



Audit and Governance Committee

6.30pm on Tuesday, 26th September 2017
Belle Vue Suite, Belle Vue Offices, Skipton

The Chairman (Councillor Harbron) and Councillors Barrett, Brockbank, Brown, Hull, Lis, Mercer, Place and Whitaker. Independent Person Mr G Robinson.

AGENDA

1. **Apologies for absence**
2. **Confirmation of Minutes** of meeting held on 20th June 2017.

Note : A copy of action check sheet for the above meeting is also attached.
3. **Public Participation** – In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.
4. **Declarations of Interest** – All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests.

(Note: Declarations should be in the form of:
a “**disclosable pecuniary interest**” under Appendix A to the Council’s Code of Conduct, or “**other interests**” under Appendix B or under Paragraph 15 where a matter arises at the meeting which relates to a financial interest of a friend, relative or close associate.

A Member of Council who has a disclosable pecuniary interest must leave the room and not take part in the discussion or vote. When declaring interests under Appendix B or Paragraph 15 of the Code, Members must move to the public seating area, not vote, and speak only if members of the public are also allowed to speak at the meeting.)

Note of Agenda Item No. and type of Interest to be Declared at this Meeting:

5. **Bereavement Services : Implementation of Outstanding Audit Recommendation** – Further to Minute AC.290(a)/17-18, the Business Services Manager will be attending the meeting to respond to concerns regarding the period of time taken to implement Internal Audit Priority One Recommendation IA 16/17 245 - Bereavement Services - Credits.
6. **External Audit : Audit Completion Report** – Report of the External Auditor. Attached.

Purpose of Item – To enable the external auditor to present the Audit Completion Report for 2016/17.

7. **Statement of Accounts 2016/17** – Report of the Chief Finance and Section 151 Officer. Attached.

Purpose of Item – To present the Council’s Statement of Accounts 2016-17.

8. **Internal Audit : Implementation of Recommendations** – Report of the Chief Finance and Section 151 Officer. Attached.

Purpose of Item – To update Members on Priority 1 internal audit recommendations outstanding and all those completed in the monitoring period.

9. **Internal Audit Service : Future Delivery** – Report of the Chief Finance and Section 151 Officer. Attached.

Purpose of Item – To inform the Committee of the options available to the Council for the delivery of its internal audit function from April 2018.

10. **Any other items** which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act, 1972.

Agenda Contact Officer: Chris Waterhouse,
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18th September 2017.

Emergency Evacuation Procedure

In case of an emergency or if the alarm sounds, leave the meeting room and leave the building using the nearest available door. The assembly point is in the main square at the front entrance. An officer will take a roll call at that point.

Members of the Council : Please do not leave without telling the Chairman or the Democratic Services Section’s representative.

Recording at Council Meetings

Recording is allowed at Council, committee and sub-committee meetings which are open to the public, subject to

(i) the recording being conducted with the full knowledge of the Chairman of the meeting; and

(ii) compliance with the Council’s protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the Agenda Contact Officer (details above) prior to the start of the meeting. Any recording must be conducted openly and not disrupt proceedings.

AUDIT AND GOVERNANCE COMMITTEE

20th June 2017

Present – The Chairman (Councillor Harbron) and Councillors Barrett, Brockbank, Hull, Mercer, Place, and Whitaker.

Officers – Chief Executive, Solicitor to the Council, Audit Services Manager and Committee Officer.

Apologies for absence were received from Councillor Lis and the Independent Person, Greg Robinson.

Start: 6.30pm

Finish: 8.28pm

The minutes of the Committee's meeting held on 14th March 2017 were confirmed and signed by the Chairman.

EXCLUSION OF THE PUBLIC

Resolved – That, in accordance with the Council's Access to Information Procedure Rules, the public is excluded from the meeting during consideration of Minutes AC.285, AC.290(d) and AC291, (marked \$) below on the grounds that it is not in the public interest to disclose the Category 3 exempt information (financial or business affairs of any particular person including the Council).

Minutes for Report

\$AC.285

**INFORMATION MANAGEMENT AND GOVERNANCE
STRATEGY DELIVERY PLAN - UPDATE**

Further to Minute CL.892(c)/15-16, at which Council had adopted an information management and governance strategy for the period 2016-2018, together with an associated delivery plan, the Chief Information Officer submitted a report presenting details of progress made against the delivery plan.

Members were reminded that the Management and Governance Strategy had identified 10 objectives intended to raise the level of compliance with prevailing legal, government and industry best practice in the management of information across the Council over the Strategy period. The plan for delivery of those 10 objectives contained 36 individual actions and to date good progress had been made with a number of completed actions being revisited to ensure the Authority remained compliant. In summary progress made against the delivery plan was as follows:-

- Action Status : Green (Low risk / work on track) 16 commenced
- Action Status : Amber (Medium risk / needs development) 7 commenced
- Action Status : Red (High risk / immediate action required) 0
- Not started : 2
- Completed : 11

In presenting his report the Information Officer pointed out that implementation of the General Data Protection Regulation would bring significant changes in the management of personal data across all organisations within the European Union, including the UK, with effect from 25th May 2018; an

implementation plan had been developed, so as to ensure that the Council's activities across all services would be compliant.

Resolved – That progress made against the information management and governance strategy delivery plan is noted.

AC.286

LOCAL CODE OF CORPORATE GOVERNANCE

Further to Minute AC.109/11-12, the Strategic Manager for Financial Services submitted a report seeking adoption of an amended Local Code of Governance.

Members were reminded that the Local Code described how the Council would seek to comply with the principles of good governance as set out in the Delivering Good Governance in Local Government Framework developed by the Chartered Institute of Public Finance and Accountancy, the Society of Local Authority Chief Executives and Senior Managers. The Framework had been updated in April 2016, and the principles therein were now as follows:-

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

The Council's existing Code had been adopted in September 2011 and bearing in mind the updated Framework and explicit reference within the Annual Governance Statement to the Code and core principles, it was recommended and, after a discussion

Resolved – (1) That the amended Local Code of Governance, as now submitted, is approved, subject to deletion of reference to the Parish Clerks Forum and to consideration being given by the Strategic Manager to inclusion, where appropriate, of reference to the Armed Forces Covenant.

(2) That Members contact the Value for Money and Improvement Manager with any general queries regarding the content of the Code, details of those queries and response(s) provided to be forwarded to all members of this Committee.

AC.287

DRAFT ANNUAL GOVERNANCE STATEMENT 2016-17

Further to Minute AC.233/16-17, the Strategic Manager for Financial Services submitted a report presenting the draft Annual Governance Statement for 2016/17.

The Statement provided public assurance that the Council had a sound system of internal control, designed to help manage and control risks that would impede the achievement of its objectives, it also made clear how priorities had been set and monitored. Appendices to the Statement also detailed significant governance issues outstanding at the end of 2016/17 and proposals for addressing those issues during the course of the current year.

Both the Chairman of this Committee and the Chief Executive were required to sign the Statement which, as in previous years, would form part of the Annual Statement of Accounts 2016/17 to be presented to the Committee in September 2017.

Resolved – That the draft Annual Governance Statement 2016/17 is approved,

AC.288

MEMBER WARD GRANTS

Further to Minute POL.716/15-16, the Chief Executive submitted a report presenting a summary of projects awarded Member Ward Grants in 2016-17, and the spread of those grants across the District compared to those awarded under the former community grants scheme in the period 2010 to 2015.

It was pointed out that Member Ward Grants would be the subject of an audit to be carried out under the 2017-18 Internal Audit Plan.

Resolved – That the Chief Executive's report is noted.

AC.289

CONTRACT PROCEDURE RULES - EXEMPTIONS

Further to Minute AC.194(b)/13-14, the Strategic Manager for Financial Services submitted a report presenting details of an exemption granted from the Council's Contract Procedure Rules in the period February to June 2017.

The exemption had been authorised to enable an arrangement to be entered into with Horton Housing for delivery of a joint rough sleeper project as part of the Council's Homelessness Prevention Project. (Minute POL.830/17-18 refers)

Resolved – That the exemption granted from the Council's Contract Procedure Rules is noted.

AC.290

INTERNAL AUDIT

a. Recommendations : Implementation Monitoring

Further to Minute AC.270(a)/16-17, the Strategic Manager for Financial Services submitted a report updating the Committee on the position reached with implementation of Priority One internal audit recommendations where the original completion date was prior to June 2017. Details of all recommendations, nineteen in total, completed in the monitoring period were also reported, together with a summary of the position in respect of the number of Priority Two and Three recommendations outstanding.

During the course of the Committee's discussion Members repeated their ongoing disquiet at the time being taken to implement a priority one recommendation concerning Bereavement Services in respect of access levels to the payments system, it was proposed and

Resolved – (1) That the Business Services Manager is asked to attend this Committee's meeting to be held on 26th September 2017 to respond to Members' concerns regarding implementation of outstanding Priority One recommendation IA 16/17 245 - Bereavement Services.

(2) That the position in respect of implementation of internal audit recommendations is noted, and that action taken in completing Priority One, Two and Three audit

recommendations in the monitoring period is approved.

b. Annual Internal Audit Report 2016-17

The Audit Services Manager submitted the Annual Internal Audit Report highlighting key findings and conclusions from the work undertaken by the Internal Audit Service in the 2016/17 financial year.

The Audit Services Manager reminded Members that under public sector internal audit standards the Internal Auditor was required to give an overall opinion on the adequacy and effectiveness of the Council's risk management, governance arrangements and internal controls. Based on the audit work undertaken during 2016/17, her opinion was that the Council's framework of governance, risk management and internal control was satisfactory and operating effectively in practice.

Within the year, nine out of eleven audits (82%) had been assigned either a significant or good assurance score on the control environment in place. This represented a substantial improvement from the position reported in 2015/16 (67%); 2014/15 (71%) and 2013/14 (73%). At the end of the year, four audits had been in progress and these would be presented to the Committee in due course.

Resolved – That the Annual Internal Audit Report, including the auditor's opinion, for the 2016/17 financial year is noted.

c. Draft Internal Audit Plan 2017/18

Further to Minute AC.283(b)/16-17, the Audit Services Manager submitted a report presenting a revised draft Internal Audit Plan for the 2017/18 financial year, together with a summary of all audit work undertaken in the period April 2015 to March 2017.

As indicated at Minute AC.283(b) an audit of the Council's arrangements in respect of agency and contract staff, had been added to the Plan in lieu of a further audit of Building Control, and that having reviewed the audits carried out in the previous two years it was now recommended that an audit of car parking income be carried out utilising 12 audit days carried forward from 2016/17, with any additional time required for the audit drawn from the pool of contingency days.

Resolved – That the revised draft 2017/18 Internal Audit Plan, as now submitted and amended by a reduction in the number of days proposed for the audit of Member Ward Grants from ten to five, is approved, the five days made available by this reduction to be retained as contingency provision.

