obtained the detailed calculation of all elements of the bad debt provision: • the provision was reviewed and compared to the historical calculation of the bad debt provision; • the provisioning policy was considered to be adequate although a minor extrapolated error was identified; • the calculation was reperformed to assess the accuracy of the calculation; and • the ageing of the debtor balance was assessed to confirm the accuracy. One likely adjustment has been proposed in Appendix 1.

1. Key audit risks (continued)

Pension scheme assumptions	
Key findings	**The assumptions used by the actuary are within expected ranges and therefore appear reasonable.**
Background	In the current climate the choice of pension inflation, discount and yield assumptions will be both difficult and judgemental. Small and apparently insignificant changes to these key assumptions can have material consequences for the actuarial assessment of the liability included within the financial statements of the Authority. During 2010/11 the North Yorkshire Pension Fund went through a triennial valuation which may also impact on the key assumptions.
Deloitte response	We have reviewed the assumptions made by the actuary in valuing the Authority's share of the assets and liabilities of the pension fund. We have also consulted with our own in-house actuaries to determine whether the assumptions are reasonable and within expected ranges. The assumption adopted by Officers are an area of judgment however we are satisfied that the assumptions used are within expected ranges and therefore are reasonable. Our review noted that the date at which the transition to using CPI instead of RPI in the pension liability assumptions was not the date from which the change was enacted in law. Our actuaries have calculated that the effect of this difference in assumption is a £100,000 increase to cost of service and decrease to pension interest cost (therefore nil overall impact to the CI&E). This item has been included in Appendix 1.

Accounting for share of partnership assets and liabilities	
Key findings	**Assets and liabilities of the partnerships have been appropriately excluded from the results of Ryedale District Council.**
Background	The Authority utilises a number of partnerships (for example Building Control Partnership) for the provision of services to residents and businesses. A risk exists regarding the completeness of such information given the operations of the partnership is outside of the Authority's direct control.
Deloitte response	We have reviewed Officer's process to ensure they results are received in prompt manner. We are satisfied that all partnership balances, where appropriate, have been appropriately excluded from the Authority's financial statements.

Presumed risk of revenue recognition fraud	
Key findings	**Appropriate cut-off and recording procedures have been applied.**
Background	International Standards on Auditing (UK and Ireland) 240 states "The auditor's responsibility to consider fraud in an audit of financial statements" require the auditors to perform certain audit procedures related specifically to fraud risk, and requires a presumption that revenue recognition is a key audit risk. For the Council we consider that the specific revenue recognition risk relates to the non-recognition of cash receipts as income, or their recognition in the wrong accounting period.
Deloitte response	We performed testing by selecting a sample of cash receipts across the year end and confirmed that all income received was correctly recognised as income in the correct line in the financial statements and in the appropriate period. In addition, testing of grant income was performed to ensure that the new provisions of IFRS have been consistently applied.

1. Key audit risks (continued)

Presumed risk of management override of controls	
Key findings	**No issues of management override were noted in the testing performed.**
Background	International Standards on Auditing (UK and Ireland) requires the auditors to perform certain audit procedures to respond to the risk of management's override of controls.
Deloitte response	We have performed the following: • understood and evaluated the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements, and tested the appropriateness of a sample of such entries and adjustments; • reviewed accounting estimates for bias that could result in material misstatement due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management; and • a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements; and obtained an understanding of the business rationale of significant transactions that we became aware of that were outside the normal course of business or that otherwise appeared to be unusual given our understanding of the organisation and its environment. No issues were noted in our testing, except that journals are not always documented. A control observation is included in Section 2 in respect of this.

2. Control observations arising from our final audit visit

This section of the report summarises our observations and recommendations from our final audit visit together with an update on the findings from our planning visit.

Documentation of journals	
Background	Our review of the journals file showed that not all journals had supporting documentation. This may result in a loss of audit trail and lead to difficulties in Officers understanding the rationale for specific journals if they need to understand this at some point in the future.
Deloitte response	Ensure all journals have sufficient documentation before processing.
Management response	Documentation will be improved to support the reason for the entry of non-recurring journals.

