Public Document Pack

RYEDALE DISTRICT COUNCIL

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OVERVIEW AND SCRUTINY COMMITTEE

Tuesday 25 September 2012 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.

4 **Annual Statement of Accounts and Annual Governance Statement** (Pages 1 - 128)

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RYEDALE
DISTRICT
COUNCIL

Statement of Accounts
2011 / 2012

Ryedale District Council
working with you to make a difference

STATEMENT OF ACCOUNTS

for the

YEAR ENDED 31 MARCH 2012

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EXPLANATORY FOREWORD

1. <u>Introduction</u>

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. <u>Council's Accounts</u>

The Council's accounts for the year ended 31 March 2012 are set out on pages 8 to 69. They have been compiled using the Code of Practice on Local Authority Accounting in the UK 2011/12 (the Code). A summary of the statements in the accounts and an explanation of their purpose is shown below:

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

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

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

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

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

- the Collection Fund Statement – is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Supplementary Statement:

- the Annual Governance Statement – which sets out the internal control framework operated by the Authority and explains how an effective system of internal financial control is maintained.

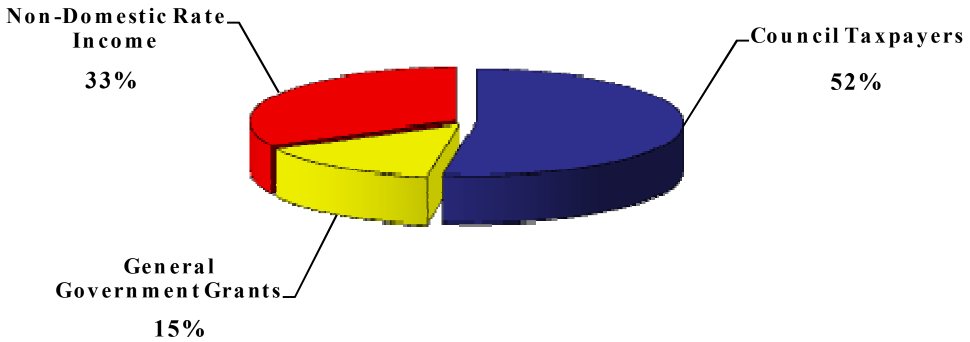
3. <u>General Fund Revenue Expenditure in 2011/12</u>

The net cost of the Authority's revenue activities was £9.878m, this being spent on services as summarised in the chart below:

A more detailed analysis of the Net Cost of Services is shown on Pages 81 and 82 of this document.

After adjusting for the payment of parish precepts of £0.640m, the receipt of investment income (£0.137m) and the net credit from appropriations (£1.960m) the amount met from Taxation and Non-Specific Grant Income was £8.421m, which is funded as follows:

WHERE THE MONEY COMES FROM!



The above chart shows that of the funding to meet the Authority's net revenue expenditure, around 52% (£4.426m) was provided by the Council Taxpayers, an additional 33% (£2.749m) from the Government's Non-Domestic Rate Redistribution Pool and some 15% (£1.246m) from non-ringfenced general government grants such as the Rate Support Grant.

4. Revenue Budget Compared to Actual Income and Expenditure

The main components of the revenue budget for 2011/12 and how these compared with the actual expenditure are set out below:

	Original Budget £'000	Actual £'000	Difference £'000
Net Cost of Services	11,057	9,878	(1,179)
Other Operating Expenditure:			
Precepts paid to Parish Councils	640	640	-
Capital Receipts unattached to non current assets	-	(30)	(30)
	640	610	(30)
Financing and Investment Income & Expenditure			
Interest Payable	10	43	33
Pensions interest cost & expected return on pension assets	1,100	725	(375)
Income from Investments	(130)	(137)	(7)
Income and expenditure in relation to investment properties	(77)	11	88
	903	642	(261)
Taxation & Non Specific Grant Income			
Council Precept	(4,355)	(4,355)	-
Collection Fund Surplus	(52)	(71)	(19)
Non-Domestic Rate Income	(2,749)	(2,749)	-
Revenue Support Grant	(850)	(850)	-
Other General Government Grants	-	(396)	(396)
	(8,006)	(8,421)	(415)
(Surplus) / Deficit on Provision of Services	4,594	2,709	(1,885)
(Surplus) / Deficit on revaluation of property, plant & equipment assets	-	262	262
Actuarial (gains) / losses on Pensions assets / liabilities	-	3,414	3,414
Total Comprehensive Income and Expenditure	4,594	6,385	1,791
Adjustments between accounting basis and funding basis under regulations	(2,597)	(5,440)	(2,843)
Transfers to or from the General Fund that are required to be taken into account - contribution from earmarked reserves	(1,997)	(945)	1,052
Increase/Decrease in General Fund Balance for Year	-	-	-

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

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

5. Review of the Authority's Financial Position

The balance of General Fund Earmarked Reserves during 2011/12 has reduced by £0.945m from £5.195m to £4.250m at 31 March 2012.

Major drawings included the revenue support for the capital programme of £1.447m from the Authority's Capital Fund.

Major contributions to reserves and balances included the transfer of investment income of £0.137m into the Capital Fund to finance the capital programme and the transfer of unapplied grant income balances to the Grants Reserve £0.202m and the Operational Reserve £0.133m.

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

6. Pension Liability

The Authority participates in the Local Government Pension Scheme, administered by North Yorkshire County Council. The Pension Liability shown in the Balance Sheet increased from £18.833m as at 31 March 2011 to £22.785m as at 31 March 2012. This increase of £3.952m 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.

7. Capital Expenditure

The original capital budget for the financial year 2011/12 totalled £5.802m. During the year there were further re-programming movements approved resulting in an increase of £1.054m and a revised budget of £6.856m.

The total amount invested in the capital programme for 2011/12 was £4.478m. Significant investment was made towards the land purchase and commencement of the upgrade works at the A64 Brambling Fields Junction (£1.780m) and the completion of the acquisition of Stanley Harrison House in Norton (£0.869m).

The major under spend was due to the delay in the implementation of an external scheme for Pickering Flood Defence (£0.950m). There were further under spends regarding the take up on housing grants and loans (£0.544m) and slippage on the Assembly Rooms and Milton Rooms Preservation Works (£0.232m).

Of the £4.478m capital expenditure incurred some £4.008m was funded from the Authority's capital funds with the balance of £0.470m being financed by external grants and contributions.

8. Changes in Accounting Policy

Following the significant number of changes in the accounting policies required to comply with the move to IFRS in the 2010/11 accounts there are few changes for the 2011/12 accounts.

The full adoption of the new standard for Heritage Assets has been required for the 2011/12 statements. The standard requires 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.

The Authority is not required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme and therefore there is no requirement to introduce a policy for accounting for the costs of the scheme.

9. 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; and

- 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; and

- complied with the local authority Code.

The Corporate Director (s151) has also:

- kept proper accounting records which were up-to-date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities, through the use of 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 2012 and its income and expenditure for the year ended 31 March 2012.

Signed: P Cresswell Dated: 29 June 2012
P D Cresswell
Corporate Director (s151)

Approval of the Accounts

This Statement of Accounts was approved by the Policy and Resources Committee on
27 September 2012.

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

MOVEMENT IN RESERVES STATEMENT

For the Year Ended 31 March 2012

	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 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 (note 7)	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
Movement in reserves during 2011/12							
Surplus or (deficit) on the provision of services	(2,709)	-	-	-	(2,709)	-	(2,709)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(3,676)	(3,676)
Total Comprehensive Income and Expenditure	(2,709)	-	-	-	(2,709)	(3,676)	(6,385)
Adjustments between accounting basis & funding basis under regulations (note 7)	1,764	-	(2,525)	(57)	(818)	818	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(945)	-	(2,525)	(57)	(3,527)	(2,858)	(6,385)
Transfers to/from Earmarked Reserves (note 8)	945	(945)	-	-	-	-	-
Increase / Decrease in 2011/12	-	(945)	(2,525)	(57)	(3,527)	(2,858)	(6,385)
Balance as at 31 March 2012	-	4,250	127	-	4,377	(4,925)	(548)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year Ended 31 March 2012

2010/11 Gross Expenditure £'000	2010/11 Gross Income £'000	2010/11 Net Expenditure £'000		2011/12 Gross Expenditure £'000	2011/12 Gross Income £'000	2011/12 Net Expenditure £000
4,827	3,918	909	Central Services to the Public	4,819	3,872	947
3,313	76	3,237	Cultural and Related Services	1,749	84	1,665
4,482	1,573	2,909	Environmental and Regulatory Services	4,199	1,632	2,567
2,382	927	1,455	Planning Services	3,668	791	2,877
1,045	954	91	Highways and Transport Services	390	760	(370)
12,749	11,754	995	Housing Services	12,995	12,194	801
1,376	-	1,376	Corporate and Democratic Core	1,305	1	1,304
(3,119)	-	(3,119)	Non Distributed Costs – Change in Inflation Factor for Retirement Benefits	-	-	-
344	11	333	Other Corporate and Non Distributed Costs	88	1	87
27,399	19,213	8,186	COST OF SERVICES	29,213	19,335	9,878
779	-	779	Other Operating Expenditure (Note 9)	640	30	610
2,933	1,917	1,016	Financing and Investment Income and Expenditure (Note 10)	3,030	2,388	642
-	-	-	(Surplus) or Deficit of Discontinued Operations	-	-	-
-	8,963	(8,963)	Taxation and Non-Specific Grant Income (Note 11)	-	8,421	(8,421)
		1,018	(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			2,709
		(848)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			262
		-	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve			-
		-	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets			-
		(2,915)	Actuarial (Gains) / Losses on Pension Assets / Liabilities			3,414
		(3,763)	OTHER COMPREHENSIVE INCOME & EXPENDITURE			3,676
		(2,745)	TOTAL COMPREHENSIVE INCOME & EXPENDITURE			6,385