\$d. Internal Audit Reports

The Internal Audit Services Manager presented copies of the audit reports listed below, which had been commissioned as part of the 2016/17 Internal Audit Plan.

- \$Licensing : Level of Assurance : Partial
- \$Pool Income 2016/17 : Level of Assurance : Good
- \$National Fraud Initiative : Level of Assurance : Good

The Audit Services Manager pointed out that a National Fraud Initiative exercise was carried out every two years, that carried out in 2014/15 had resulted in the Council recovering £19,023. The 2016/17 exercise results had been released by the Cabinet Office on 29th January 2017 and it was understood work had now commenced in reviewing the data received.

Resolved – That the reports of the Internal Auditor now presented are received, and that implementation of recommendations therein are monitored through the arrangements approved at Minute AC.138(a)/12-13.

\$AC.291

RISK MANAGEMENT

Further to Minute AC.284/16-17, the Strategic Manager for Financial Services submitted a report updating the Committee on progress against actions intended to mitigate risks within the Council's risk register, and presenting the outcome of the review of the Council's risk profile.

Although nine changes had been made to the Council's risk profile, the total number of risks listed therein still amounted to 121, with 29 identified as corporate risks, of which five scored sufficiently high enough to feature on the risk register. That register was comprised of four strategic and one operational risk.

In reviewing the risk profile the opportunity had also been taken to update the Council's risk management strategy; copies of the updated strategy had been circulated with the Strategic Manager's report.

Resolved – (1) That the updated Risk Management Strategy and corporate risk register, as now submitted, are approved.

(2) That changes to the Council's risk profile and progress made against actions to mitigate corporate risks are noted.

(3) That the Strategic Manager for Financial Services discusses with the Chairman, Vice-Chairman and Councillor Hull arrangements for a risk management workshop with the Committee's membership.

AC.292

MEETINGS – START TIME

Resolved – That for the remainder of the current municipal year, meetings of this Committee continue to start at 6.30pm.

Minutes for Decision

AC.293

ANTI-FRAUD AND CORRUPTION POLICY STATEMENT AND STRATEGY

Further to Minute AC.279/16-17, the Strategic Manager for Financial Services submitted a report presenting a revised anti-fraud and corruption strategy and a proposed anti-fraud and corruption policy statement.

Members were reminded that in 2016 Internal Audit had undertaken a review of the Council's arrangements for the prevention of fraud via a benchmarking exercise against CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. That piece of work had highlighted the need for the Council to have an explicit Anti-Fraud and Corruption Policy Statement and to update its Fraud and Corruption Strategy (Minute AC.270(c)/16-17 refers). The Strategy linked to a number of other policies and strategies such as Anti-Money Laundering, Whistle Blowing and Bribery and Corruption, all of which were scheduled for review during the course of 2017-18.

The Strategic Manager pointed out that the outcome of the ongoing review of management responsibilities may require some minor adjustments to the revised strategy. Details of any such

adjustments would be made known to Members of this Committee; any significant changes would be submitted to the Committee.

Resolved – (1) That the updated Anti-Fraud and Corruption Strategy is noted and that the Strategic Manager for Financial Services is authorised to make any necessary minor textual adjustments to the Strategy to reflect the outcome of the ongoing review of management responsibilities.

RECOMMENDED – (2) That the proposed Anti-Fraud and Corruption Policy Statement is approved as now submitted.

Chairman.

Audit Completion Report

Craven District Council



For the year ended 31 March 2017



Contents

1. Executive summary	3
2. Significant findings.....	5
3. Internal control recommendations	8
4. Value for Money Conclusion	11
Appendix A – Summary of misstatements	15
Appendix B – Draft management representation letter	18
Appendix C – Draft audit report	21
Appendix D – Independence.....	24

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. Executive summary

Purpose of this report

The Audit Completion Report sets out the findings of our audit of Craven District Council (the Council) for the year ended 31 March 2017, and forms the basis for discussion at the Audit and Governance Committee meeting on 26 September 2017.

The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £474k. We have updated our assessment as part of our continuous planning processes and have set materiality at £435k. Our clearly trivial threshold for reporting matters to you has been set at £13k. The changes in these figures primarily relate to the reduction in the gross revenue expenditure of the Council comparing this year with the prior year.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in March 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.</p>
Identified misstatements	<p>Our work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.</p>
Value for Money	<p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate having no matters to report in respect of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>
Whole of Government Accounts (WGA)	<p>We intend to report on your WGA submission, in line with the group instructions issued by the NAO, confirming your activity was below the threshold set by the NAO meaning that we were not required to review the WGA return in detail this year.</p>

The status of our work

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017.

At the time of preparing this report, the following significant matters remain outstanding:

Closure procedures	Review and closure processes, including final consideration of post balance sheet events.
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If any matters arise from these issues, we will provide an update to you in a follow up letter prior to giving our opinion.

2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
<p>Management override of control</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk through performing audit work on:</p> <ul style="list-style-type: none"> • consideration and review of accounting estimates impacting on amounts included in the financial statements; • consideration and review of any unusual or significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	<p>Our work on the financial statements did not identify any manipulation of the financial position, and we did not identify any evidence of management override of controls.</p>

Significant risk	How we addressed the risk	Audit conclusion
<p>Pension Entries</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and include estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we also:</p> <ul style="list-style-type: none"> evaluated the management controls in place to assess the reasonableness of the figures provided by the Actuary; and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office. 	<p>Our work confirmed that reasonable assumptions have been used by the actuary. The pension entries have been correctly reflected in the financial statements.</p>

Qualitative aspects of the Council's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of the Council's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	<p>We have reviewed the Council's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code).</p> <p>In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.</p>
Quality of the draft financial statements	<p>We received draft financial statements from management on 06 June 2017. The draft financial statements were produced a month earlier than in the previous year. Although this is ahead of the statutory requirement to do so for this year, from next year (2017/18) the financial statements will need to be presented to us with an approved Annual Governance Statement by 31 May 2017, it is important to note that the Council appear in a strong position to meet this tighter deadline for next year.</p>

Qualitative aspect	Our views
Quality of supporting working papers	<p>Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit.</p> <p>The working papers supporting the financial statements were of a reasonable standard. Improvements could be made to the clarity and detail of some working papers. We will discuss with officers over the coming months how working papers can be improved to ensure they are well prepared to meet the earlier closedown timetable and subsequent audit deadline in 2017/18. We are grateful to officers for their assistance in responding to requests for information and in dealing with our queries.</p>

Significant matters discussed with management

There were no significant matters arising from the audit that required discussion with management.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

3. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

- **Priority 1 (high)**
There is potential for financial loss, damage to reputation or loss of information. Weaknesses may have implications for the achievement of strategic objectives and our recommendations should be considered immediately by management.
- **Priority 2 (medium)**
There is a need to strengthen internal controls or enhance efficiency. Our recommendations should be actioned in the near future.
- **Priority 3 (low)**
Internal controls should be strengthened where practicable and where there is a cost benefit from doing so.

Current year internal control recommendations:

Other deficiencies in internal control – Priority 3

Description of deficiency	The process for revaluing the Council’s land and buildings does not incorporate a simultaneous “re-lifing”. Responsibility for revaluing the Council’s assets lies with the Council’s external valuer and responsibility for re-lifing assets lies internally with the Council’s finance department.
Potential effects	The base for the value of a Council asset involves a number of assumptions and, if this does not incorporate assessing the remaining useful economic life of the asset, valuations can become less meaningful and result in a gross overstatement of both revaluation and subsequent depreciation. Although this does not have any impact on the underlying surplus or deficit of the Council, it is important that the Council obtains value for money from their contract with their valuers, this must also include ensuring the output from the report provided by the valuer is both relevant and meaningful, incorporating the information the Council requires.
Recommendation	The Council should review their contract with the valuer to include an assessment of the remaining useful life of assets being revalued, or perform a concurrent exercise to ensure that remaining lives of assets being revalued are also subject to review by Council officers. Timescale - Immediately
Management response	The services of the external valuer were used as an interim measure. The Council now has an appropriately qualified Officer within the Assets and Properties Team who will undertake the valuations in future.

Other deficiencies in internal control – Priority 3

Description of deficiency	We identified five un-presented cheques that are older than 6 months. Four of these were identified in the previous year’s audit and one is a new one for 2016/17. The combined value is £1,037.81 for all five cheques.
Potential effects	Besides an additional administrative burden of unnecessary items on the Council bank reconciliation, older cheques are decreasingly likely to be presented by the creditor, therefore the Council should update their records to reflect this.
Recommendation	The Council should adhere to its own policy of writing off cheques over 6 months old. This will aid with the accuracy of the expected cash position of the Council. Timescale - End of September 2017

Management response	The cheques were not written-off in until May 2017 in error. Procedures have been updated to ensure that in future write-offs will be completed prior to 31 March.
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Follow up of prior year internal control recommendations:

Description of deficiency	During the audit we have noted several amendments that we would have expected to be identified and rectified by the finance team prior to submission of the financial statements for audit.
Potential effects	Material misstatements are not identified prior to submission of the draft accounts.
Recommendation	Management should incorporate a thorough review process into the accounts closedown procedures.
Management response	We will review the Accounts process for the 2015/16 Accounts and make adjustments as deemed necessary incorporating further a further review process into the closedown timetable including a review of the working papers.
2016/17 Update	We have identified a reduced number of amendments during the 2016/17, as reported throughout this report.

Description of deficiency	<p>Communication with the external valuer has led to a valuation being provided for some public conveniences, which were not in the originally planned list of assets due for valuation in the period. The movement on the asset was significant and as such has caused an audit adjustment.</p> <p>Other issues have been noted regarding the clarity of the content within the report provided by the external valuer.</p> <p>We acknowledge that the use of this valuer was as a result of a change in the arrangements due to the previous, in-house, valuer ceasing employment with the authority.</p>
Potential effects	Other than the observed issue listed above, additional costs could potentially be borne by the authority if the required assets are not valued in the correct period. The CIPFA code determines that when one asset of a certain type is revalued, all assets of that type should also be revalued. In light of the mistake made by the valuer and the magnitude of the observed change in value, the authority should have subsequently revalued all public conveniences. We acknowledge that the characteristics of the public conveniences in this situation do not necessarily apply to all council owned conveniences – the asset is in Skipton town centre on highly desirable land; as such we have not requested any further valuations to take place.
Recommendation	Contract Management and communication with the valuer should be reviewed to ensure the Terms of Engagement are clear and enforced.
Management response	If the Council needs to use an external valuer in the future for work in respect of the accounts we will review the terms of engagement to ensure that they are clear and concise and that there is complete understanding before authorising work to commence.
2016/17 Update	This recommendation has been superseded by the current year finding with regards to the valuer.