Documentation to support the authorisation of the disposal of fixed assets	
Background	From our review of fixed assets at the year end it was noted that the Civica system had been disposed of as part of the upgrade of the revenue and benefits system to Northgate. We reviewed the disposal of the Civica system as part of our testing of intangible assets. No formal documentation to record the disposal of this asset was prepared and authorised by Officers.
Deloitte response	It is recommended that all fixed asset disposals are authorised by the department head and that this is countersigned by Finance.
Management response	Formal notification procedures and documentation is in place regarding the disposal of the Council’s land and property, however, this is not the case with intangible assets i.e. software. Formal arrangements will be introduced for managers to inform the finance section of the termination of contracts or disposal of intangible assets.

IT security	
Background	During our discussions we also noted that a number of business users have administrator access to the in-scope applications: • Civica & Northgate - Sherri Williamson (Local Taxation Manager) and Angela Jones (Customer Services and Benefits Manager) • Capita - Ruth Leonard (Senior Cashier) • PowerSolve application - Peter Johnson (Group Accountant) and David Wiseman (Finance) • Authority Purchasing - Peter Johnson (Group Accountant) and Ann Chapman (Finance)
Deloitte response	Where possible an appropriate segregation of duties should be maintained between business users and administrators for application systems. Where an effective segregation of duties is not maintained, there is an increased risk of inappropriate access being granted to users who do not require the access, or inappropriate transactions being made that affect information within the application system
Management response	This issue will be referred to the internal audit partnership for inclusion in the annual audit for the specified systems.

3. Accounting policies and financial reporting

In the course of our audit of the financial statements, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements.

We note that the Authority has continued to produce good quality working papers for audit. We would like to take this opportunity to thank the Corporate Director (S151) and his team for their assistance during the process.

Our comments on the quality and acceptability of the Authority's accounting policies and financial reporting are discussed below.

Accounting policies

The 2010/11 accounts have been prepared under the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards (IFRS).

Due to the move to IFRS revised accounting policies have been adopted in relation to grants, leases and cash and cash equivalents. New accounting policies have been included in respect of non-current assets held for resale, investment properties and short term employee benefits. There are no matters to bring to your attention from our review of these accounting policies.

Financial reporting

There are four uncorrected misstatements above our threshold in the current year. Three of these uncorrected misstatements would impact the reported deficit in the Comprehensive Income and Expenditure Account. (See Appendix 1)

Two disclosure deficiencies have been identified that have not been amended by Officers:

- Financial Instruments note – Officers have not calculated a reconciliation of the movement between the opening and closing bad debt provision; and
- Financial Instruments note – Officers have not calculated a summary of debts passed due but not impaired.

In relation to the first disclosure deficiency identified we note that it is the consideration of Officers that the amount of work to generate the disclosure is not justified. In respect of the second disclosure deficiency we note that Officers are unable to generate this information from the debtors ledgers and that the amount of work to generate this disclosure manually is not justified.

4. Other matters for communication

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

Independence	We consider that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and the objectivity of the audit engagement partner and audit staff is not compromised. If the Overview and Scrutiny Committee wishes to discuss matters relating to our independence, we would be happy to arrange this.
International Standards on Auditing (UK and Ireland)	We consider that there are no additional matters in respect of those items highlighted in our publication "Briefing on audit matters" (circulated with our Audit Plan) to bring to your attention that have not been raised elsewhere in this report or our Audit Plan.
Non-audit services	We are not aware of any inconsistencies between APB Ethical Standards and the Authority's policy for the supply of non-audit services or of any apparent breach of that policy. There were no non-audit services performed in the year.
Audit fees	The external audit fees in relation to audit services provided on behalf of the Audit Commission in the period from 1 April 2010 to 31 March 2011 are as follows: Fees payable for the audit of the annual accounts (excluding VAT): £96,260 The audit fee has been calculated in accordance with Audit Commission fee scale. The fees for certification of claims and returns are estimated at £25,000 and will be confirmed in our Annual Audit Letter at the February 2012 meeting of the Overview and Scrutiny Committee.
Liaison with Internal Audit	The audit team, following an assessment of the independence and competence of the Internal Audit department, reviewed the findings of Internal Audit to inform the risk assessment and consider the impact on our audit approach as deemed appropriate. No adjustments were made to the audit approach as a result of our review of the work of Internal Audit.
Written representations	A copy of the representation letter to be signed on behalf of the Overview and Scrutiny Committee is included at Appendix 2.