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year Ended 31 March 2012

BALANCE SHEET AS AT 31 MARCH 2012

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000	Notes Ref.
14,012	14,275	Property Plant & Equipment	15,274	12
-	-	Heritage Assets	-	13
2,428	2,435	Investment Property	2,417	14
299	773	Intangible Assets	695	15
-	-	Assets Held for Sale	-	21
-	-	Long Term Investments	-	16
14	7	Long Term Debtors	1	16
16,753	17,490	Long Term Assets	18,387	
10,076	9,527	Short Term Investments	5,533	16
160	-	Assets Held for Sale	-	21
87	75	Inventories	94	17
2,456	1,104	Short Term Debtors	1,468	19
724	-	Cash and Cash Equivalents	273	20
13,503	10,706	Current Assets	7,368	
-	(70)	Cash and Cash Equivalents	-	20
-	-	Short Term Borrowing	-	16
(2,794)	(2,817)	Short Term Creditors	(2,907)	22
(122)	(166)	Other Short Term Liabilities	(178)	16
-	-	Provisions	-	23
-	-	Liabilities in Disposal Groups	-	
-	-	Revenue Grants Receipts in Advance	(138)	34
(2,916)	(3,053)	Current Liabilities	(3,223)	
-	-	Long Term Creditors	-	16
-	-	Provisions	-	23
-	-	Long Term Borrowing	-	16
(23,814)	(18,833)	Liability Related to Defined Pension Scheme	(22,785)	40
(434)	(473)	Other Long Term Liabilities	(295)	16
-	-	Donated Assets Account	-	34
-	-	Capital Grants Received in Advance	-	34
(24,248)	(19,306)	Long Term Liabilities	(23,080)	
3,092	5,837	Net Assets / Liabilities	(548)	
10,611	7,904	Usable Reserves	4,377	24
(7,519)	(2,067)	Unusable Reserves	(4,925)	25
3,092	5,837	Total Reserves	(548)	

CHIEF FINANCE OFFICER'S CERTIFICATE

I certify that the above Balance Sheet, fairly states the financial position of the Authority as at 31 March 2012

Signed: P D Cresswell

CORPORATE DIRECTOR (S151) 29 JUNE 2012

BALANCE SHEET AS AT 31 MARCH 2012

CASH FLOW STATEMENT
For the Year Ended 31 March 2012

2010/11 £'000		2011/12 £'000
1,018	Net (surplus) or deficit on the provision of services	2,709
(1,203)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26)	(1,210)
626	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	449
441	Net cash flows from Operating Activities (Note 27)	1,948
91	Investing Activities (Note 28)	(2,430)
262	Financing Activities (Note 29)	139
794	Net (increase) or decrease in cash and cash equivalents	(343)
724	Cash and cash equivalents at the beginning of the reporting period	(70)
(70)	Cash and cash equivalents at the end of the reporting period (Note 20)	273

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which 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 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

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

ii Accruals of Income and Expenditure

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

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

iii. Cash and Cash Equivalents

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

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

iv. Exceptional Items

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains on the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

The scheme provides defined benefits to members (retirement lump sums and pensions) 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 actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

- The assets of the North Yorkshire pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

  -quoted securities – current bid price;
  -unquoted securities – professional estimate;
  -unitised securities – current bid price; and
  -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

  -actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve

  -contributions paid to the North Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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. Events After the Reporting Period

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

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

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

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

ix. Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

have fixed or determinable payments.

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

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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.

Available-for Sale Assets

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

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

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

During the financial year 2011/12 the Authority did not enter any financial instrument transactions.

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

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

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

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

xii. Heritage Assets

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

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

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

xiii. Intangible Assets

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

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

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

xiv. Inventories and Long Term Contracts

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

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

xv. Investment Property

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

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

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

xvi. Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor (together with any premiums received); and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payment, e.g. there is a premium paid at the commencement of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xviii. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as 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 is matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life, i.e. freehold land and certain community assets, and assets that are not yet available for use, i.e. assets under construction.

Depreciation is calculated on the following bases:

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

- Vehicles, plant furniture and equipment – straight line allocation over the useful life of the asset.

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xix. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

For the financial year 2011/12 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.

xx. Reserves

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

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

xxi. Revenue Expenditure Funded from Capital under Statute

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

xxii. VAT

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

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET BEEN ADOPTED - IFRS FINANCIAL INSTRUMENTS: DISCLOSURES (TRANSFERS OF FINANCIAL ASSETS)

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. In addition, it requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The amendments to IFRS 7 - Financial Instruments: Disclosures (transfers of financial assets) are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. However, the transfers described by the accounting standard do not occur frequently in local authorities and the Authority has no disclosure to make regarding this amendment to the standard.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

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

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority Balance Sheet at 31 March 2012 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 £4.555m. However, assumptions can interact in complex ways. In 2011/12 the effect on the pension liability caused by a 0.6% fall in the discount rate was partially cancelled out by a 0.4% fall of inflation (CPI).
Arrears	At 31 March 2012, the Authority had a balance for sundry debtors of £1.715m. A review of significant balances suggested that an impairment of doubtful debts of 22.4% (£385,000) was appropriate. However, in the current economic climate it is not certain that this allowance	If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £385,000 to be set aside as an allowance.

	would be sufficient.	

5. MATERIAL ITEMS OF INCOME AND EXPENSES

There are no material items of income and expenditure in 2011/12 that warrant separate disclosure.

6. EVENTS AFTER THE REPORTING PERIOD

Under IAS 10 the Authority is required to disclose the date that the financial statements are authorised for issue. This confirms the date after which events will not have been recognised in the Statement of Accounts. The Statement of Accounts was issued by the responsible financial officer, Paul Cresswell Corporate Director (s151) on 29 June 2012.

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

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2011/12 Adjustments

2011/12	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	608	-	-	(608)
Revaluation losses on Property Plant and Equipment	-	-	-	-
Movements in the fair value of investment properties	31	-	-	(31)
Amortisation of intangible assets	208	-	-	(208)
Capital grants and contributions applied	(413)	-	-	413
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	2,465	-	-	(2,465)
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	-	-	-	-
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(166)	-	-	166
Capital expenditure charged against the General Fund	(1,447)	-	-	1,447
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(57)	57
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	-	(2,561)	-	2,561

finance new capital expenditure				
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Capital receipts unattached to non-current assets	(30)	30	-	-
Repayment of principal on loans	-	6	-	(6)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 40)	1,721	-	-	(1,721)
Employers pensions contributions and direct payments to pensioners payable in the year	(1,183)	-	-	1,183
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	(19)	-	-	19
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	(11)	-	-	11
Total Adjustments	1,764	(2,525)	(57)	818

2010/11 Comparative Figures

2010/11 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	609	-	-	(609)
Revaluation losses on Property Plant and Equipment	848	-	-	(848)
Movements in the fair value of investment properties	-	-	-	-
Amortisation of intangible assets	173	-	-	(173)
Capital grants and contributions applied	(606)	-	-	606
Income in relation to donated assets	-	-	-	-
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 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 the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Capital receipts unattached to non-current assets	-	-	-	-
Repayment of principal on loans	-	6	-	(6)
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 40)	(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

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 2011/12.

	Balance at 1/04/10 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance At 31/03/11 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance At 31/03/12 £000
General Reserve	632	-	16	648	-	-	648
Capital Fund	3,524	(336)	180	3,368	(1,448)	213	2,133
Community Investment Fund	17	(17)	-	-	-	-	-
Election Reserve	49	-	16	65	(52)	-	13
Grants Reserve	70	-	21	91	-	232	323
IT Fund	139	(18)	9	130	(15)	10	125
ICE Fund	222	(24)	-	198	(3)	-	195
Local Developm't Framework Reserve	50	-	-	50	-	-	50
Operational Reserve	463	(28)	24	459	(57)	170	572
Restructure Reserve	136	-	50	186	(128)	133	191
Total	5,302	(423)	316	5,195	(1,703)	758	4,250

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 restructure of the Council.

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

9. OTHER OPERATING EXPENDITURE

2010/11 £000		2011/12 £000
638	Parish council precepts	640
-	Payments to the Government Housing Capital Receipts Pool	-
141	Losses on the disposal of non-current assets	-
-	Capital receipts unattached to non-current assets	(30)
779	Total	610

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £000		2011/12 £000
42	Interest payable and similar charges	43
1,114	Pensions interest cost and expected return on pensions assets	725
(127)	Interest receivable and similar income	(137)
(13)	Income and expenditure in relation to investment properties and changes in their fair value	11
1,016	Total	642

11. TAXATION AND NON SPECIFIC GRANT INCOME

2010/11 £000		2011/12 £000
(4,382)	Council tax income	(4,426)
(3,947)	Non domestic rates	(2,749)
(634)	Non-ringfenced government grants	(1,246)
-	Capital grants and contributions	-
(8,963)	Total	(8,421)

12. PROPERTY, PLANT AND EQUIPMENT

Movements on Balance Sheet

Movements in 2011/12

	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 2011	13,089	4,571	-	234	513	-	18,407
Additions	317	536	-	142	5	869	1,869
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(262)	-	-	-	-	-	(262)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition – disposals	-	(140)	-	-	-	-	(140)
Derecognition – other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
At 31 March 2012	13,144	4,967	-	376	518	869	19,874
Accumulated Depreciation and Impairment							
At April 2011	574	3,556	-	-	2	-	4,132
Depreciation charge	285	321	-	-	2	-	608
Depreciation written out to the Revaluation Reserve	-		-	-	-	-	
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	-	(140)	-	-	-	-	(140)
Derecognition – other	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2012	859	3,737	-	-	4	-	4,600
Net Book Value							
At 31 March 2012	12,285	1,230	-	376	514	869	15,274
At 31 March 2011	12,515	1,015	-	234	511	-	14,275
Owned asset as at 31 March 2012	12,285	773	–	376	514	869	14,817
Asset acquired under finance lease as at 31 March 2012	–	457	–	–	–	–	457
Total	12,285	1,230	-	376	514	869	15,274

Comparative Movements in 2010/11

	Other Land & Buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community Assets	Surplus assets	Assets under construction	Total property, plant & equipment
	£000	£000	£000	£000	£000	£000	£000
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	-	-	-	-	-	-	-
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	-	(217)	-	-	-	-	(217)
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 assets as at 31 March 2011	12,515	380	–	234	511	–	13,640
Assets acquired under finance leases at 31 March 2011	–	635	–	–	–	–	635
Total	12,515	1,015	-	234	511	-	14,275

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 2012 the Authority had entered into contracts for the construction or enhancement of Property Plant and Equipment in 2012/13 and future years at an estimated cost of £27k (£nil in 2010/11).