4. Value for Money Conclusion

Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
<p>Informed decision making</p> <p>Acting in the public interest, through demonstrating and applying the principles and values of sound governance.</p> <p>Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.</p> <p>Reliable and timely financial reporting that supports the delivery of strategic priorities.</p> <p>Managing risks effectively and maintaining a sound system of internal control.</p>	<p>The Council has a Constitution which is subject to regular review. This clearly details the governance structure of the Council. The Council has an active Audit and Governance Committee. The Constitution includes Members and Officer's Code of Conducts.</p> <p>A clear Plan that sets out the Council's vision and priorities for the financial year 2017/2020. The priorities include enterprising Craven (facilitating economic growth), resilient communities (creating sustainable communities) and financial sustainability. Delivery of priorities is monitored in quarterly performance reports and in the Council's Annual Report.</p> <p>New decisions are supported by reports that outline appropriate options and relevant considerations, including references to financial, legal and performance issues where appropriate.</p> <p>There is evidence of financial reporting being used to deliver strategic objectives, for example, through the Medium Term Financial Strategy. In addition, regular financial reporting takes place, with formal reporting quarterly to the Policy Committee.</p> <p>Performance issues are included in reports where appropriate, and overall performance outcomes are monitored quarterly and also included in the Council's Annual Report.</p> <p>The Council has a risk management strategy and framework in place.</p> <p>The Council's system of internal control is subject to Internal Audit and for 2016/17, the Council's internal auditors, have given an opinion of satisfactory assurance.</p> <p>An Audit and Governance Committee is in place to oversee the governance framework including the work of internal audit and approval of the Council's financial statements.</p> <p>The Annual Governance Statement includes a balanced assessment of the effectiveness of the Council's governance arrangements and identifies appropriate areas for further improvement.</p>	<p>Yes</p>

Sub-criteria	Commentary	Arrangements in place?
<p>Sustainable resource deployment</p> <p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p> <p>Managing and utilising assets effectively to support the delivery of strategic priorities.</p> <p>Planning, organising and developing the workforce effectively to deliver strategic priorities.</p>	<p>The Council has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.</p> <p>We considered the Medium-Term Financial Strategy (MTFS) as a whole, critically challenging the assumptions it has been based on. The success of the MTFS depends on the delivery of the planned savings and additional income sources, which the Council itself acknowledges is a key financial risk to monitor. This is in addition to other risks which require careful monitoring and further work in the coming years, e.g., the localisation of business rates.</p> <p>The regular updates of the MTFS are good practice, as well as the period covered of three years, with the Long Term Financial Strategy covering up to 2023/24. The Council is aware it needs to keep its MTFS under review, in light of current key financial risks as well as any emerging ones and that each year should not be taken in isolation, but future years' needs and pressures kept under review. Strong underlying budget monitoring remains crucial to the overall resilience of the Council.</p> <p>The Council recognises the importance of a robust workforce strategy and having a sustainable workforce to support its strategic priorities, which may be increasingly made up of a mix of public, private and voluntary support.</p>	<p>Yes</p>
<p>Working with partners and other third parties</p> <p>Working with third parties effectively to deliver strategic priorities.</p> <p>Commissioning services effectively to support the delivery of strategic priorities.</p> <p>Procuring supplies and services effectively to support the delivery of strategic priorities.</p>	<p>The Council has a track record of working with partners. Reporting on significant partnerships is incorporated into the Performance Monitoring Reports.</p> <p>The Council's Constitution details the arrangements for contracting with third parties.</p> <p>The Council has a Procurement Strategy and Contract Procedure Rules together with supporting policies that are designed to ensure supplies and services are procured effectively.</p> <p>The Council is assessing new ways of working in order to deliver strategic priorities, for example, a Joint Venture Partnership with a commercial development partner to deliver a range of major regeneration projects at sites across the District.</p>	<p>Yes</p>

Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that for 2016/17, we had identified a significant risk for our VFM conclusion in relation to the sustainable resource deployment criteria. The work we carried out in relation to significant risks is outlined below.

Value for Money conclusion risk	Work undertaken	Conclusion
<p>Level of savings required</p> <p>The Council is facing continued decreases in central government funding. The Council's Medium Term Financial Plan (MTFP) shows that savings of £585k are required in 2018/19 with further savings of £545k in 2019/20 also being necessary. Whilst the Council has a good record of achieving savings it is acknowledged further savings are likely to be difficult to achieve.</p> <p>The level of savings the Council needs to achieve over the period of its MTFP represents a significant risk to the sustainable resource deployment criteria in our value for money conclusion.</p>	<p>We carried out audit procedures reviewing:</p> <ul style="list-style-type: none"> • the Medium Term Financial Plan and the reasonableness of the assumptions that underpin it; • the arrangements in place to deliver the overall budget in 2016/17; and • arrangements in place to identify, evaluate, risk assess and deliver future savings plans. 	<p>Our work has provided the assurance we sought and has not highlighted any significant issues to bring to your attention.</p> <p>The scale of financial challenges facing the Council is increasing each year. A Medium-Term Financial Strategy is in place, predicated upon the achievement of targeted savings as set out in the Council's Savings Plan.</p> <p>The Council is well aware that it needs to maintain a focus on robust underlying budget management as well as monitoring the achievement of savings and developing plans for future years' savings.</p>

Our overall Value for Money conclusion

Our draft auditor’s report included in Appendix C states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £13k, are set out below.

The first table outlines the identified misstatements which management has assessed as not being material, either individually or in aggregate to the financial statements, and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2016/17					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Expenditure - Cost of Services	83			
	Cr: Creditors				83
	Explanation: In the course of performing work on payments made after the balance sheet date, we identified a payment relating to a transaction in 2016/17 that was not correctly accrued. In order to gain assurance over the cut-off assertion, the Council completed a full review of all payments made in April and May 2017. The total payments made that related to 2016/17 expenditure that had not been accrued appropriately was £82,580. The total is not material, nor is it representative of an issue that is more widespread.				
2	Dr: Land and Buildings			68	
	Cr: Revaluation Reserve				68
	Explanation: Due to a system issue within the Asset Register, the Council were not able to input the upwards revaluation of Lower Greenfoot Car Park. The system administrator provided a resolution to the fault after the financial statements had been published. The difference is not material nor does it impact the cost of services.				
	Dr: PPE - Vehicles, Plant and Equipment			125	

3	Cr: PPE - Land and Buildings				125
	Explanation: Reclassification of Equipment relating to capital scheme at Skipton Town Hall that has been included in Land and Buildings. The amount is immaterial.				
4	Dr: PPE - Land and Buildings - Upwards Revaluations			18	
	DR PPE - Investment Properties – Reclassifications			18	
	CR PPE - Land and Buildings - Depreciation Reclassifications				18
	Cr: PPE - Land and Buildings - Depreciation w/o to Revaluation Reserve				18
	Explanation: Adjustments relating to reclassification of an asset that was revalued in the year then subsequently reclassified from Land and Buildings to Investment Properties which do not carry accumulated depreciation. Disclosure only as net position remains correct.				

Adjusted misstatements 2016/17					
		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Creditors – Other Entities and Individuals			484	
	Cr: Creditors – Other Local Authorities and Public Bodies				484
	Explanation: Creditors relating to organisations including North Yorkshire County Council and the Lottery Heritage Fund have been included within the wrong classification in the accounts.				

Disclosure amendments

The financial statements have been amended for a number of other minor errors, omissions, clarifications and typographical errors. These amendments include:

Disclosure note	Amendment
Note 26 Expenditure and Funding Analysis	The Expenditure and Funding Analysis has been amended to show the pension adjustment within the 'Adjustments between Funding and Accounting Basis' column.
Note 29 Officer Remuneration	The remuneration for an officer in receipt of an exit package during the year has now been split to show the value of the compensation for loss of office, and the remuneration in year.
Collection Fund – Note 6	The narrative relating to the Council Tax Surplus has not been updated since the prior year. The surplus has been amended from £1,589k to £1,703k.
Note 12.4 Revaluation	An amendment to the note was required (Disclosure Only) to show the year in which each portion of the Council's asset base was last revalued in the respective year.

Appendix B – Draft management representation letter

To be on Craven District Council letter headed paper
and addressed to the external auditor:

26 September 2017

Craven District Council - audit for year ended 31 March 2017

This representation letter is provided in connection with your audit of the statement of accounts for Craven District Council ('the Council') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as the Strategic Manager - Financial Services (s151 Officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-

compliance.

Fraud and error

I acknowledge my responsibility as the Section 151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period

to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Nicola Chick

Chief Finance Officer

Date: 26 September 2017

Appendix C – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRAVEN DISTRICT COUNCIL

Opinion on the Council financial statements

We have audited the financial statements of Craven District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Collection Fund and the related notes. 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 2016/17.

This report is made solely to the members of Craven District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Craven District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Section 151 Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Section 151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council'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 are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council 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 criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, Craven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

[To be signed]

Mark Kirkham

For and on behalf of Mazars LLP

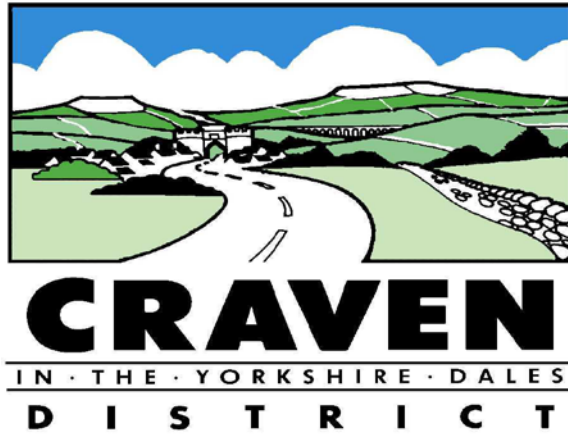
Salvus House
Mazars House
Gelderd Road
Gildersome
Leeds

30 September 2017

Appendix D – Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



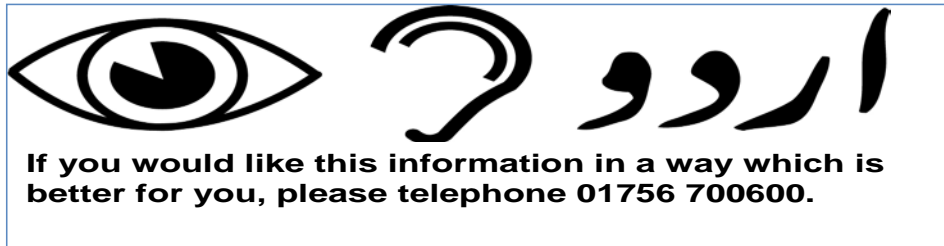
AUDITED
STATEMENT OF ACCOUNTS
2016/2017

Table of Contents

	<u>Pages</u>
SECTION 1	
Narrative Report	4
Explanation of the Financial Statements	16
SECTION 2	
Statement of Responsibilities for the Statement of Accounts	18
SECTION 3	
Core Financial Statements	
Movement in Reserves Statement	21
Comprehensive Income and Expenditure Statement	22
Balance Sheet	23
Cash Flow Statement	24
SECTION 4	
Notes to the Core Financial Statements	25
SECTION 5	
Supplementary Financial Statement	83
Collection Fund and Notes	84
SECTION 6	
Independent Auditor's Report	89
SECTION 7	
Glossary of Terms	93
Index of Notes	101
Additional Information to the Accounts	
Appendix 1 Annual Governance Statement	102

Additional copies of the Statement of Accounts can be requested from:

Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ (01756) 706302. Or by e-mail to contactus@cravencd.gov.uk



SECTION 1

NARRATIVE REPORT & EXPLANATION TO THE FINANCIAL STATEMENTS

NARRATIVE REPORT

About the District and the Council

The Craven District

Craven is one of the most beautiful areas in Northern England. Its outstanding landscape is reflected in the designation of two thirds of the District being situated within the Yorkshire Dales National Park. The District is the most westerly in North Yorkshire, spread across 117,839 hectares of land that extends north from a boundary near Skipton, with West Yorkshire to the south-east, Lancashire to the west, and Cumbria to the north-west.