4. Other matters for communication (continued)

We also bring to your attention other regulatory matters which are relevant to the Authority:

Bribery Act 2010	
Background	The public sector falls within the scope of the Bribery Act 2010, which came into force on 1st July 2011. Specifically, public sector organisations, including the Authority can commit offences in these sections of the Act: • Section 1 – bribing another person; • Section 2 – offences relating to being bribed; and • Section 6 – bribing a foreign public official. If a public sector organisation commits any of those offences then senior officers can be personally liable if it was committed with their consent or connivance. On conviction under the Act an individual may be sentenced to up to 10 years in prison. An organisation may be subject to an unlimited fine. The new offence of a commercial organisation failing to prevent bribery (set out in Section 7) only applies to incorporated companies and partnerships that carry on a business in the UK. However, bodies created by statute as corporate bodies could fall within the scope of the offence. Most of the commentary on the Act has focused on the new Section 7 offence, and in particular on the defence available to an organisation if it can show that it had in place 'adequate procedures' designed to prevent bribery. The Government published guidance for consultation on what will constitute adequate procedures for the purposes of the Act. Unfortunately, this guidance does not consider the definition of a commercial organisation set out in the Act. In light of this lack of clarity, public sector organisations that believe they could fall within the definition should consider how the draft guidance could be adapted to reflect their own organisational structures and practices.
Impact	Most public authorities already have bribery procedures in place and while this will help in the prevention and detection of bribery in the public sector and where it works alongside the private sector, it will not make public body staff immune to involvement in situations where bribery may occur. Clearly, the public sector will be expected to play its part in reporting any suspicious activity in the private sector. The Bribery Act should be considered by the Authority as part of the Corporate Risk Assessment, and the Code of Conduct should be revised to incorporate it. Additionally, to ensure that the Authority is in compliance with the Act, it should: • update procurement documentation and precedent contracts to refer to the new provisions; • consider making changes to procurement practices. For example it would be embarrassing for the Authority if a contractor was found to have committed an offence relating to services provided to or on behalf of a public authority. An explicit right to terminate a contract in these circumstances would show that the Authority had tried to prevent such actions and was able to deal with the breaches effectively.

5. Value for money (VFM) conclusion

From 2010/11 the Audit Commission has introduced new requirements for local value for money ("VFM") audit work at councils. This year, auditors are required to give their statutory VFM conclusion based on the following two criteria:

- proper arrangements for securing financial resilience: work to focus on whether the Authority has robust systems and processes to manage risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- proper arrangements for challenging how economy, efficiency and effectiveness are secured: work to focus on whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We have planned our local programme of work based on our risk assessment, which is informed by a series of risk factors determined by the Audit Commission.

The key audit risk which we identified as part of our overall audit strategy is the delivery of financial targets and the management of the reduction in financial resources.

Delivery of financial targets and the management of reduction in financial resources	
Risk & Response	Following the Government's comprehensive spending review and the extent of the reduction in the funding settlement announced in December 2010, the Authority is facing severe financial pressures over the next few years and particularly in 2012/13. Work is still ongoing by management to develop further measures to bridge the financial funding gap in 2012/13. We have reviewed the risk assessments for the savings proposals in the 2011/12 budget and arrangements for the ongoing management of those risks. Progress in developing plans for 2012/13 is ongoing and we understand a number of meetings have already been held with members. Officers will be launching to staff the strategy for 2013/14 by the end September 2011. We are currently reviewing the minutes of the meeting held in respect of balancing the 2012/13 budget and will consider any issues arising from those minutes that are relevant to our VFM conclusion. Having achieved the savings required to balance the budget for 2011/12 through the successful delivery of the One-11 programme, the Council is now in the process of delivering the savings required for balancing the 2012/13 budget through a programme called 'Going for Gold'. Given the scale of the reduction in headcount which contributed to the delivery of the One-11 programme, the Council is anticipating and preparing for the challenges in achieving a balanced budgetary position for 2013/14. During the course of this work, we have considered the effectiveness of arrangements to assess the implications of savings measures and to manage their impact on the delivery of strategic priorities. We have reviewed a sample of initiatives to assess the reasonableness of the quantification of savings to be achieved, and the processes for identifying and addressing any costs of implementation.