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.

Valuation of properties was carried out internally and was completed in accordance with the methodologies and bases for estimation set out in the standards of the Royal Institution of Chartered Surveyors.

During 2011/12 there were no significant revaluations of Property, Plant and Equipment as there was a full revaluation of assets in 2009/10. An adjustment to the revaluation in that year was recorded in 2010/11.

13. HERITAGE ASSETS

In compliance with the 2011/12 Code, the Authority has reviewed its assets and concluded that there is no reclassification of assets to heritage assets to disclose in the accounts.

14. INVESTMENT PROPERTIES

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

	2011/12 £000	2010/11 £000
Rental Income from Investment Property	157	136
Net gain / (loss) from fair value adjustment	(32)	-
	125	136
Direct operating expenses arising from investment property	(136)	(123)
Net gain / (loss)	(11)	13

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.

	2011/12 £000	2010/11 £000
Balance at start of the year	2,435	2,428
Additions	-	-
Purchases	-	-
Construction	-	-
Subsequent expenditure	13	7
Disposals	-	-
Net gains / (losses) from fair value adjustments	(31)	-
Transfers:	-	-
To/from inventories	-	-
To/from Property Plant and Equipment	-	-
Other changes	-	-
Balance at end of the year	2,417	2,435

15. INTANGIBLE ASSETS

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

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £209k charged to revenue in 2011/12 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:

	2011/12			2010/11		
	Internally Generated Assets £'000	Other Asset Costs £'000	Total £'000	Internally Generated Assets £'000	Other Asset Costs £'000	Total £'000
Balance at start of year:						
Gross carrying amounts	-	1,472	1,472	-	827	827
Accumulated amortisation	-	(699)	(699)	-	(528)	(528)
Net carrying amount at start of year	-	773	773	-	299	299
Additions:						
Internal development	-	-	-	-		
Purchases	-	131	131	-	648	648
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	-	(209)	(209)	-	(173)	(173)
Other changes	-	-	-	-		
Net carrying amount at year end	-	695	695	-	773	773
Comprising:						
Gross carrying amounts	-	1,573	1,573	-	1,472	1,472
Accumulated amortisation	-	(878)	(878)	-	(699)	(699)
	-	695	695	-	773	773

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

	Carrying Amount		Remaining Amortised period
	31 March 2012 £000	31 March 2011 £000	
Revenues and benefits system	323	399	4 years

The Authority has capital commitments amounting to £7k for the acquisition of intangible assets.

16. FINANCIAL INSTRUMENTS

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

	Long-term			Current		
	31 March 2012 £000	31 March 2011 £000	31 March 2010 £'000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £'000
Investments						
Loans and receivables	-	-	-	5,533	9,527	10,076
Available-for-sale financial assets	-	-	-	-	-	-
Unquoted equity investment at cost	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Total Investments	-	-	-	5,533	9,527	10,076
Debtors						
Loans and receivables	1	7	14	-	-	-
Financial assets carried at contract amounts	-	-	-	1,330	1,104	2,456
Total Debtors	1	7	14	1,330	1,104	2,456
Borrowings						
Financial liabilities at amortised cost	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
Total Borrowings	-	-	-	-	-	-
Other Liabilities						
Finance lease liabilities	(295)	(473)	(434)	(178)	(166)	(122)
Total Other Liabilities	(295)	(473)	(434)	(178)	(166)	(122)
Creditors						
Financial liabilities at amortised cost	-	-	-	-	-	-
Financial liabilities carried at contract amount	-	-	-	2,907	2,817	2,794
Total Creditors	-	-	-	2,907	2,817	2,794

Fair value of Assets and Liabilities

	Fair value			Historic cost		
	31 March 2012 £000	31 March 2011 £000	31 March 2010 £'000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £'000
Loans and receivables	5,533	9,529	10,094	5,533	9,527	10,076

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

17. INVENTORIES

	Consumable Stores		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Balance outstanding at start of year	75	87	-	-	-	-	75	87
Purchases	426	396	-	-	-	-	426	396
Recognised as an expense in the year	(407)	(408)	-	-	-	-	(407)	(408)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance outstanding at year-end	94	75	-	-	-	-	94	75

18. CONSTRUCTION CONTRACTS

As at the 31 March 2012 the Authority had no significant contracts in progress.

19. DEBTORS

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £'000
Central government bodies	727	205	1,533
Other local authorities	98	156	252
NHS Bodies	-	-	-
Public corporations and trading funds	-	-	-
Other entities and individuals	643	743	671
Total	1,468	1,104	2,456

20. CASH AND CASH EQUIVALENTS

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

	31 March 2012 £000	31 March 2011 £'000	1 April 2010 £'000
Cash held by the Council	88	153	145
Bank current account	115	(263)	209
Special Interest Bearing Account	70	40	370
Total Cash and Cash Equivalents	273	(70)	724

21. ASSETS HELD FOR SALE

	Current		Non Current	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Balance outstanding at start of year	-	160	-	-
Assets newly classified as held for sale:				
Property, Plant and equipment	-	-	-	-
Intangible Assets	-	-	-	-
Revaluation losses	-	-	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and equipment	-	-	-	-
Intangible Assets	-	-	-	-
Assets sold	-	(160)	-	-
Transfers from non-current to current	-	-	-	-
Balance outstanding at year end	-	-	-	-

22. CREDITORS

	31 March 2012 £000	31 March 2011 £000	1 April 2010 £'000
Central government bodies	199	677	331
Other local authorities	625	335	530
Public corporations and trading funds	-	-	-
Other entities and individuals	2,083	1,805	1,933
Total	2,907	2,817	2,794

23. PROVISIONS

There are no significant events that have taken place that would give the Authority a legal or constructive obligation to provide any material provision for the financial year ending 31 March 2012 (31 March 2011 £nil).

24. USABLE RESERVES

1 April 2010 £'000	31 March 2011 £000		31 March 2012 £000
5,302	5,195	Earmarked General Fund Reserves	4,250
5,155	2,652	Capital Receipts Reserve	127
154	57	Capital Grants Unapplied	-
10,611	7,904	Total Usable Reserves	4,377

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

2010/11 £000		2011/12 £000
5,155	Balance at 1 April	2,652
20	Receipts from disposal of non-current assets	-
6	Other receipts	36
5,181		2,688
(2,529)	Receipts used to finance capital expenditure	(2,561)
2,652	Balance at 31 March	127

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

2010/11 £000		2011/12 £000
154	Balance at 1 April	57
-	Reversal of grants credited to the Comprehensive Income and Expenditure Statement but expenditure has not been incurred	-
154		57
(97)	Grants used to finance capital expenditure	(57)
57	Balance at 31 March	-

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

25. UNUSABLE RESERVES

1 April 2010 £'000	31 March 2010 £000		31 March 2011 £000
3,200	3,953	Revaluation Reserve	3,610
-	-	Available for Sale Financial Instruments Reserve	-
13,157	12,897	Capital Adjustment Account	14,304
-	-	Financial Instruments Adjustment Account	-
-	-	Deferred Capital Receipts Reserve	-
(23,814)	(18,833)	Pensions Reserve	(22,785)
55	38	Collection Fund Adjustment Account	57
(117)	(122)	Accumulated Absences Account	(111)
(7,519)	(2,067)	Total Unusable Reserves	(4,925)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property Plant and Equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;

or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11 £000		£000	2011/12 £000
3,200	Balance at 1 April		3,953
-	Upward revaluation of assets	-	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(262)	
3,200	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(262)
(75)	Difference between fair value depreciation and historical cost depreciation	(81)	
(20)	Accumulated gains on assets sold or scrapped	-	
848	Adjustment to reclassify prior year impairment to the Capital Adjustment Account	-	
753	Amount written off to the Capital Adjustment Account		(81)
3,953	Balance at 31 March		3,610

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.