Craven is a rural district with a sparse population, 2015 population estimates of the district were 55,800. The District has 26,612 households. Craven's largest town is Skipton with and the majority of Craven's population is concentrated in the Skipton and West Craven and South Craven areas. Craven's other towns include Settle in Mid Craven, Ingleton and Bentham in North Craven and Grassington in Wharfedale. The district also has a number of smaller scattered villages and hamlets.

The rural nature and the ageing population of the district poses several challenges when delivering services to such a sparse population. Craven's total population has a greater proportion of people aged over 65 and a smaller proportion of people are aged 20-29 years compared to other areas of the country.

About the Council

The Council operates under a three tier system of local government made up of North Yorkshire County Council, Craven District Council and Parish and Town Councils.

Political Structure of the Council

Craven District Council has 30 District Councillors elected in 19 Wards. The Conservative Group has overall control of the Council. The Leader of the Council is Councillor Richard Foster and Deputy Leader of the Council is Councillor Patrick Mulligan

The Council operates an "alternative" arrangement, and makes decisions through a modernised committee system. Decisions on major policy issues are made at the Council Meeting, but most of its day to day responsibilities are delegated to committees, sub-committees and officers. The Councillors' main decision-making body is the Policy Committee.

The following Committees are in place:

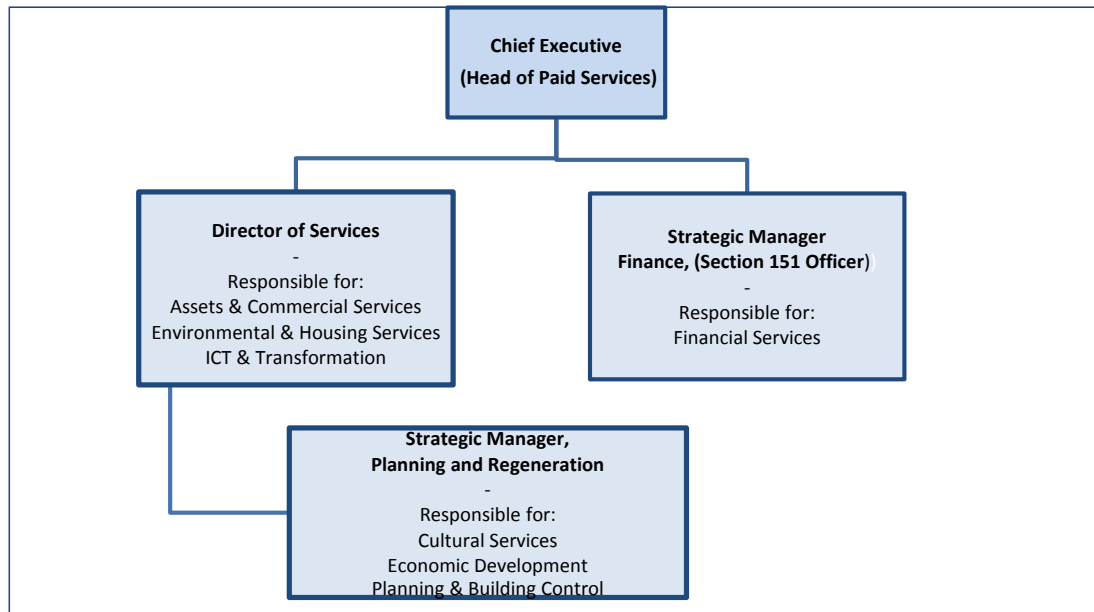
- Policy Committee and its sub-committees (Community Grants and Craven Spatial Planning) - exercise the Council's powers in making decisions or recommendations on all major non-regulatory matters.
- Select Committee (formerly known as the Overview and Scrutiny Committee) - assist in the development of new and review of existing policy, as well as scrutinise decisions of the Council.
- Audit and Governance Committee - plays a key role within the Council's corporate governance arrangements and seeks to improve and maintain the corporate focus on the issues arising from risk management, internal control mechanisms, internal and external audit, and financial statements.
- Licensing Committee - considers all issues arising from the Licensing Act 2003 and all other licensing matters for which the Council is responsible, such as taxis (hackney carriages and private hire).
- Planning Committee - responsible for making decisions on planning applications, planning enforcement and other operational planning and building control matters, which require a decision by Councillors.
- Standards Committee - promotes and maintains high standards of conduct for District and Parish Councillors and advises Councillors on matters of conduct.

NARRATIVE REPORT

Management Structure

The Council's organisational structure supports the work of Councillors in the delivery of Council services. This is headed by the Corporate Leadership Team and is led by the Chief Executive, Paul Shevlin.

Towards the end of 2016/17 a review of the senior management structure of the Council was undertaken, this resulted in the deletion of the role of Corporate Head Business Support. The responsibilities under this role will be integrated into the other roles of the Corporate Leadership Team during 2017/18.



At the end of March 2016 the Council employed 231 people in 196.4 full time equivalent roles (FTE). At 31st March 17 this figure had increased to 245 in 203.5 full time equivalent roles (FTE). The Council recognises the value and importance of its staff in the delivery of services to the public. We have developed and are implementing our People Strategy to ensure we continue to have an effective, efficient and highly skilled workforce committed to delivering excellent services to our residents.

Vision, Budgets and Performance

The Council's Vision

The Council's vision is:

'For Craven to be an increasingly prosperous place with strong, vibrant communities that celebrate their unique rural and urban settings, and where all residents enjoy a good quality of life.'

The Council Plan 2016/17 out how the Council will achieve its vision through its three priorities of:

- Enterprising Craven
- Resilient Communities
- Financial Sustainability.

The Plan is a three year rolling plan which is reviewed annually in conjunction with the annual budget setting process. This ensures that the Council aligns its budgets to the delivery of our priorities.

NARRATIVE REPORT

Budgets and Funding

The Council funds the services it provides through its revenue budget and capital expenditure through its Capital Programme.

The Council has in place a rolling 7 year Long Term Financial Strategy (LTFS) which is supported by a Medium Term Financial Plan and detailed budgets covering a three year period. These are reviewed and refreshed annually to ensure we remain on track to deliver the services we provide.

The Council's annual net revenue expenditure budget of £7,896m for 2016/2017 was agreed by the Council's at £7,896. This was subject to this included expenditure on services of £5,796k. Capital expenditure totalling £3.908m was also agreed.

The chart below shows the expected sources of revenue funding to the Council in 2016/17, this funding includes Council Tax. A £5 increase in Council Tax for the 2016/17 financial year was approved (based on average band D).

The Council borrows money from a range of sources to fund the services it provides.

The Council's borrowing facilities for 2016/17 were as follows;

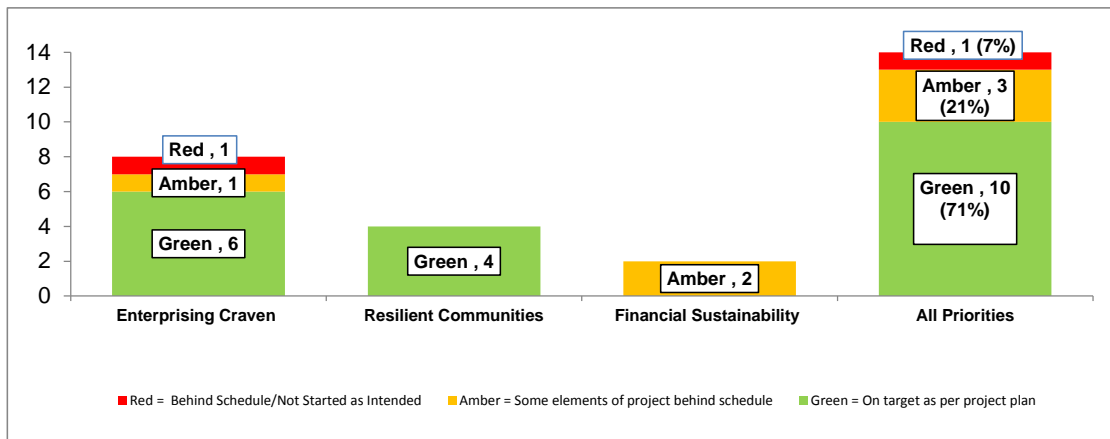
- Bank overdraft limit of £500,000 (short-term)
- Public Works Loans Board (long-term capital)
- London Money Markets (via brokers) for short and long-term borrowing
- Other Local Authorities

The maximum amount of external borrowing the Council can have at any one time is governed by the Prudential Code, which was introduced in April 2004. The Prudential Code controls borrowing by reference to an Authorised Limit and Operational Boundary. The Council agreed the Prudential Indicator limits for 2016/17. There was no new borrowing, long-term or short-term, during the year.

Our Performance during 2016/2017

We have made good progress against our intended actions set out in the Council Plan with 71% judged as been on track against intended outcomes and timescales at 31st March 2017. However, further delays on the publication of the Local Plan (which sets out how land should be used in the future to achieve economic, environmental and social goals), and failure to achieve targets for the development of new homes, including affordable housing has meant that we have judged ourselves as 'red' for this action under our Enterprising Craven Priority.

We have also judged ourselves as 'Amber' under actions related to Financial Sustainability, as we only achieved £135,000 in additional savings and income for initiatives set out in our Income and Savings Plan for 2016/17 compared with our intended target of £300,000. However, we are continuing to progress these initiatives in the 2017/2018 financial year. We are also behind our intended schedule in relation to initiatives related to our Acquisition and Regeneration Strategy and approval of an updated Asset Management Plan.



NARRATIVE REPORT

The following sections explain more about how we have performed against our priorities and budgets.