5. Value for money (VFM) conclusion (continued)

The VFM conclusion

Under the Code, auditors are required to include a positive conclusion in their statutory audit report as to whether they are satisfied that, in all significant respects, the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The conclusion has regard to the criteria specified by the Commission and we do not consider all aspects of the Authority's arrangements. This conclusion is given within our audit report on the Authority's accounts.

We are required to report if, in our judgement, matters come to our attention which are significant enough to prevent us from concluding that proper arrangements are in place in the areas considered. In such a circumstance, we qualify our conclusion in relation to particular criteria, either on an 'except for' basis (i.e. the Authority has put in place proper arrangements except for…) or in the form of an 'adverse' conclusion (i.e. the Authority has not put in place arrangements in that…).

For 2010/11, as at the time of writing this report, we have assessed the Authority for both criteria as having proper arrangements in place. We will update on this verbally at our meeting on 26 September and confirm whether we will be issuing an unqualified conclusion, as is currently anticipated.

6. Annual Governance Statement (AGS)

In June 2007, CIPFA in conjunction with the Society of Local Authority Chief Executives ("SOLACE") published 'Delivering Good Governance in Local Government: A Framework'. This framework replaced the previous CIPFA/SOLACE framework 'Corporate Governance in Local Government – A Keystone for Community Governance: A Framework' which was published in 2001.

The framework introduced, from 2007/08, an integrated Annual Governance Statement ("AGS"). The AGS covers all significant corporate systems, processes and controls, spanning the whole range of an Authority's activities, including in particular those designed to ensure that:

- the Authority's policies are implemented in practice;
- high quality services are delivered efficiently and effectively;
- the Authority's values and ethical standards are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published performance information are accurate and reliable; and
- human, financial, environmental and other resources are managed efficiently and effectively.

Our review is directed at:

- considering the completeness of the disclosures in the governance statement and whether it complies with proper practice as specified by CIPFA; and
- identifying any inconsistencies between the disclosure and the information that we are aware of from our work on the financial statements and other work relating to the Code of Audit Practice.

We have reviewed the Authority's AGS in line with the requirements above. We have concluded that the AGS includes all appropriate disclosures and is consistent with our understanding of the Authority's governance arrangements and internal controls derived from our audit work.

7. Responsibility statement

The Audit Commission published a 'Statement of responsibilities of auditors and of audited bodies' alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audit bodies by summarising, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do.

Our report has been prepared on the basis of, and our work carried out in accordance with, the Code and the Statement of Responsibilities, copies of which have been provided to the Authority by the Audit Commission.

The audit may include the performance of national studies developed by the Audit Commission, where the auditors are required to follow the methodologies and use the comparative data provided by the Audit Commission. Responsibility for the adequacy and appropriateness of these methodologies and the data rests with the Audit Commission.

While our report includes suggestions for improving accounting procedures, internal controls and other aspects of your business arising out of our audit, we emphasise that our consideration of Ryedale District Council's system of internal financial control was conducted solely for the purpose of our audit having regard to our responsibilities under Auditing Standards and the Code of Audit Practice. We make these suggestions in the context of our audit but they do not in any way modify our audit opinion, which relates to the financial statements as a whole. Equally, we would need to perform a more extensive study if you wanted us to make a comprehensive review for weaknesses in existing systems and present detailed recommendations to improve them.

Any conclusion, opinion or comments expressed herein are provided within the context of our opinion on the financial statements and our conclusion on value for money as a whole, which was expressed in our auditors' report.

We view this report as part of our service to you for use, as Members, for corporate governance purposes and it is to you alone that we owe a responsibility to its contents. We accept no duty, responsibility or liability to any other person as the report has not been prepared, and is not intended, for any purpose. It should not be made available to any other parties without our prior written consent.

If you intend to publish or distribute financial information electronically or in other documents, you are responsible for ensuring that any such publication properly presents the financial information and any report by us thereon, and for the controls over and security of the website. You are also responsible for establishing and controlling the process for electronically distributing accounts and other information.

Deloitte LLP
Chartered Accountants
Leeds
21 September 2011

For your convenience, this document has been made available to you in electronic format. Multiple copies and versions of this document may therefore exist in different media - in the case of any discrepancy the final signed hard copy should be regarded as definitive. Earlier versions are drafts for discussion and review purposes only.