2010/11 £000		£'000	2011/12 £000
13,157	Balance at 1 April		12,897
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(609)	• Charges for depreciation and impairment of non-current assets	(608)	
-	• Revaluation losses on Property, Plant and Equipment	-	
(174)	• Amortisation of Intangible Assets	(208)	
(160)	• 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		
(2,296)	• Revenue Expenditure Funded by Capital Under Statute	(2,465)	
(3,239)			(3,281)
(753)	Adjusting amounts written out of the Revaluation Reserve		81
9,165	Net written out amount of the cost of non-current assets consumed in the year		9,697
	Capital financing applied in the year:		
2,529	• Use of the capital receipts reserve to finance new capital expenditure	2,561	
606	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	413	
98	• Application of grants to capital financing from the Capital Grants Unapplied Account	57	
170	• Statutory provision for the financing of capital investment charged against the General fund	166	
336	• Capital expenditure charged against the General Fund	1,447	
3,739			4,644
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(31)
-	Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(7)	Movements in Long-term Debtors		(6)
12,897	Balance at 31 March		14,304

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 very small balance 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.

2010/11 £000		2011/12 £000
(23,814)	Balance at 1 April	(18,833)
2,915	Actuarial gains or losses on pensions assets and liabilities	(3,414)
803	Reversal of items relating to retirement benefits Debited or Credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,721)
1,263	Employer's pensions contributions and direct payments to pensioners payable in the year	1,183
(18,833)	Balance at 31 March	(22,785)

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 2011/12 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.

2010/11 £000		2011/12 £000
55	Balance at 1 April	38
(17)	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	19
38	Balance at 31 March	57

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.

2010/11 £000		£000	2011/12 £000
(117)	Balance at 1 April		(122)
117	Settlement or cancellation of accrual made at the end of the preceding year	122	
(122)	Amount accrued at the end of the current year	(111)	
(5)	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		11
(122)	Balance at 31 March		(111)

26. CASH FLOW STATEMENT – ADJUST NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

2010/11 £000		2011/12 £000
(609)	Depreciation	(608)
(849)	Impairment and downward valuations	-
(173)	Amortisation	(209)
(17)	Increase /decrease in impairment for bad debts	(16)
(106)	Increase /decrease in Creditors	76
(1,325)	Increase /decrease in Debtors	294
(12)	Increase /decrease in Stock	19
2,066	Increase /decrease in pension liability	(538)
(161)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	0
(17)	Other non-cash items charged to the net surplus or deficit on the provision of services	(228)
(1,203)		(1,210)

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
(128)	Interest received	(137)
42	Interest paid	43
-	Dividends received	-

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2010/11 £000		2011/12 £000
1,273	Purchase of property, plant and equipment, investment property and intangible assets	2,013
39,800	Purchase of short-term and long-term investments	26,000
-	Other payments for investing activities	-
(20)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
(40,349)	Proceeds from short-term and long-term investments	(29,994)
(613)	Other receipts from investing activities	(449)
91	Net cash flows from investing activities	(2,430)

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2010/11 £000		2011/12 £000
-	Cash receipts of short and long term borrowing	-
(45)	Other receipts from financing activities	(421)
170	Cash payments for the reduction of the outstanding liabilities relating to finance leases	166
-	Repayments of short and long-term borrowing	-
137	Other payments for financing activities	394
262	Net cash flows from financing activities	139

30. 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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's committees on the basis of budget reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

2011/12

Committee Income and Expenditure	Commissioning Board £000	Policy & Resources £000	Total £000
Fees, charges & other service income	2,870	796	3,666
Government grants	502	15,167	15,669
Total Income	3,372	15,963	19,335
Employee expenses	3,188	2,232	5,420
Other service expenses	3,400	17,701	21,101
Support service recharges	1,004	1,237	2,241
Total Expenditure	7,592	21,170	28,762
Net Expenditure	4,220	5,207	9,427

2010/11 Comparative Figures

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

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.

	2011/12 £000	2010/11 £000
Net expenditure in the Committee Analysis	9,427	10,070
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	451	(1,884)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	9,878	8,186

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.

2011/12

	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	3,666	-	3,666	-	3,666
Surplus or deficit on associates and joint ventures	-	-	-	-	-
Interest and investment income	-	-	-	126	126
Income from council tax	-	-	-	7,175	7,175
Government grants and contributions	15,669	-	15,669	1,246	16,915
Total Income	19,335	-	19,335	8,547	27,882
Employee expenses	5,420	(141)	5,279	-	5,279
Other service expenses	21,101	-	21,101	-	21,101
Support service recharges	2,241	-	2,241	-	2,241
Depreciation, amortisation and impairment	-	592	592	-	592
Interest payments	-	-	-	768	768
Precepts & levies	-	-	-	640	640
Gain or loss on disposal of non-current assets	-	-	-	-	-
Capital receipts unattached to non-current assets	-	-	-	(30)	(30)
Total Expenditure	28,762	451	29,213	1,378	30,591
Surplus or Deficit on the Provision of Services	9,427	451	9,878	(7,169)	2,709

2010/11 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	3,705	-	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

31. MEMBERS ALLOWANCES

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

	2011/12 £000	2010/11 £000
Allowances	123	123
Expenses	11	11
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.

32. OFFICERS REMUNERATION

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

Job Title	Year	Salary, fees and allowances £	Bonuses £	Expenses allowances £	Compen-sation for loss of office £	Pension contribution £	Total £
Chief Executive	2011/12	104,460	-	5,505	-	22,459	132,424
	2010/11	104,460	-	5,505	-	21,101	131,066
Corporate Director (s151)	2011/12	70,000	-	1,239	-	15,050	86,289
	2010/11	70,000	-	1,239	-	14,140	85,379
Corporate Director	2011/12	-	-	-	-	-	-
	2010/11	62,649	-	5,766	40,586	12,560	121,561

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	2011/12 Number of employees	2010/11 Number of employees
£50,000 - £54,999	3	6
£55,000 - £59,999	3	1
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	1	1
£75,000 - £79,999	1	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	2

33. EXTERNAL AUDIT COSTS

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

	2011/12 £'000	2010/11 £'000
* Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year	84	89
* Fees payable to Deloitte LLP in respect of statutory inspections	-	-
* Fees payable to Deloitte LLP for the certification of grant claims and returns for the year	33	22
* Fees payable in respect of other services provided by Deloitte LLP during the year	-	2
	117	113

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.

34. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income:		
Revenue Support Grant	850	573
New Homes Bonus	250	-
Council Tax Freeze Grant	94	-
Area Based Grant	-	23
Other Grants	52	38
Total	1,246	634
Credited to Services:		
Government Grants:		
Disabled Facilities Grant	224	204
Regional Housing Board Pot	-	229
Housing Benefit Subsidy	11,231	10,580
Council Tax Benefit Subsidy	3,374	3,350
Housing Benefit & Council Tax Benefit Administration	310	325
Homelessness	85	61
Concessionary Fares	-	235
Safer Stronger Communities	30	44
Personal Search Fees31	-	34
Other government grants	58	104
Non Government Grants:		
Flood Defence Grant	67	-
Recycling	54	34
Other grants	43	108
Total	15,476	15,308
Contributions	129	160

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 2012 the Authority held a balance of £137,556 (31 March 2011 £Nil) in Revenue Grants Receipts in Advance relating to the Ryedale Flood Defence Schemes.

35. RELATED PARTIES

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

Central Government

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

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 31.

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	Payments
		£'000	£'000
Rye Internal Drainage Board	- levy	-	61
Thornton Internal Drainage Board	- levy	-	14
Muston & Yedingham Internal Drainage Board	- levy	-	2
Foss Internal Drainage Board	- levy	-	1
North Yorkshire Audit Partnership	see note below	(6)	56
North Yorkshire Building Control Partnership	see note below	(32)	57

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

The North Yorkshire Audit Partnership provided an internal audit service for a number of local authorities in the region. Ryedale District Council was 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 £2,322 as at 31 March 2012. The North Yorkshire Audit Partnership ceased to exist on 31 March 2012 and, with effect from 1 April 2012, Veritau North Yorkshire Ltd was formed and will provide internal audit services to Ryedale and the other aforementioned district councils.

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 £2,000 as at 31 March 2012.

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 £335,000 was made to Community Leisure Ltd to support the operation of the leisure facilities in 2011/12.

36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	639	556
Capital investment		
Property plant and equipment	1,869	871
Investment properties	13	7
Intangible assets	131	648
Revenue expenditure funded from capital under statute	2,465	2,296
Sources of finance		
Capital receipts	(2,561)	(2,529)
Government grants and other contributions	(470)	(704)
Sums set aside from revenue		
Direct revenue contributions	(1,447)	(336)
Minimum Revenue Provision	(166)	(170)
Closing Capital Financing Requirement	473	639
Explanation of movements in year		
Decrease in underlying need to borrowing (unsupported by government financial assistance)	(166)	(170)
Assets acquired under finance leases	-	253
Increase / (decrease) in Capital Financing Requirement	(166)	83

37. 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 2012 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments)		
Current	178	166
Non-current	295	473
Finance costs payable in future years	61	105
Minimum lease payments	534	744

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	210	210	178	166
Later than one year and not later than five years	324	534	295	473
Later than five years	-	-	-	-
	534	744	473	639

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 2012 £000	31 March 2011 £000
Not later than one year	153	137
Later than one year and not later than five years	104	187
Later than five years	-	-
	257	324

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:

	2011/12 £000	2010/11 £000
Minimum lease payments	186	144
Contingent rents	-	-
Sublease payments receivable	-	-
	186	144

Authority as Lessor

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

38. IMPAIRMENT LOSSES

The Authority has no impairment losses to report on revaluations made in 2011/12.

39. TERMINATION BENEFITS

The Authority has agreed to terminate the contracts of a number of employees in 2011/12, incurring liabilities of £177,481. Voluntary redundancy payments will be made to 13 officers who leave as part of the Authority's continued rationalisation of services. The implementation of the relevant restructure commenced in April 2012 with officers scheduled to leave during the period from March to July 2012 inclusive.