Enterprising Craven

Enable the provision of 290 homes per year across Craven to meet the needs our current and future communities

Work has continued on the Local Plan which will set out future land allocations for housing and employment across the District (outside the National Park) and help secure the development of more homes including affordable homes. We were intending to publish our final Local Plan by September 2016, however the new projected timescale is now May

The housing target for new homes across Craven including the Yorkshire Dales during 2016/17 was 290. Within the Craven District planning authority area our target was to deliver 256 new homes. Whilst we have improved performance from 2015/16 of 187, we have fallen short of our target during 2016/17 delivering 219 net additional homes (which includes affordable home). Whilst our target was to deliver 80 affordable homes, we delivered 70 affordable new homes. an increase from 62 in 2015/16. The timing of new developments completing causes fluctuations in our performance. Due to a reassessment of housing need the housing target for Craven including the Yorkshire Dales National Park has since been revised downwards to 214 homes per year in 2017.

We are continuing to implement Shared Ownership Schemes and have a target for 45 shared ownership homes by April 2019. During 2016/17, 2 have been sold. In April 2017 our development at Burnroyd Avenue, Skipton commenced on site to deliver 4 new shared ownership homes.

Stimulate Business Growth

Worked has continued with a range of partners to deliver projects aimed at stimulating and supporting business growth. One of our intentions is enable the development of 8 hectares of new employment land by 2020, and we are currently focussing our efforts on a number of specific sites areas across the District including within Skipton, Bentham, Ingleton, Settle and Threshfield.

Creating the supporting infrastructure is important to bring success to development, and as part of the Local Growth Deal Project to deliver employment and housing growth in Skipton, we have bid for and been allocated funding for the creation of a new link road between Engine Shed Lane and the A629 Skipton by-pass, and are now working to prepare designs in conjunction with North Yorkshire County Council Highways. This investment will accelerate the development of land for employment in Skipton, including South Skipton Employment Zone which is expected to provide 24,155 square metres of employment space, accommodate 1,040 jobs and 200 dwellings. It is expected that the development will generate £30 million gross value added annually for the Craven economy. Work on constructing Phase 1 of Wyvern Park which forms part of the employment zone is expected to commence towards the end of 2017 with businesses being able to take occupation by the end of 2018 and the development of the new link road with help accelerate Phase 2 of the

Construction work on the Skipton Floor Alleviation Scheme has also continued. The scheme being led by the Environment Agency and is scheduled for completion in Summer 2017. The scheme has been subject to an increase in costs, and is now estimated to be in the region of £15.5 million. The Council has been working with the Environment Agency and other partners to secure an additional £1.7 million grant from the Leeds City Region Local Enterprise

Improving the quality and capacity of the transport infrastructure serving the District is important in stimulating the growth of business across Craven. The Council is actively working with partners to progress schemes for the development of Skipton Railway Station, and linking the Bolton Abbey/Embsay line to the national rail network. £4.7 million of Local Growth Deal funding has been earmarked to support the regeneration of the area around Skipton Station and Engine Shed Lane. A feasibility study concluded early in 2017 by stakeholders involved in the potential creation of a railway station at Crosshills does not offer value for money. A feasibility study looking at the potential for linking the Bolton Abbey/Embsay line to the national rail network is awaiting publication.

We continue to provide a range of support to new and existing business through various programmes including funding support to the regional SME Growth Manager to support businesses and 42 have been supported during 2016/17 on various projects.

We have also continued to support delivery of the Superfast North Yorkshire broadband project, and a further project, a further 34 premises have been enabled to benefit from broadband in Coniston Cold, bringing the total for this financial year to 773 premises. The procurement process for a third phase of the project is ongoing, which will enable the project to continue until at least 2019/20.

NARRATIVE REPORT

Improving the economic vitality of Craven's market towns and villages

Work has continued with partners to deliver a number of other key schemes aimed at improving the economic vitality of Craven's market towns and villages. Funding from the New Homes Bonus Infrastructure Reserve has been allocated to refurbishment schemes within Cross Hills, Ingleton, and Settle aimed at encouraging more visitors and shoppers, and boosting the local economies. This included funding of £125k in 2016/17 for the schemes at Settle and Ingleton. Actions plans have been developed with local communities to deliver a range of improvements within the localities which include improvements to Hall Street Car Park and East Keltus Square in Crosshills, a masterplan for the development of Riverside Park including the Outdoor Swimming Pool in Ingleton, and improvement projects in Settle.

We are continuing to work to improve access to and enjoyment of Craven's heritage and culture through our continued implementation of our business plan to restore Skipton Town Hall as a sustainable and vibrant community venue, investing further capital expenditure of £395,000 for refurbishment and alteration works, these include upgrades to lighting, seating and acoustics within the Concert Hall.

We have also been successful in a joint funding bid with partners at South Lakeland District Council, and the Yorkshire Dales and Lake District National Parks, to the Great Places scheme which will see £1.35 million of funding on a range of cultural projects to attract and retain younger people to live and work in the area. The Council will be lead partner in the initiative and has agreed match funding totalling £75,000 for three years.

We are also continuing to support the Destination Dales Partnership to deliver projects including those relating to food based tourism, with funding secured by the Yorkshire Dales National Park Authority from the European Agricultural Fund for Rural Development (EAFRD)

Resilient Communities

Enable active communities and improve quality of life

A key area of focus for the Council is reducing health and wellbeing inequalities. We are working with partners across the region through the Health and Well Being Leaders Board, and have established locally a Health and Well-Being Leaders Forum which held its first meeting in May 2017. This group will progress a number of actions with the aim of reducing health and well-being inequalities locally, and is being supported by North Yorkshire County Council and health partners through the North Yorkshire Clinical Commissioning Group (CCG). We are also working with Craven Dementia Alliance to support dementia awareness.

We have been working hard supporting community groups across the District to achieve their ambitions. We launched our Member Ward Grant scheme in which has resulted in grants totalling £26,465 being given to 55 projects across the District supporting a range of community projects relating to the arts, sport, playgrounds, and other infrastructure; with individual grants ranging from £150 to £19,000 being awarded. The projects include South Craven Information Booklet for Older People, Ingleton Skatepark, defibrillators in Thornton in Craven and Gargrave, Bradley Village Marquee, floodlights for Sutton Bowling Green, and Voices for Craven Community Choir.

We have continued to project support to a range of community groups across the District to help facilitate community projects. A key focus has been supporting the Friends of Aireville Park (FOAP) to design and consult on plans for a new play area within the park. Plans have now been finalised and a funding strategy agreed and a fundraising drive has been launched to raise the funds needed for scheme. The Council has allocated a total of £145k in capital programme funding to the project and contributed £16k in 2016/17 to costs associated with the new Zip Wire installed in the park which has also been funded through the Tesco "Bags for Change" funding scheme.

Following successes during 2015/16, the Greatwood and Horse Close, South Skipton project working with young people and residents on the estate to improve quality of life and well-being, has entered its final phase. The project will now be managed by the Greatwood and Horseclose Estate Committee and three task and finish groups focusing on issues related to education, vibrant communities and health and well-being will continue. The Council's Communications and Partnership Manager will continue to attend meetings of the Committee in order to support to the group and maintain links for them to the Council.

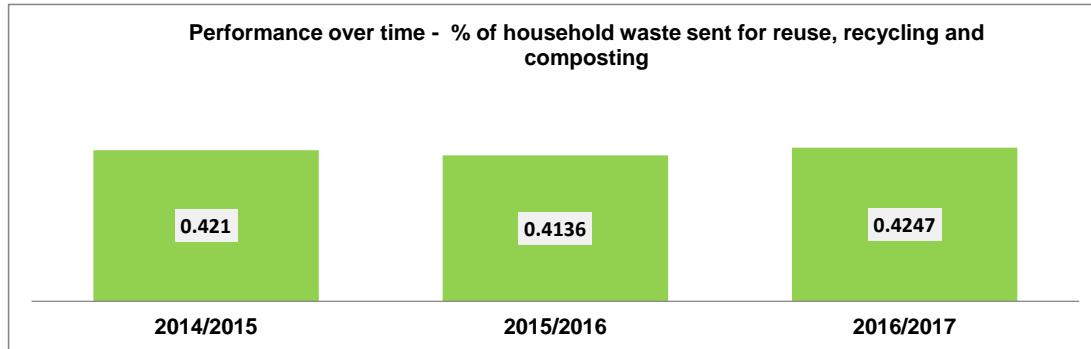
Create greener communities

As part of its ambitions for greener communities, the Council has continued to focus on reducing waste and increasing recycling levels within the District. In January 2017 the Council approved the move to full 'co-mingling' for recycling which was introduced from 1st April 2017, which means that all recycling is now placed in and removal of the need for blue bags for cardboard and paper recycling, as part of the move the Council has been able to make changes to the waste collection rounds to reduce costs.

The decrease in the global value of the resale of recycled material means the Council faces additional pressures to loss of income. Changes to the way the Council operates the service have been required to ensure that the Council can continue to operate the service to meet the requirements and expectations of residents, whilst continuing to achieve targets in respect of waste and recycling and deliver services within budgets. "Co-mingling" of recycling was introduced on 1st April 2017.

NARRATIVE REPORT

The initiative should also aid further increases to the amount of household waste sent for reuse, recycling and composting and reduce waste to land fill. Whilst we estimate to have improved slightly during 2016/17 with 42.47% of household waste sent for reuse, recycling and composting, (estimated figure, we are awaiting final confirmation of data from North Yorkshire County Council in their role as Waste Disposal Authority) our performance in this area has been relatively static over the last 3 years, as illustrated in the chart below, with an average of 42%.

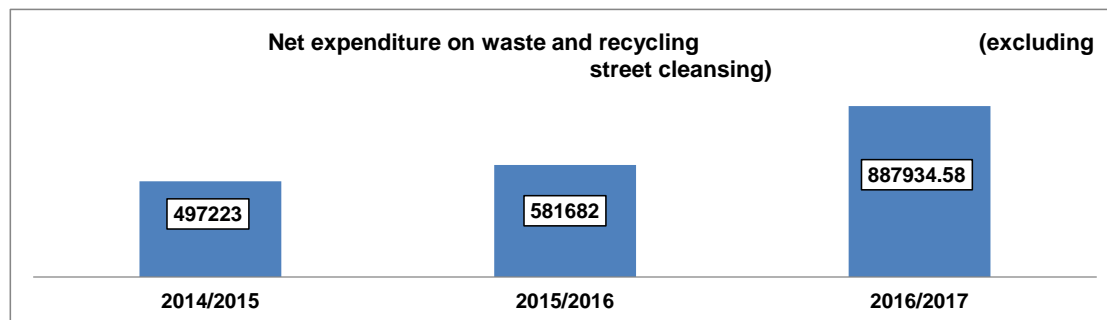


However, after being relatively over 2014/15 and 2015/16, residual household waste (waste sent to landfill) has also shown a 13% increase, to 520 kgs per household during 2016/17 (current estimate) and we recognise this is an area we need to work on. The changes to waste collection and the introduction of 'co-mingling' of recycling should have a positive impact in reducing the amount of waste sent to landfill as the changes will make it easier and more convenient for our residents to recycle their household waste.