Appendix 1: Uncorrected misstatements and audit adjustments

Uncorrected misstatements

The following uncorrected misstatements were identified during the course of our audit. We will obtain written representations from the Overview and Scrutiny Committee confirming that after considering all these uncorrected items, both individually and in aggregate, in the context of the Statement of Accounts taken as a whole, no adjustments are required.

	Comprehensive income and expenditure statement		Balance sheet
	(Credit)/ charge to deficit on provision of services £	(Credit)/ charge to other comprehensive income £	Increase/ (decrease) in net assets £
Factual misstatements			
Overstatement of accrual for amounts due to Department of Work and Pensions	(50,000)	-	50,000
Reclassify part of the RPI to CPI impact - decrease finance costs and increase cost of service £100,000	Net effect Nil	-	-
Reclassify £61,000 of parking machines acquired from debtors to a prepayments	-	-	-
Likely misstatements			
Known (£33) and extrapolated understatement of bad debt provision for housing benefit debtors	10,854	-	(10,854)
Total misstatements relating to current year items	**(39,146)**	**-**	**39,146**

Two audit adjustments have been made by Officers from the draft accounts presented by Officers to Members for their consideration in June 2011. The first adjustment of £253,000 relates to a reclassification within the capital financing note. The second adjustment relates to reclassification of reconciling items disclosed in the cash flow statement and the notes to the cash flow statement.

The draft financial statements presented for audit meet most of the disclosure requirements of the IFRS Code 2010. To improve compliance with the Code we recommended a number of additional disclosures. Two areas of non-compliance with the Code have been identified. (See Section 3)

Appendix 2: Draft Management Representation letter

We ask that the Committee notes the format of the letter below, and recommends the Corporate Director (S151) can sign the letter on behalf of the Authority.

Deloitte LLP
1 City Square
Leeds
LS1 2AL

Our Ref: ***PT/AJL/RDC10/11***

Ryedale District Council – Audit of the annual accounts for the year ended 31 March 2011

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 2011 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority as of 31 March 2011 and the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework.

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

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

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework which give a true and fair view.

2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".

4. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in Appendix 1 to the Report to the Overview and Scrutiny Committee.

5. We confirm that the financial statements have been prepared on the going concern basis. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Authority's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

6. The financial statements are free from material misstatement.

Appendix 2: Draft Management Representation letter (continued)

Information provided

7. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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

9. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

10. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

11. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
    (i). management;
    (ii). Members of the Authority
    (iii). employees who have significant roles in internal control; or
    (iv). others where the fraud could have a material effect on the financial statements.

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

13. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements

14. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

15. No claims in connection with litigation have been or are expected to be received.

16. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

17. Where required, the value at which assets and liabilities are recorded in the balance sheet is, in the opinion of the Members, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Authority. Any significant changes in those values since the balance sheet date have been disclosed to you.

18. There have been no irregularities involving members or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.

19. There have been no events since the balance sheet date which require adjustment of or a disclosure in the financial statements or notes thereto. Should further material events occur, which may necessitate revision of the figures included in the annual accounts or inclusion of a note thereto, we will advise you accordingly.

20. The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets.

Appendix 2: Draft Management Representation letter (continued)

21. We recognise that we are responsible for ensuring that the statement of accounts as published on the website properly presents the financial information and your auditor's report and for the controls over, and security of, the website. We also recognise that we are responsible for establishing and controlling the process for electronically distributing annual reports and other information.

22. We confirm that:

- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
- all settlements and curtailments have been identified and properly accounted for;
- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
- the actuarial assumptions underlying the valuation of the scheme liabilities accord with the Members' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- the amounts included in the financial statements derived from the work of the actuary are appropriate.

23. All known material liabilities have been properly included in the annual accounts and all material contingent liabilities have been disclosed.

24. We confirm that it is appropriate to recognise income from recharges to Ryedale District Council for shared services within gross income. This income is the provision of a service and full disclosure is given of amounts of recharges in the notes to the financial statements.

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

Yours faithfully

____

Corporate Director (S151), signed on behalf of Ryedale District Council

Date __________________________