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
£0 - £20,000	-	-	11	10	11	10	£94,555	£89,603
£20,000 - £60,000	-	-	2	8	2	8	£82,926	£257,448
Total	-	-	13	18	13	18	£177,481	£347,051

40. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need 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	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• Current service cost	956	1,066	-	-
• Past service costs / (gains)	-	(3,085)	-	(34)
• Settlements and curtailments	40	136	-	-
Financing and Investment Income and Expenditure				
• Interest cost	2,785	2,754	33	14
• Expected return on scheme assets	(2,093)	(1,654)	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,688	(783)	33	(20)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
• Actuarial gains and losses	3,399	(2,915)	15	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	5,087	(3,698)	48	(20)
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	(5,087)	3,698	(48)	20
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers contributions payable to scheme	1,167	1,248		
• Retirement benefits payable to pensioners			16	15

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £3.414m (2010/11: £2.915m gain).

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	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Opening balance at 1 April	51,110	49,481	616	265
Current service cost	956	1,066	-	-
Interest cost	2,785	2,754	33	14
Contribution by scheme participants	342	365	-	-
Actuarial gains and losses	1,795	2,432	15	386
Benefits paid	(2,258)	(2,039)	(15)	(15)
Past service costs	-	(3,085)	-	(34)
Entity combinations	-	-	-	-
Curtailments	40	136	-	-
Settlements	-	-	-	-
Closing balance at 31 March	54,770	51,110	649	616

Reconciliation of fair value of the scheme assets:

	2011/12 £'000	2010/11 £'000
Opening balance at 1 April	32,893	25,932
Expected rate of return	2,093	1,654
Actuarial gains and losses	(1,604)	5,733
Employer contributions	1,183	1,263
Contributions by scheme participants	342	365
Benefits paid	(2,273)	(2,054)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	32,634	32,893

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

	31.03.12 £'000	31.03.11 £'000	31.03.10 £'000	31.03.09 £'000	31.03.08 £'000
Present value of liabilities:					
Local Government Pension Scheme	(54,770)	(51,112)	(49,483)	(35,756)	(41,918)
Discretionary Benefits	(649)	(616)	(265)	(221)	(258)
Fair value of assets in the Local Government Scheme	32,634	32,895	25,934	16,370	25,056
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(22,136)	(18,217)	(23,549)	(19,386)	(16,862)
Discretionary Benefits	(649)	(616)	(265)	(221)	(258)
Total	(22,785)	(18,833)	(23,814)	(19,607)	(17,120)

The liabilities show the underlying commitments that the authority has in the long term to pay post employment (retirement) benefits. The total liability of £55.4m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £22.7m. 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; and
- 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 2013 is £1.217m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £0.016m.

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:

	31.03.12	31.03.11
Long-term expected rate return on assets in the scheme:		
Equity investments	7.0%	7.5%
Government bonds	3.1%	4.4%
Other bonds	4.1%	5.1%
Cash/liquidity	0.5%	0.5%
Other	n/a	n/a
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.2 yrs	21.1 yrs
Women	24.8 yrs	24.7 yrs
Longevity at 65 for future pensioners:		
Men	23.6 yrs	23.5 yrs
Women	26.4 yrs	26.3 yrs
Rate of Inflation (CPI)	2.5%	2.9%
Rate of increase in salaries	4.25%	4.65%
Rate of increase in pensions	2.5%	2.9%
Rate for discounting scheme liabilities	4.9%	5.5%
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:

	31.03.12 %	31.03.11 %
Equity Investments	70.8	74.7
Debt Instruments	28.4	24.8
Other Assets	0.8	0.5
	100.0	100.0

History of experience gains and losses

The actuarial loss identified as movements on the Pension Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2011/12 %	2010/11 %	2009/10	2008/09	2007/08 %
Differences between the expected and actual return on assets	4.9	16.3	31.8	64.9	9.5
Experience gains and losses on liabilities	0.0	5.6	0.0	0.0	5.2

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 £22,459 in 2011/12 (2010/11: £32,899).

41. CONTINGENT LIABILITIES

At 31 March 2012 the Authority had no material contingent liabilities to report.

42. CONTINGENT ASSETS

At 31 March 2012 the Authority had no material contingent assets to report.

43. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

Credit Risk

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

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

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

- Credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries

The authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £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 31 March 2012 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 2012 £'000	Historical Experience of Default %	Historical Experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability at 31 March 2012 £000	Estimated maximum exposure to default and uncollectability at 31 March2011 £000
Deposits with Banks and Financial Institutions	5,533	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; and
- investments at fixed rates – the fair value of the assets will fall.

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

The Authority has set an upper limit of 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 2012

2010/11 £'000		£'000	2011/12 £'000	NOTE
	INCOME			
(29,228)	Council Tax		(29,378)	
	Transfers from General Fund			
(3,327)	-Council Tax Benefits		(3,335)	
(13,866)	Income collectable from business ratepayers		(14,474)	
(46,421)	Total Income		(47,187)	
	EXPENDITURE			
	Precepts and Demands:			
22,452	North Yorkshire County Council	22,495		
4,343	North Yorkshire Police Authority	4,351		
1,319	North Yorkshire Fire & Rescue	1,321		
4,399	Ryedale District Council	4,407		
52	Street Lighting Expenses	48	32,622	(3)
	Business Rates:			
13,739	Payment to National Pool	14,317		(4)
112	Costs of Collection Allowance	112		
15	Allowance for Losses	45		(5)
			14,474	
110	Provision for non-payment of Council Tax		(50)	(5)
46,541	Total Expenditure		47,046	
120	(Surplus) /deficit for the year		(141)	
(398)	Surplus at 1 April		(278)	
(278)	Surplus at 31 March		(419)	

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	1,816	6/9	1,211
B	5,130	7/9	3,990
C	4,861	8/9	4,321
D	3,741	1	3,741
E	2,900	11/9	3,544
F	1,815	13/9	2,621
G	1,037	15/9	1,729
H	93	18/9	186
TOTAL	21,393		21,343
Less adjustment for Collection Rate			(320)
Council Tax Base			21,023

3. Precepts

Precepts and demands for 2011/12 are analysed as follows:

	Ryedale DC £'000	NYCC £'000	NYPA £'000	NYFRA £'000
2011/12 Precept/Demand	4,355	22,231	4,300	1,305
Payment in respect of 2010/11 surplus	52	264	51	16
	4,407	22,495	4,351	1,321

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

	£'000
Ryedale District Council	57
North Yorkshire County Council	289
North Yorkshire Police Authority	56
North Yorkshire Fire & Rescue Authority	17

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)	17,718
Less net adjust. for Transitional Relief, Part Occupancy, Write-offs and Transitional Premium	(2,375)
	15,343
Less Charitable Relief	(878)
	14,465
Other adjustments including making provision for bad debts and interest payments made	(148)
	14,317

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 £510,000 (2010/11: £560,000) and Business Ratepayers of £190,000 (2010/11: £145,000) 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 31.03.12	42,780,805
NDR Rate in £ for 2011/12	43.3p
Small Business Rate in £ for 2011/12	42.6p
Number of Business Premises (Hereditament) at 31.03.12	2,787
Number of Council Tax Benefit claimants at 31.03.12	3,769

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 2012 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 (s151 Officer) has the overall statutory responsibility for the proper administration of the Authority's financial affairs, including making arrangements for appropriate systems of financial control. The Authority operates within a system of financial regulations, comprehensive budgetary control, regular management information, administrative procedures (including the segregation of duties) and management supervision.

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

Compliance Arrangements

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

- The Chief Executive Officer
- The Corporate Director (s151) who is the s151 Officer of the Authority and the Chief Finance Officer (CFO)
- The Monitoring Officer
- The External Auditor and various other external inspection agencies
- Internal Audit (provided by the North Yorkshire Audit Partnership up to 31 March 2012 and Veritau North Yorkshire Limited from 1 April 2012)
- Finance Officers and other relevant service managers

Value For Money

Through reviews by external auditors, external agencies, internal audit, 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. In 2011/12 these services were provided by the North Yorkshire Audit Partnership. From 1 April 2012 internal audit and counter fraud services have been provided by Veritau North Yorkshire Limited – a company partly owned by the Authority. Internal audit services are provided in accordance with the Accounts and Audit Regulations 2011 and the CIPFA Code of Practice for Internal Audit in Local Government. An annual programme of reviews covering financial and operational systems is undertaken, to give assurance to Members and managers on the effectiveness of the control environment operating within the Council. The work of internal audit compliments and supports the work of the external auditors (Deloitte LLP for 2011/12). In addition, internal audit provides assurance to the Corporate Director (s151) as the Authority's s151 Officer in discharging his statutory review and reporting responsibilities. The Authority also undertakes an annual review of the effectiveness of its internal audit arrangements as required by the Accounts and Audit Regulations. The results of the review are reported to the Overview & Scrutiny (Audit) Committee.