Focus has been also been placed on increasing the commercial recycling offer to businesses throughout the District. A review of the Council's Commercial Waste Collection Scheme has been commissioned and a final report for the future shape of the service will be taken to the Council's Policy Committee in June. The service is an important area of income generation for the Council, with income of £617k during 2016/17 just above budget expectations of £614k

In terms of overall financial spend on waste management (excluding street cleansing), we have exceeded targets with net expenditure (costs minus income) being slightly lower than expected at £887k against a target of £890k. Whilst costs have increased in some areas of waste management, we have been achieved budgets due to increased income levels. This is largely due to increases in commercial and garden waste income, showing the positive impact that charging for such discretionary services is making to the Council's overall ability to balance its budgets.

The chart below illustrates the changes to our net expenditure on waste and recycling since 2014/15. The significant increase in costs in 2016/2017 is largely due to the reduced income from the resale of recyclates, which decreased from £237k in 2015/16 to £11k in 2016/17.



As part of continued improvements to waste and recycling and the need to identify further savings in Council expenditure, we have been exploring options for a joint waste authority with our North Yorkshire partners over the last 12 months. This is something that will be considered further in 2017/18 and a report presented to North Yorkshire Chief Executives for consideration on future possibilities.

We have also continued to focus efforts on making Craven's public spaces cleaner, safer and greener. Key to this aim has been the adoption of the powers given to local authorities through the Anti-Social Behaviour, Crime and Policing Act 2014 which give the Council and the Police a range of additional options for dealing with issues of anti-social behaviour and environmental crime. We have developed plans to take forward our Cleaner Neighbourhoods agenda with an emphasis on 'zero tolerance' of environmental crime, and we are taking a proactive approach to enforcement against fly-tipping. Data shows an increase in the number of fly-tipping incidents during 2016/17 to 236 incidents compared to 112 in 2015/16.

NARRATIVE REPORT

This is partly due to the way to improvements in the way we are recording and classifying fly-tipping data, however we are also aware of actual increases in the number of occurrence. We believe this is due to a number of factors including tougher controls on business waste disposal, and changes to the types of household waste than can be disposed of at household waste and recycling centres; which have seen an increase in fly-tipping incidents outside household waste recycling centres. We are working closely with colleagues at North Yorkshire County Council who have responsibility for the household waste and recycling centres, on enforcement related to these incidents. We also saw an increase of fly-tipping at former recycling 'bring sites' following their removal during the later months of 2016/17. We expect this to improve as we have improved access to recycling for all residents through the introduction of 'co-mingling' from 1 April 2017.

More positively our proactive approach to enforcement has seen a 26% increase in the number of enforcement actions, to 67 actions being taken during 2016//17 compared to 53 in 2015/16.

Financial Resilience

The Council's aim under this priority is to eliminate the reliance on Government Revenue Support Grant by 2020.

The Council has continued to address the financial pressures it faces in the light of cuts to government funding to ensure it remains financially sustainable and has robust arrangements in place for securing value for money.

The Council's Long Term Financial Strategy (LTFS) sets out our longer term funding strategy and requirements, this is supported by our three year Medium Term Financial Plan (MTFP) Both are reviewed annually, and set out our requirements for additional savings and income needed to balance our budgets. Our Income and Savings Plan sets out the detail of how we intend to meet this target.

£135k of savings has been achieved in 2016/2017 against a target of £300k for the year, which will help to contribute to these savings. Savings identified include £57k arising from the introduction of alternative waste collection methods and a review of waste management, environmental health and housing, £23k as a result of reduced costs of replacement of IT equipment, £5k reduction in business support costs, as well as smaller savings/ increased income across a range of services. There have been slippage in the timescales of a number of projects and some projects originally identified as potential savings/income have not proved viable, and have been removed from our the Savings/Income Plan. Work will continue to deliver a number of further projects in order to meet the savings needed to balance the Council's budget, and the Plan is subject to quarterly update and refresh.

Financial performance against our budgets is explained further under Financial Performance 2016/2017

Part of our approach is to make the best use of Council assets to provide sustainability to Council funding streams. We have developed our Acquisition and Regeneration Investment Strategy which sets out how we will acquire and regenerate of property assets to improve outcomes throughout the District in respect of improving economic and social outcomes for our communities.

Initiatives include the development of shared ownership housing, which has progressed well throughout the financial year. We have successfully sold 3 shared ownership properties under the scheme and are currently constructing a small pilot development of 3 homes at a former garage site in Burnroyd Avenue, Glusburn as part of a pilot scheme which is scheduled for completion in late Summer 2017, and have committed to a further 11 units on former garage sites. In March 2017 Members also approved the acquisition of up to a further 5 homes for shared ownership. We are currently undertaking a procurement exercise to identify suitable developers to work with us future developments.

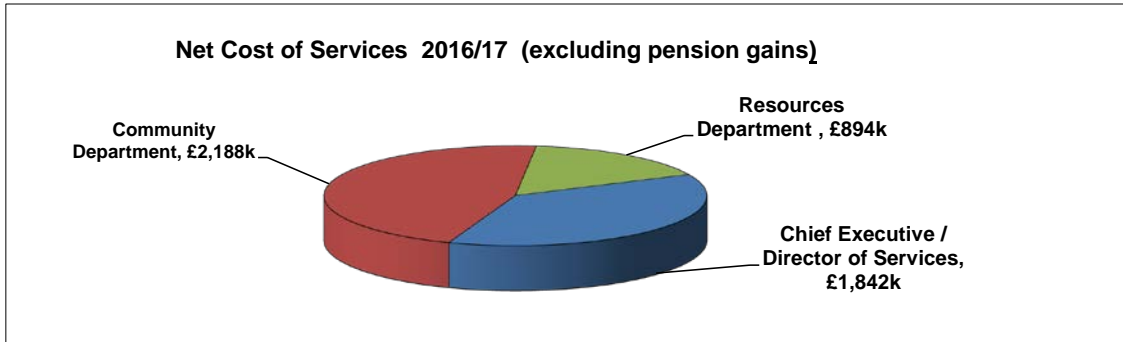
The Council is progressing with a major scheme to establish a Joint Venture Partnership with a commercial development partner to deliver a range of major regeneration projects at sites across the District. We undertook a procurement exercise during the 2016/2017 financial year and successfully appointed a preferred partner. We are now progressing on the detailed legal arrangements and plans to establish the partnership.

Financial Performance 2016/2017

The Council has continued to strengthen its financial position in 2016/17. The total net revenue expenditure for the Council during 2016/17 was £6,987m. Showing a £616k underspend against the original budget. This includes costs of services of £4.924m which was lower than budget expectations.

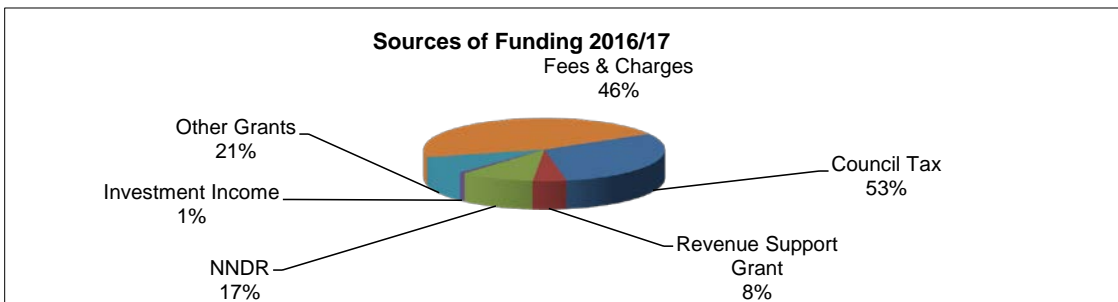
NARRATIVE REPORT

The chart and table below provide further detail on the cost of services.



	Expenditure £'000	Income £'000	Net Exp. £'000
Chief Executive / Director of Services includes Senior Management Costs, Corporate Business Support Team, Human Resources, Revenues and Benefits, Customer Services and Community Safety	11,616	(9,793)	1,823
Community Department includes the costs of all other services provided to the public Environmental Health, Housing, Licensing, Waste and Recycling, Street Cleansing, Arts Development, Craven Museum and Gallery, Craven Leisure (formerly Craven Pool and Fitness Centre), Bereavement Services, Economic Development and Planning & Building Control	7,475	(5,238)	2,237
Resources Department includes costs of maintaining and delivering Council's assets including Skipton Town Hall, Car Parking, Public Conveniences, Amenity Areas, Garage Sites, Belle Vue Square office costs and most back office services including asset management, finance, legal, democratic services, and elections	2,659	(1,868)	791
Total Net Cost of Services	21,750	(16,899)	4,851

The chart and table below show the sources of funding to the Council, to fund our expenditure which includes the cost of services. This includes Parish Precepts paid to Parish and Town Council's totalling £1.275m.



Sources of Income to the Council	2016/17 £'000
Revenue Support Grant	698
National Non-Domestic Rates	1,550
Council Tax (including parishes precepts)	4,762
Investment Income	127
Non Specific Government Grants and Other Income (incl - CT Freeze Grant)	1,389
Fees & Charges	7,132
Total	15,658

NARRATIVE REPORT

Excluding parish precepts, in 2016/17 the Council received 15% of its net funding from Revenue Support and Other Grants, 24% from Council Tax (excluding parish precepts), 11% from Non Domestic Rates and 50% from Fees and Charges, and 1% from investment income.

The Council's Capital Programme

The Council Capital Programme sets out the investment the Council will make to improve and acquire assets to support delivery of services and the Council Priorities. The Capital Programme was agreed by the Council's Policy Committee in February 2016.

A budget of £3,907k was approved. In 2016/17 the Council spent a total of £1,373k against the budgeted programme which includes £253k of grants under the mandatory disabled facilities grant improvements scheme.

Projects included the redevelopment of Skipton Town Hall which includes a new improved concert hall, provision of a new play area within Aireville Park which is being delivered in partnership with the Friends of Aireville Park, refurbishment of the cafe and new spin bikes at Craven Leisure (formerly Craven Pool & Fitness Centre), funding to support economic development initiatives related to Settle Town Centre Plan and Ingletton Village Plan, replacement refuse collection vehicles and disabled facilities and other improvement grants for residents.

The variance of £2,534k is a result of projects completing under budget, projects not able to go ahead and slippage on timescales for some projects. The spillage will be carried forward into the 2017/18 capital programme for continuing projects.

The project to refurbish Skipton Bus Station has now been completed and the toilets re-opened in May 2017. Work in continuing on a number of projects including the refurbishment of Skipton Town Hall including the new concert hall, Aireville Park facilities, shared ownership housing, refurbishment of the Council's homelessness hostel accommodation is scheduled to commence in Summer 2017, market town initiatives, toilet refurbishment and a number of new waste management refuse vehicles will be in use in the Autumn.

Capital Programme

2015/16 Expenditure £'000	Areas of Capital Expenditure	2016/17 Approved Budget £'000	2016/17 Expenditure £'000
	Culture and Leisure Related		
135	Aireville Park Facilities	146	22
35	Craven Leisure (formerly Craven Pool & Fitness Centre)	88	102
-	Skipton Town Hall - Concert Hall (Arts Council England Funded Project)	250	247
395	Skipton Town Hall Redevelopment	922	281
	Economy, Housing and Environmental Related		
	Aireview House Homelessness Hostel Refurbishment	200	-
24	Car Parks and Parking Machines	113	31
-	Market Town Improvements	125	46
-	Shared-ownership housing*	150	206
-	Toilet Refurbishment - Skipton Bus Station	49	5
	Toilet Refurbishment - Ashfield Settle	80	-
	Waste and Recycling Related		
258	Refuse Vehicles and Associated Equipment	814	73
	Other Asset Infrastructure		
54	IT Infrastructure	178	73
	St Andrews Church Kildwick - Wall Repairs	22	3
	Skipton Depot	250	9
-	Waltonwrays Crematorium Improvements	28	22
	Grant Assistance to Residents		
429	Disabled Facilities Capital Grants & Other Home Improvement Grants	492	253
1,330	Total Capital Expenditure	3,907	1,373

The Council finances this expenditure from a variety of sources. An analysis of how the Capital Programme Expenditure in 2016/17 has been financed is set out on the next page.

NARRATIVE REPORT

2015/16	Capital Programme - Methods of Financing	2016/17
£'000		£'000
275	Prudential Borrowing	250
388	Capital Grants	419
-	Arts Council England Grant 30864670 for Skipton Town Hall Concert Hall	247
182	Capital Receipts	157
485	Revenue Contribution	300
1,330	Total Financing	1,373

Review of the Council's Current Financial Position

Balance Sheet

The Council's Balance Sheet shows that the net worth of the Council increased by just over £1 million to £15.040m at 31 March 2017 from £14.031m at 31 March 2016.

Whilst the value of our long term non-current assets which are made up of the Council's property, equipment and vehicle , assets used to deliver Council services, and also other assets such as investments have remained fairly static at £34.169m at 31st March 2017 compared to £34.076m at 31 March 2016. The increase in value of our current assets contributes to the majority of the overall increase in our net worth of £1 million.

The value of current assets increased by £2.117m from £15.884m at 31st March 2017 from £13.767 at 31st March 2016. This was largely as result of increases in cash and cash equivalents of £2.399m to £4.481m at 31st March 2017, compared to £2.082m at 31st March 2016, showing active cash flow management. Though this was offset by an increase in current liabilities of £777k to £5.146m from £4.369m, in the main due to an increase in short term creditors to the Council increased by £878k. Short-term debtors show a decrease of £301k, showing a positive and proactive approach to debt collection and management.

The Council's long term liabilities have remained fairly static at £29.867m at 31st March 2017 compared to £29.443m at 31st March 2016. Though liabilities relating to the Council's share of the deficit in the North Yorkshire Pension Fund has increased to £23.865m at 31 March 2017 from £23.433m at 31 March 2016. This is a long-term position, and contribution rates are set to meet 100% of local authorities' liabilities over time, under Pension Fund Regulations. The table "Scheme History" in Note 36 sets out the Council's estimated share of the North Yorkshire County Council's Pension Fund's assets and liabilities

Council Reserves

At 31 March 2017 the Council's useable reserves stood at £10.650m compared to £9.731m at 31st March 2016, an increase of £919k

Included within this is £995k of unallocated general fund revenue reserves, £6.596m of earmarked revenue reserves increased by £810k during 2016/17. This reflects the decision to set aside to fund a range of projects including those to general future savings and develop new working practices , funding of the capital programme, as well as resource to provide for potential cost pressures resulting from refunds required through the localisation of Business Rates. As well as capital receipts reserve of £2.758m, showing a net increase of £175k.

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. For 2016/17 the minimum level was calculated to be £995k for General Fund. The Medium Term Financial Plan assumes increases to earmarked reserves over the next few years to ensure that future demands can be met.

The strong financial performance in 2016/17 has improved the Council's resilience. As a result, at 31 March 2017 the Council has maintained its General Fund Balance of £995k (£995k at 31 March 2016) and increased Earmarked Reserves of £6,596k (£5,786k at 31 March 2016)

Current Economic Climate

The Council requires financial resources to fund the delivery of its corporate priorities, statutory obligations and discretionary services. Government measures to reduce the budget deficit continue to have an impact on the Council's finances.

Cuts in Government Grant Funding which will see the Council's Government Support Grant steadily reduced to nil in 2019/20 and other budget pressures means that the Council will need to find significant additional savings or increased income.

The Council's Long Term Financial Strategy (LTFS) 2017/18 to 2023/24 and the Medium Term Financial Plan (MTFP) 2017/18 to 2019/20, agreed in February 2017 show that further savings of £584k are required for 2017/18 and £545k for 2018/19 to balance the following years budget. The current estimate is that as a result of expected savings or additional income in 2016/17, the 2017/18 budget has achieved the savings required. There is a risk that the requirement for savings could increase; the Long Term Financial Strategy (LTFS) reflects this forecasts additional savings of £959k will be required by 2019/20.

NARRATIVE REPORT

Corporate Governance and Risks

The Council has an embedded process to management risks and assist the achievement of its objectives for service delivery and its priorities set out in the Council Plan. The Corporate Risk Register is subject to review and approval by the Council's Audit and Governance Committee, and monitoring of key risks is integrated into our performance monitoring arrangements and reports considered at the Audit & Governance Committee.

The Council has updated its Local Code of Governance which sets out the Council's governance framework bringing together an underlying set of legislative requirements, governance principles and management processes. The Code provides a framework for the Council to achieve its vision and priorities. The Annual Governance Statement included at Appendix 1 of the Statement of Accounts sets out how we have met our arrangements set out in updated Local Code. We have not identified any significant governance risks through our annual review, though we have identified a number of intended improvement actions.

EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts is produced to meet the requirement of the Accounts and Audit Regulations 2015.

The purpose of a local authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The statement should answer such questions as:

- What did the Authority's services cost in the year of account?
- Where did the money come from?
- What were the Authority's assets and liabilities at the year-end?

The following pages summarise the financial activities of Craven District Council in 2016/17 and comment upon the most significant matters reported in the accounts. This publication incorporates all the financial statements and disclosure notes required by statute. The accounts have been produced in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17: Based on International Financial Reporting Standards (The Code), and the Service Expenditure Reporting Code of Practice (SeRCOP).

The Council's accounts for the year 2016/17 comprise:

- **The Statement of Responsibilities for the Statement of Accounts (page 18).** Under the Code of Practice on Local Authority Accounting in the UK 2005, there is a requirement for the Council, in addition to the Chief Financial Officer, to certify its approval of the Statement of Accounts.
- **The Movement in Reserves Statement (MIRS) (page 121).** 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. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. 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.
- **The Comprehensive Income and Expenditure Statement (CIES) (page 22).** 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 (page 23).** The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves 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 (page 24).** The Cash Flow Statement 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 Notes to the Financial Statements (pages 25 to 82).** These provide additional information about the figures in the core financial statements.

EXPLANATION OF THE FINANCIAL STATEMENTS

Supplementary Statements Comprising:

- **The Collection Fund Account (page 84).** This reports the transactions of the Council as a billing authority. Amounts in respect of business rates and council tax due are shown, together with how these have been distributed to precepting authorities, the Council's General Fund and the Government.
- **Notes to the Collection Fund Account (pages 85 to 88).** These provide additional information about the figures in the Collection Fund.

Other Statements Comprising:

- **The Independent Auditor's Report to Craven District Council - Audit Certificate and Opinion (pages 89 to 92)**
- **Glossary of Terms and Index of Notes (pages 93 to 101).** Terms used throughout this document are described in detail in these pages.
- **The Annual Governance Statement (Appendix 1 Page 102).** A statement explaining how the Council maintains an effective system of internal financial control.

Structure of the Council's Accounts

The Council has to manage spending on services within a statutory framework, making sure that spending keeps within cash-limited budgets. This requires keeping:

- A General Fund to account for day-to-day spending on most Council services.
- A separate Collection Fund Account.
- A capital programme to account for investment in assets needed for the delivery of Council services.

The way each of these is funded is also different:

- General Fund services are paid for from government grant, council tax and service charges.
- The Collection Fund is financed by income from taxpayers.
- The capital programme is funded in various ways - long-term borrowing, external finance, capital receipts from the sale of Council non-current assets and from revenue.

Non-Current Assets

In accordance with the Council's 5-year rolling programme, a number of properties (land and buildings) were revalued in 2016/17. This resulted in valuation increases and decreases. Valuations were carried out by a RICS-registered external surveyor. The Council's internal Property Manager also undertook an impairment review of properties and found that no properties needed to be downwardly revalued.

Investment Properties are revalued annually at fair value in accordance with International Accounting Standard 40.

Prior Period Adjustments

Prior period adjustments have been made to the Council's 2015/16 published financial statements.

Following the "Telling the Story" changes to the CIPFA Code of Practice on Local Authority Accounting 2016/17 a number of amendments have been made to the Council's core financial statements and supporting disclosure notes. This includes a Comprehensive Income and Expenditure Statement presented in the Council's reporting format where previously the Net Cost of Services has been reported by SeRCOP classification. In line with International Financial Reporting Standards a full retrospective restatement of the 2015/16 Comprehensive Income and Expenditure Statement has been included within the 2016/17 Statement of Accounts. Further details of the restatement between SeRCOP and local reporting formats can be found in Note 40, Prior Period Adjustments.

Further Information

If you require further information concerning the Council's accounts, this is available from Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ (01756 700600) or by email to contactus@cravencd.gov.uk

SECTION 2

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which are up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I hereby certify that the Statement of Accounts on pages 18 - 85 present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2017.