Internal audit also has an advisory role that provides:

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

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

Performance Management

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

4. Review of Effectiveness

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

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

In addition, the Authority through its Committees especially the 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 2011/12 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. <u>SIGNIFICANT INTERNAL CONTROL ISSUES</u>

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 2011/12 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: 25 September 2012
Janet Waggott
Chief Executive

Signed: .... Dated: 25 September 2012
Cllr Keith Knaggs
Leader of the Council

ANNUAL GOVERNANCE STATEMENT APPENDIX

STATUS	CONTROL ISSUE	ACTION PROPOSED	RESPONSIBILITY	TARGET DATE	CURRENT POSITION & COMMENTS
Brought Forward	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)	Completed	Ongoing updating and training
Brought Forward	Risk of compromise and weaknesses in operational systems as a consequence of continuing reductions in staffing as Government funding cuts made.	Where changes in staffing occur, that changes in operating arrangements are reviewed prior to reducing the controls. Internal audit will be included in working groups reviewing operating systems and arrangements, including commissioning, partnership arrangements etc.	Corporate Director (s151)	Continuing	This will be a continuing issue in 2012/13

ANNUAL GOVERNANCE STATEMENT APPENDIX

STATUS	CONTROL ISSUE	ACTION PROPOSED	RESPONSIBILITY	TARGET DATE	CURRENT POSITION & COMMENTS
New 2011/12	Internal changes within the Council including the establishment of the Hub and implementation of the new Financial Management System weaken the control environment or affect service standards.	Project and risk management applied to changes Changes subject to audit review Ongoing monitoring of performance	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 2012 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, Notes to the Collection Fund Accounting Statement and the related notes 1 to 43. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12

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.

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.

INDEPENDENT AUDITOR'S REPORT

Opinion on accounting statements

In our opinion the accounting statements:

- give a true and fair view of the state of Ryedale District Council's affairs as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 2012.

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 2011, 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 2012.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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 Statement:

2010/11 Net Exp. £'000	Service	2011/12 Expenditure £'000	2011/12 Income £'000	2011/12 Net Exp. £'000
	Central Services to the Public			
78	Emergency Relief Work	47	-	47
73	Grants	88	-	88
396	Cost of Rate/Council Tax Collection	575	194	381
(24)	Council Tax Benefits Payments	3,336	3,375	(39)
147	Council Tax Benefits Administration	264	126	138
79	Rate Relief	167	82	85
115	Conducting Elections	162	-	162
84	Registration of Electors	86	1	85
(39)	Land Charges	94	94	-
909	Net Expenditure Central Services to the Public	4,819	3,872	947
	Cultural, Environmental, Regulatory & Planning Services			
	Cultural & Related Services			
277	Culture & Heritage	438	2	436
2,512	Recreation & Sport	853	25	828
127	Parks & Open Spaces	109	7	102
145	Tourism	113	9	104
176	Tourist Information Centres	236	41	195
3,237		1,749	84	1,665
	Environmental & Regulatory Services			
46	Crime & Disorder	67	45	22
45	Town Centre Security	28	(4)	32
7	Footway Lighting	-	-	-
44	Flood Defence & Land Drainage	107	67	40
156	Pollution Reduction	188	19	169
43	Pest Control	108	52	56
54	Dog Control	61	2	59
188	Food Safety	140	8	132
155	Public Health	166	(6)	172
450	Public Conveniences	270	-	270
(9)	Cesspool Emptying	22	26	(4)
11	Hackney Carriage & Private Hire Vehicles Licensing	36	41	(5)
1	Licences	81	80	1
333	Street Cleansing	404	56	348
583	Refuse Collection	571	11	560
(7)	Trade Waste	590	639	(49)
734	Recycling	1,282	596	686
75	Drainage Boards	78	-	78
2,909		4,199	1,632	2,567

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

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

2010/11 Net Exp. £'000	Service	2011/12 Expenditure £'000	2011/12 Income £'000	2011/12 Net Exp. £'000
	Planning Services			
21	Street Naming	18	18	-
226	Environmental Initiatives	201	43	158
218	Economic Development Support	192	7	185
(53)	Markets	17	68	(51)
43	Building Control	240	195	45
429	Development Control	752	295	457
288	Planning Policy	2,093	158	1,935
146	Non-Industrial Premises & Land	-	-	-
137	Community Development	155	7	148
1,455		3,668	791	2,877
7,601	Net Expenditure Cultural, Environmental, Regulatory & Planning Services	9,616	2,507	7,109
	Highways & Transport Services			
(204)	Car Parks	298	760	(462)
295	Transport Support	92	-	92
91	Net Expenditure Highways & Transport Services	390	760	(370)
	Housing Services			
122	Housing Strategy	71	1	70
29	Registered Social Landlords	25	-	25
67	Housing Advice	55	-	55
183	Private Sector Housing Renewal	480	253	227
121	Homelessness	316	229	87
84	Travellers Site, Malton	20	-	20
(4)	Ryecare Services	256	278	(22)
6	Housing Benefits Payments	11,225	11,231	(6)
387	Housing Benefits Administration	547	202	345
995	Net Expenditure Housing Services	12,995	12,194	801
	Corporate & Democratic Core			
713	Democratic Representation & Management	697	1	696
663	Corporate Management	608	-	608
1,376	Net Expenditure Corporate & Democratic Core	1,305	1	1,304
	Other Corporate & Non Distributed Costs			
(3,119)	Retirement Benefits - Change in Inflation Factor	-	-	-
169	Retirement Benefits – Other Costs	63	-	63
15	Costs of Unused Shares of Assets	11	-	11
-	Assets Under Construction & Surplus Assets for Disposal	-	-	-
25	General Financial Provisions	14	1	13
76	Other Employee Related Costs	-	-	-
46	Customer Liaison & Marketing	-	-	-
2	Finance Adjustment on Central Expenses	-	-	-
(2,786)	Net Expenditure Other Corporate & Non Distributed Costs	88	1	87
8,186	COST OF SERVICES	29,213	19,335	9,878

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.

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

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

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

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

Capital Adjustment Account
The balance on this account principally represents amounts set aside from revenue accounts, capital receipts used to finance capital expenditure and the excess of depreciation over the Minimum Revenue Provision.

Capital Charge
A charge to service revenue accounts to reflect the cost of utilising non-current assets in the provision of services.

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

Capital Expenditure charged to Revenue Account (CERA)
A method of financing capital expenditure in the accounting period rather than over a number of years.

GLOSSARY

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.

GLOSSARY

Creditors
Amounts owed by the Authority for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.
Current Assets
Assets that can be expected to be consumed or realised (cease to have material value) during the next accounting period.
Current Liabilities
Amounts that will become due or could be called upon during the next accounting period.
Current Service Cost (Pensions)
The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
Curtailment
For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments can include termination of employees' services earlier than expected (due to ceasing an activity) and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.
Debtors
Amounts due to the Authority for goods or services provided within the accounting period but not received at the balance sheet date.
Deferred Debtors
Amounts due to the Authority that are not expected to be repaid in full within the next accounting period.
Deferred Liabilities
These are liabilities which, by arrangement, are payable beyond the next year, either at some point in the future or by an annual sum over a period of time.
Defined Contribution Pension Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation
The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing-out, using up or other reduction in the useful life of a fixed asset. This can arise from use, passing of time or obsolescence through, for example, changes in technology or demand for the goods and services provided by the asset.
Emoluments
These are all sums paid to, or receivable by, an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either the employer or the employee are excluded.
Expected Rate of Return on Pension Assets
This applies to a funded defined benefit pension scheme and is the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held

by the scheme.

Fair Value

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

Financial Reporting Standards (FRSs)

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

Financial Year

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

Fixed Assets

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

General Fund

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

Going Concern

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

Government Grants

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

Impairment

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

Income and Expenditure Account

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

Infrastructure Assets

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

Intangible Fixed Asset

These are assets which do not have a physical substance, e.g. computer software, but which yield benefits to the Council, and the services it provides, for a period of more than one year.

Interest Cost

This relates to a defined benefit pension scheme. The expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS)

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

Investment

An investment is considered to be long term if it is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified as such only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to

dispose of the investment. Investments that do not meet the above criteria should be classified as
current assets.

Investment Properties

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

Leasing

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

Liability

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

Liquid Resources

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

Long-Term Contracts

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

Minimum Revenue Provision

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

Monitoring Officer

Under the provisions of the Local Government and Housing Act 1989 Councils have a duty to appoint a Monitoring Officer to ensure the lawfulness and fairness of Authority decision making. Councils may choose who to designate as Monitoring Officer except that it may not be the Head of Paid Service (Chief Executive).

National Non-Domestic Rates (NNDR)

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

Net Book Value

Amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Non-Current Assets

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

Non Distributed Costs

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

Non-Operational Assets

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

Operational Assets

These are fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost
For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events
Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible finance officer.

Precept
The amount that a Precepting Authority requires from a Charging Authority to meet its expenditure requirements.

Precepting Authority
Local Authorities, including parish councils and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Authorities.

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

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

Prudence
The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Indicators
The Local Government Act 2003 specifies a number of prudential indicators covering both capital and treasury management activities which local authorities must set as part of their budget process. They are designed to show the affordability of the capital programme and that the local authority borrowing is prudent and sustainable.

Realisable Value
The value of the asset at existing use, if sold between a willing buyer and a willing seller.

Related Party
Two or more parties are related where one party has control or is able to influence the financial or operational policies of another.

Reserves
Amounts set aside in the accounts for the purpose of defraying particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

Residual Value
The net realisable value of an asset at the end of its useful life. Residual values are based on current prices at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

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

GLOSSARY

Revaluation Reserve
This account contains surpluses and losses arising from the periodic valuation of non-current assets.
Revenue Account
An account which records the Authority's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.
Revenue Expenditure Funded from Capital Under Statute
Expenditure which may be properly capitalised but which does not result in or remain matched with assets controlled by the Authority.
Revenue Support Grant (RSG)
A general central government grant paid to the Income and Expenditure Account in support of the Charging Authority's revenue expenditure.
Scheme Liabilities
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.
Section 151 Officer (s151)
The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Authority's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. Furthermore section 25 of the Local Government Act 2003 requires the Section 151 Officer to comment on the robustness of the budget estimates and the adequacy of reserves.
Statement of Recommended Practice (SORP)
This is the guidance issued by CIPFA to enable Authority's to ensure that the Accounts published comply with IFRS as it applies to local authority financial matters.
Stocks (inventories)
Items of raw materials and stores purchased by the Authority to use on a continuing basis which have not been used. The value of those items not used at the balance sheet date are included as assets of the Council.
Support Services
The costs of departments that provide professional and administrative assistance to services e.g. Financial Services, Human Resources.
Temporary Borrowing/Investment
Money borrowed or invested for an initial period of less than one year.
Useful Life
The period over which the Authority will derive benefits from the use of an asset.
Work in Progress
The value of work done on an uncompleted project that has not been recharged to the appropriate account at the balance sheet date.

Deloitte.

Ryedale District Council

Report to the Overview and Scrutiny Committee on the 2012 Audit

Final Report

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Leeds
LS1 2AL
United Kingdom

Overview and Scrutiny Committee
Ryedale District Council
Ryedale House
Malton
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YO17 7HH

Dear Sirs

We have pleasure in setting out in this document our report to the Overview and Scrutiny Committee of Ryedale District Council ("the Council") for the year ended 31 March 2012, for discussion at the meeting scheduled for 25 September 2012. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2012.

In summary:

- The matters arising during our audit, which are summarised in the Executive Summary, have now been largely addressed and our conclusions are set out in our report.
- In the absence of unforeseen difficulties, management and we expect to meet the agreed audit and financial reporting timetable and issue an unmodified audit report.

We would like to take this opportunity to thank the management team for their assistance and co-operation during the course of our audit work.

Paul Thomson

Engagement Lead

Contents

Executive Summary

We have pleasure in setting out in this document our report to the Overview and Scrutiny Committee of Ryedale District Council ("the Council") for the year ended 31 March 2012 for discussion at the meeting scheduled for 25 September 2012. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2012. The main audit visit took place during July and we are happy with the way that the audit has progressed. Audit working papers were of a good standard. 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.

Completion of the audit

The status of the audit is as expected at this stage of the timetable agreed in our audit plan.

At the time of writing this report, certain procedures are still outstanding and need to be finalised before we can finalise our audit:

- Final review of the accounts and Annual Governance Statement to be completed
- Receipt of Letter of Representation
- Receipt of report from Pension Scheme auditors to support the valuation of Pension Scheme Assets
- Final review and close down procedures
- Completion of VFM review

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters.

On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements and value for money conclusion.

The matters that we have taken into account in forming our overall view are described in the following sections.

Significant audit risks	Status
We discuss within Section 1 the results of our work in relation to audit risks which have been identified as significant to the financial statements. In summary these are:	
• Valuation of non-current assets, including heritage assets and reliability of the new asset register system – "Real Asset Management" software;	l
• Collection of debt and the adequacy of bad and doubtful debt provisioning;	l
• Pension scheme assumptions;	l
• Presumed risk of revenue fraud; and	l
• Presumed risk of management override of controls	l

l Risk appropriately addressed l Risk satisfactorily addressed but with unadjusted errors identified l Material unresolved matter

Executive Summary (continued)

Risk management and internal control systems

Our audit findings did not identify any significant deficiencies in the financial reporting systems. Section 2 sets out the minor risk management and control observations arising from our audit procedures.

Value for money audit – Financial resilience and prioritisation of resources

Under the Audit Commission Code of Audit practice, as appointed auditors, we are required to draw a positive conclusion regarding the organisation's arrangements to secure economy, efficiency and effectiveness of its use of resources (the value for money (VFM) conclusion).We have considered the financial standing of the Council for 2011/12 in respect of our VFM conclusion. We have reviewed the current and on-going expenditure demands, expected grant income and the current cash position of the Council. We have also reviewed the risk assessments for the savings proposals in the 2012/13 budget and arrangements for the on-going management of those risks. Whilst the government's funding cuts have caused a reduction in expected grant income in the future, the Council has drawn up plans on how to deal with these, and any anticipated future reductions. Based on our work we expect to issue an unqualified VFM conclusion.

More details are given in Section 4.

Identified misstatements and disclosure misstatements

Audit materiality was £385,612 (2011: £361,677).

A number of audit adjustments have been made to the financial statements, the most significant of which is an additional £138k of flood defence grant income and related creditor to be recognised on the balance sheet in 2011/12. This has a nil impact on the Comprehensive Income and Expenditure Statement (CI&E). More details of this adjustment can be found in Section 1 and Appendix 2.

Identified uncorrected misstatements, if adjusted, would have no impact on the deficit on provision of services or the net asset position. 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 audit adjustments and uncorrected misstatements are included in Appendix 2.

Significant representations

A copy of the representation letter to be signed on behalf of the Council has been included in Appendix 3.

1. Significant audit risks

The results of our audit work on significant audit risks are set out below:

l Risk appropriately addressed l Risk satisfactorily addressed but with unadjusted errors identified l Material unresolved matter

Valuation of non-current assets, including heritage assets	
l	
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 financial reporting standard (FRS 30) this year requiring valuation and enhanced disclosure of heritage assets.
Deloitte response	We have obtained a copy of the latest third party valuation report and considered whether there is indication of any impairment from the third party valuations and whether any noted impairment should be applied more widely to other assets that have not been valued in the current year. We have reviewed the Council's approach to identifying heritage assets and confirmed whether appropriate disclosures are made in the financial statements as necessary. As part of our work on fixed assets we have reviewed the outputs of the new fixed asset register software and determine whether it accurately reflects the position of the Council's fixed assets at the balance sheet date. The results of our testing were satisfactory.

Collection of debt and the adequacy of bad and doubtful debt provisioning	
l	
Background	In the current climate there is likely to be more pressure on the Council'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.
Deloitte response	We have documented the processes the Council has in place for reviewing and providing against bad and doubtful debts owed to the Council at the balance sheet date. We have reviewed the calculation of the year end provision and considered 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 the audit, the history of bad debt exposure, recent changes in payment profile and post year-end cash receipts against year-end debtor balances. The adequacy of provisioning appeared reasonable and sufficient.

1. Significant audit risks (Continued)

Pension Scheme Assumptions	
1	
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 Council.
Deloitte response	We have documented the processes the Council has put in place to determine the assumptions and used our in-house pension and actuarial department to review these assumptions for reasonableness based upon prevailing market factors. The assumptions were found to fall within an acceptable range, and were generally prudent except for the use of a more optimistic discount rate. The results of our testing were satisfactory.

Presumed risk of revenue recognition fraud	
1	
Background	International Standards on Auditing (UK and Ireland) 240 – "The auditor's responsibility to consider fraud in an audit of financial statements" requires 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 have performed testing by selecting a sample of cash receipts, both before and after the balance sheet date, and confirming that all income received was correctly recognised as income in the financial statements in the appropriate period. In addition, testing of grant income has been performed to ensure that the provisions of the Code of Practice on Local Authority Accounting based on IFRS has been consistently applied. We identified one grant, in relation to the flood defence scheme, which had been received after the year end, but which related to the 11/12 period as per the grant letter, therefore we have adjusted for this. See Appendix 2 for further details. All other testing performed was satisfactory.

1. Significant audit risks (Continued)

Presumed risk of management override of controls	
1	
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 biases 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; • retrospectively reviewed 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 become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the organisation and its environment. We have raised an observation regarding the authorisation of journals. The remaining results of our testing were satisfactory.

2. Risk management and internal control systems

Key controls over significant risks

No issues noted   Satisfactory – minor observations only   Requires improvement   Significant improvement required

In Section 1 we discussed the identified significant audit risks. For each of these significant audit risks we have assessed the design and implementation of internal controls in each of those areas, summarised below.

Valuation of non-current assets, including heritage assets		2012	2011
The Council performs regular checks on the existence and condition of assets to ensure that the valuation of assets is accurate.	We reviewed the implementation of this control by reviewing the valuation procedures and the work of the expert in-house valuer. We also performed unrecorded disposal testing to prove existence of assets.		

Collection of debt and the adequacy of bad and doubtful debt provisioning		2012	2011
The Council calculates the bad debt provision based on levels of historical debt and bad debt write offs.	We tested the implementation of this control by reviewing the bad debt calculation to ensure that the policy had been correctly implemented and assessed the recoverability of debtors to consider the sufficiency of the policy.		

Pension Scheme Assumptions		2012	2011
Disclosures and key assumptions are prepared by the actuary employed by North Yorkshire Pension Fund and are reviewed by management.	We tested the implementation of this control by obtaining the IAS 19 report and having our internal experts review the report to show they are professionally competent and assumptions used are reasonable.		

Presumed risk of revenue recognition fraud		2012	2011
For each payment received, the Council records details of the product/service that the payment relates to and uses this information to determine the period in which the payment should be recorded.	We reviewed the implementation of this control by performing cut-off testing at the year end, tracing payments from the bank statement to the accounts system to confirm that they have been recorded in the correct period.		

Presumed risk of management override of controls		2012	2011
All journals are written out as a paper copy. The journal is signed as authorised for input by the preparer input onto the system. The journal number and batch number is generated from the system and written on the paper copy. Only year-end items are filed with supporting working papers.	We reviewed a sample of journals posted in the year to confirm that they were commercially reasonable and had adequate supporting documentation. An observation has been raised below with respect to journal authorisation.		

2. Risk management and internal control systems (continued)

Risk management and control observations

In addition to the recommendations provided in relation to significant audit risks, we also identified two minor risk management and control observations which are detailed below.

Update on prior year observations

Documentation of journals	
2011 Description	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.
2011 Recommendation	Ensure all documents have sufficient documentation before processing.
2012 Update	All journals have supporting documentation, held either centrally with finance, or by the service departments. Satisfactory.

Disposal of fixed assets	
2011 Description	As part of fixed asset disposal testing it was noted that £220k of Civica software had been disposed of as part of the Northgate upgrade but that no formal documentation with authorised signatories had been completed. Potentially assets may be removed from the fixed asset register incorrectly or may be disposed of but the fixed asset register is not appropriately updated.
2011 Recommendation	It is recommended that a fixed asset disposal form is completed by the departmental head and then approved/countersigned by Finance.
2012 Update	Management intend to introduce a mechanism for formally recording and approving disposals in 2012/13.

2. Risk management and internal control systems (continued)

Current year observations

Authorisation of journals	
Description	Journals posted by senior members of the finance team (Peter Johnson (finance manager), Mike Wright and Mandy Burchell) are not authorized or reviewed by anyone other than the preparer. The lack of review means it is less likely that journals posted in error or fraudulently would be identified, which could have a potentially material impact on the financial statements.
Recommendation	All journals should be reviewed and signed by another member of the finance team to authorize the validity of the journal and promote transparency.
Management response	As from 1 April 2012, the new financial accounting software requires all journals raised by all members of staff, other than Peter Johnson, to be authorised online. Management have also agreed, going forward, that journals raised by Peter Johnson will be visible to, and authorised online by, Mike Wright and Mandy Burchell.

3. 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 confirm 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.

Non-audit services

We are not aware of any inconsistencies between APB Ethical Standards and the Council'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 2011 to 31 March 2012 are as follows:

Fees payable for the audit of the annual accounts (excluding Audit Commission rebate £7,316 and VAT)	£91,447

The audit fee has been calculated in accordance with Audit Commission fee scale.

The fees for certification of claims and returns are estimated at £20,000 and will be confirmed in our Annual Audit Letter at the next Overview and Scrutiny Committee meeting.

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.

Written representations

A copy of the representation letter to be signed on behalf of the Overview and Scrutiny Committee is included at Appendix 3.

4. Value for money (VFM) conclusion

From 2010/11 the Audit Commission introduced new requirements for local value for money ("VFM") audit work at councils. This year, auditors are again 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 Council 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 Council 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 Council is facing severe financial pressures over the next few years. We have reviewed the risk assessments for the savings proposals in the 2012/13 budget and arrangements for the on-going management of those risks. Progress in developing plans for 2013/14 is on-going and we understand a number of meetings have already been held with members. Officers will be launching the strategy for 2013/14 to staff by the end September 2012. We are currently reviewing the minutes of the meeting held in respect of balancing the 2012/13 budget and creating the 2013/14 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.

4. 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 Council's arrangements. This conclusion is given within our audit report on the Council's accounts.

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

For 2011/12, as at the time of writing this report, we have assessed the Council for both criteria as having proper arrangements in place. We will update on this verbally at our meeting on 25 September and confirm whether we will be issuing an unqualified conclusion, as is currently anticipated.

5. 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 a Council's activities, including in particular those designed to ensure that:

- the Council's policies are implemented in practice;
- high quality services are delivered efficiently and effectively;
- the Council'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 Council'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 Council's governance arrangements and internal controls derived from our audit work.

6. 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. Responsibility for the adequacy and appropriateness of these methodologies and data rests with the Audit Commission.

Our report has been prepared on the basis of, and our work carried out in accordance with, the Code and the Statement of Responsibilities.

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 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.

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 for its contents. We accept no duty, responsibility or liability to any other parties as the report has not been prepared, and is not intended, for any other 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

10 September 2012

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: Briefing on audit matters

Published for those charged with governance

This document is intended to assist the members and officers of the Council to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality.

Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

Approach and scope of the audit

Primary audit objectives

We conduct our audit in accordance with International Standards on Auditing (UK & Ireland) as adopted by the UK Auditing Practices Board ("APB"). Our statutory audit objectives are:

- to express an opinion in true and fair view terms to the members on the financial statements;
- to express an opinion as to whether the accounts have been properly prepared in accordance with the relevant financial reporting framework;
- to express an opinion as to whether the accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards;
- to form an opinion on whether adequate accounting records have been kept by the Council; and
- to express an opinion as to whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Other reporting objectives

Our reporting objectives are to:

- present significant reporting findings to the members. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and
- provide timely and constructive letters of recommendation to management. This will include key business process improvements and significant controls weaknesses identified during our audit.

Appendix 1: Briefing on audit matters (continued)

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

"Materiality" is defined in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements" in the following terms:

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."

We determine materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but also local considerations of the Council, the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

For local statutory reporting purposes, individual materiality levels will be set for each of the subsidiary companies.

Uncorrected misstatements

In accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)") we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of 'clearly trivial'. The Audit Engagement Partner, management and the members of the audit committee will agree an appropriate limit for 'clearly trivial'. In our report we will report all individual identified uncorrected misstatements in excess of this limit and other identified errors in aggregate.

We will consider identified misstatements in qualitative as well as quantitative terms.

Appendix 1: Briefing on audit matters (continued)

Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to the Council and create value for management and the Council whilst minimising a "box ticking" approach.

Our audit methodology is designed to give officers and members the confidence that they deserve.

For controls considered to be 'relevant to the audit' we evaluate the design of the controls and determine whether they have been implemented ("D & I"). The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted and the risk of management override of controls);
- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures.

Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters:

ISA (UK & Ireland)	Matter
ISQC 1	Quality control for firms that perform audits and review of financial statements, and other assurance and related services engagements
240	The auditor's responsibilities relating to fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
265	Communicating deficiencies in internal control to those charged with governance and management
450	Evaluation of misstatements identified during the audit
505	External confirmations
510	Initial audit engagements – opening balances
550	Related parties
560	Subsequent events
570	Going concern
600	Special considerations – audits of group financial statements (including the work of component auditors)
705	Modifications to the opinion in the independent auditor's report
706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
710	Comparative information – corresponding figures and comparative financial statements
720	Section A: The auditor's responsibilities relating to other information in documents containing audited financial statements

Appendix 1: Briefing on audit matters (continued)

Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

Safeguards and procedures

- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to technical review by a member of our independent Professional Standards Review unit.
- Where appropriate, review and challenge takes place of key decisions by the Second Partner and by the Independent Review Partner, which goes beyond ISAs (UK and Ireland), and ensures the objectivity of our judgement is maintained.
- We report annually to the members our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
- Periodic rotation takes place of the audit engagement partner, the independent review partner and key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
- In accordance with the Revised Ethical Standards issued by the APB, there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation. Any non-audit work which exceeds a deminimis amount set by the Audit Commission must be approved by the Commission prior to agreeing to carry out the work.
- In the UK, statutory oversight and regulation of auditors is carried out by the Professional Oversight Board (POB) which is an operating body of the Financial Reporting Council. The Firm's policies and procedures are subject to external monitoring by both the Audit Inspection Unit (AIU), which is a division of POB, and the ICAEW's Quality Assurance Directorate (QAD). The AIU is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW's Audit Registration Committee. The AIU also reports to POB and can inform the Financial Reporting Review Panel of concerns it has with the accounts of individual companies.
- Our work is carried out in line with the Audit Commission standing guidance for local government auditors. Compliance with that guidance and the quality of our work is subject to the Audit Commission's annual Quality Review Process.

Appendix 1: Briefing on audit matters (continued)

Independence policies

Our detailed ethical policies' standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.

Amongst other things, these policies:

- state that no Deloitte partner (or any immediate family member) is allowed to hold a financial interest in any of our UK audited entities;
- require that professional staff may not work on assignments if they (or any immediate family member) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;
- state that no person in a position to influence the conduct and outcome of the audit (or any immediate family member) should enter into business relationships with UK audited entities or their affiliates;
- prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and
- provide safeguards against potential conflicts of interest.

Remuneration and evaluation policies

Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.

APB Revised Ethical Standards

The Auditing Practices Board (APB) has issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach.

The five standards cover:

- maintaining integrity, objectivity and independence;
- financial, business, employment and personal relationships between auditors and their audited entities;
- long association of audit partners and other audit team members with audit engagements;
- audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and
- non-audit services provided to audited entities.

Our policies and procedures comply with these standards.

Appendix 2: Audit adjustments and uncorrected misstatements

Recorded audit adjustments – corrected misstatments

We report all individual identified recorded audit adjustments in excess of £7,712 and other identified misstatements in aggregate adjusted by management in the table below:

	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 £
Recognition of flood defence grant - increase debtors and increase revenue grant receipts in advance £138k	net effect NIL	-	net effect NIL
Total adjusted misstatements relating to current year items	**0**	**0**	**0**

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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			
Incorrect amortisation of intangibles - increase amortisation within the comprehensive income and expenditure statement £62k, decrease intangible assets on the balance sheet £62k, increase net deficit in the General fund £62k decrease Capital Adjustment Account £62k.	-	62,422	(62,422)
Total misstatements relating to current year items	**-**	**62,422**	**(62,422)**

Appendix 3: Draft Management Representation letter

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

Ryedale District Council – Audit of the annual accounts for the year ended 31 March 2012

This representation letter is provided in connection with your audit of the financial statements of Ryedale District Council ("the Council") for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as of 31 March 2012 and the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework.

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

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

Financial statements

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

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

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

4. 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 2 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 Council's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

6. The financial statements are free from material misstatement.

7. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.

8. 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.

Appendix 3: Draft Management Representation letter (continued)

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

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

11. 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.

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

13. 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.

14. 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

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

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

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

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

19. 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.

20. 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.

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

22. 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.

Appendix 3: Draft Management Representation letter (continued)

23. 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.

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

25. Our annual report will be consistent with and include the financial statements as audited.

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 ________________________