Nicola Chick
FCPFA
Chief Finance Officer

Date: 5 June 2017

Approval by Chair of Audit and Governance Committee

This Statement of Accounts was approved by a resolution of the Audit and Governance Committee of Craven District Council on

Cllr Chris Harbron
Chair of Audit and Governance Committee

Date: 26 September 2017

SECTION 3

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015	1,030	5,615	2,223	370	9,238	(1,113)	8,125
<u>Movement in reserves during 2015/16</u>							
Surplus or (deficit) on provision of services	189	0	0	0	189	0	189
Other Comprehensive Expenditure and Income	0	0	0	0	0	5,717	5,717
Total Comprehensive Expenditure and Income	189	0	0	0	189	5,717	5,906
Adjustments between accounting basis & funding basis under regulations (note 7)	(53)	0	360	(3)	304	(304)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	136	0	360	(3)	493	5,413	5,906
Transfers to/from Earmarked Reserves (note 8)	(171)	171	0	0	0	0	0
Increase/Decrease (movement) in Year	(35)	171	360	(3)	493	5,413	5,906
Balance at 31 March 2016 carried forward	995	5,786	2,583	367	9,731	4,300	14,031
<u>Movement in reserves during 2016/17</u>							
Surplus or (deficit) on provision of services	859	0	0	0	859	0	859
Other Comprehensive Expenditure and Income	0	0	0	0	0	150	150
Total Comprehensive Expenditure and Income	859	0	0	0	859	150	1,009
Adjustments between accounting basis & funding basis under regulations (note 7)	(49)	0	175	(66)	60	(60)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	810	0	175	(66)	919	90	1,009
Transfers to/from Earmarked Reserves (note 8)	(810)	810	0	0	0	0	0
Increase/Decrease (movement) in Year	(0)	810	175	(66)	919	90	1,009
Balance at 31 March 2017 carried forward	995	6,596	2,758	301	10,650	4,390	15,040

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2015/16				2016/17			Notes
Restated Expenditure £'000	Restated Income £'000	Restated Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	
12,141	(10,507)	1,634	Chief Executive/Director of Services	11,616	(9,793)	1,823	
7,228	(5,133)	2,095	Community Department	7,475	(5,238)	2,237	
2,582	(1,774)	808	Resources Department	2,659	(1,868)	791	
(28)	76	48	<i>Adjustment for Investment Properties</i>	(16)	89	73	
21,923	(17,338)	4,585	Cost of Services	21,734	(16,810)	4,924	
		2,940	Other Operating Expenditure			2,459	9
		455	Financing and Investment Income & Expenditure			873	10
		(8,168)	Taxation and Non-Specific Grant Income			(9,114)	11
		(189)	(Surplus) or Deficit on Provision of Services			(859)	
			Other Comprehensive Income and Expenditure				
		(3,202)	(Surplus) or deficit on Revaluation of Property, Plant and Equipment Assets			(661)	22.1
		443	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			471	22.1
		(2,958)	Remeasurement of net defined benefit / (liability)			40	36
		(5,717)	Total Other Comprehensive Income and Expenditure			(150)	
		(5,906)	Total Comprehensive Income and Expenditure			(1,009)	

BALANCE SHEET

31-Mar-16 £'000		31-Mar-17		Notes
		£'000	£'000	
29,300	Property Plant & Equipment	29,084		12
1,469	Investment Properties	1,741		12
3,079	Heritage and Community Assets	3,079		12
224	Intangible Assets	263		15
-	Long Term Investments	-		16
4	Long Term Debtors	2		16
34,076	Total Long Term Assets		34,169	
10,020	Short Term Investments	10,027		16
-	Assets Held For Sale	-		19
44	Inventories and Work in Progress	56		
1,621	Short Term Debtors	1,320		17
2,082	Cash and Cash Equivalents	4,481		18
13,767	Total Current Assets		15,884	
-	Cash and Cash Equivalents	-		18
(40)	Short Term Borrowing	(40)		16
(3,486)	Short Term Creditors	(4,364)		20
(843)	Provisions	(742)		39
(4,369)	Total Current Liabilities		(5,146)	
(6,004)	Long Term borrowing	(5,996)		16
(6)	Other Long Term Liabilities	(6)		
(23,433)	Defined Benefit Pension Scheme	(23,865)		36
(29,443)	Total Long Term Liabilities		(29,867)	
14,031	Net Assets		15,040	
9,731	Usable Reserves		10,650	21
4,300	Unusable Reserves		4,390	22
14,031	Total Reserves		15,040	

Nicola Chick
FCPFA
Chief Finance Officer

Dated: 5 June 2017

CASH FLOW STATEMENT

2015/16		2016/17	Notes
£'000		£'000	
189	Net surplus/(deficit) on the provision of services	859	
1,483	Adjustments to net surplus or deficit on the provision of services for non-cash movements	2,225	23
(67)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(183)	23
1,605	Net cash flows from operating activities	2,901	
(6,333)	Investing Activities	(934)	24
1,737	Financing Activities	432	25
(2,991)	Net Increase or (Decrease) in cash and cash equivalents	2,399	
5,073	Cash and cash equivalents at the beginning of the reporting period	2,082	
2,082	Cash and cash equivalents at the end of the reporting period	4,481	

SECTION 4

NOTES TO THE CORE FINANCIAL STATEMENTS

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Accounts have been prepared in accordance with the 2016/17 Code of Practice on Local Authority Accounting issued in April 2016 by the Chartered Institute of Public Finance and Accountancy (CIPFA), based on International Financial Reporting Standards. The Accounts have been prepared under the historical cost convention modified to account for the revaluation of non-current assets.

1.2. Accruals of Income and Expenditure (Debtors and Creditors)

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Revenue relating to such items as Council Tax and Non Domestic Rates, is measured at the full amount receivable (net of any impairment losses) as they are non-contractual non-exchange transactions and there can be no difference between the delivery and payment dates.
- 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 stocks on the balance sheet.
- In the event that consideration has been paid in advance of the receipt of goods or services or other benefit, an authority shall recognise a debtor (i.e. payment in advance) in respect of that outflow of resources.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- In the event that consideration is received but the revenue does not meet the recognition criteria as described above, the Council recognises it as a creditor (i.e. receipt in advance) in respect of that inflow of resources.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is charged to a bad debts provision. Contributions to the provision are made by charging the service revenue accounts dependent upon the value of outstanding aged debts.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Year-end accruals and prepayments are made, as appropriate, subject to a de-minimis level of £500.

1.3. Cash & Cash Equivalents

Cash and Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council has adopted a policy of cash equivalents being short term investments of less than one month duration.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.3.1. Cash Flow

Presentation of Cash Flow Statements can be done using either the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed, or the indirect method, whereby the net cash flow from revenue activities is derived as a means of a reconciliation from the surplus or deficit on the Comprehensive Income and Expenditure Statement for the year. The Council uses the Indirect Method.

1.3.2. Capital Receipts

Amounts in excess of £10,000 received from disposals of assets are credited to the Usable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Councils borrowing requirement.

1.4. Collection Fund

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The Collection Fund (England) Statement is included as a supplementary statement in the accounts.

The transactions of the Collection Fund are wholly prescribed by legislation. Billing Authorities have no discretion to determine which receipts and payments are accounted for within the fund and which outside.

Council Tax

The funds key features relevant to accounting for council tax in the core financial statements are:

- In its capacity as billing authority the Council acts as an agent. It collects and distributes Council Tax income on behalf of the major preceptors and itself. The major preceptors are North Yorkshire County Council, Police and Crime Commissioner North Yorkshire and North Yorkshire Fire and Rescue Service.
- Council Tax accrued income for the year and Council Taxpayers debtors, creditors and provision for bad debts at the 31 March are shared between the major preceptors and the Council based on their percentage share of the total demands/precepts for the year.

In accordance with the current accounting Code of Practice the Council's CIES includes its share of accrued Council Tax Income. Where this amount is more or less than the amount to be credited to the General Fund under statute, there is an adjusting transfer in the Movement in Reserves Statement, between the General Fund Balance and the Collection Fund Adjustment Account. This account holds the Council's share of the Collection Fund Surplus or Deficit at the 31 March.

The collection of Council tax is in substance an agency arrangement, the cash collected by the Council as billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid will not be its share of cash collected from Council Taxpayers.

If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from Council Tax debtors/creditors in the year the Council as billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from the Council Tax debtors/creditors the Council as billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year and the major preceptor shall recognise a debit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.4. Collection Fund continued.....

The Cash Flow Statement includes in Operating Activities cash flows only of its own share of Council Tax net cash collected from Council Tax debtors in the year; and the amount included for precepts paid excludes amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from Council Tax debtors and the net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the collection fund is included as a net increase/decrease in other liquid resources.

Non-Domestic Rates (NDR)

NDR collection is an agency arrangement. Business rate income within the CIES is the Council's share of the accrued business rate income for the year. The difference between this and the amount transferred to the General Fund under statute (representing the Council's share of the estimated business rate income for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. The central share (after allowable deductions) of business rate income is paid out of the Collection Fund to central government. Growth in business rate income in an enterprise zone area, business rate income from renewable energy schemes and from businesses in New deal areas is wholly attributable to the Council and transferred in full to the General Fund on an accruals basis. Debtors/creditors are shown exclusive of the proportions attributable to major preceptors.

1.5. Prior Period Adjustments

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 Council's financial position or financial performance. Where 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.

1.6. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current 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 in the Revaluation Reserve against which they can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue (MRP) towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

Benefits Payable During Employment

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.7. Employee Benefits

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, appropriations are required to and from the Pensions 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 any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by North Yorkshire County Council (NYCC).

The Local Government Pension Scheme

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

The liabilities of the North Yorkshire Pension Fund attributable to the council 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 of 2.5% on long dated AA rated Corporate Bonds.

The assets of the North Yorkshire Pension Fund attributable to the council are included in the balance sheet at their fair value:

- quoted securities – the current bid price
- unquoted securities – professional estimate
- unitised securities – the current bid price
- property – market value.

The change in the net pensions liability is analysed into the following components:

Service Cost Comprising:

- Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the CIES to the revenue accounts of services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1.7. Employee Benefits continued.....

Remeasurements Comprising:

- The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses - changes in the net pension 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 Pensions Reserve as Other Comprehensive Income and Expenditure.

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions 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 council 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.

1.8. 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
- 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 a 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.

1.9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the CIES in the year of repurchase/settlement. However where the repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.9. Financial Instruments continued.....

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the MIRS.

Financial Assets

The Council only has one type of significant financial asset:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes 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 CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans that the Council has made, this means that the amount presented on the Balance Sheet is the outstanding principal receivable for the year in the loan agreement.

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 or the Financing and Investment Income and Expenditure line in the CIES. 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 CIES.

Available-for-Sale Financial Assets

Available-for-sale assets are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment and Income and Expenditure line in the CIES 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 is credited to the CIES when it becomes receivable by the Council.

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

- instruments with quoted market prices in active markets for identical assets - the market price.
- other instruments with fixed and determinable payments - discounted cash flow analysis.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on the Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against acquisition cost of the instrument.

Any gains or loss that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.10. 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 Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the CIES 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 form of 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 (revenue grants) or Taxation and Non-specific Grant Income and Expenditure non-ring-fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MIRS. Where 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.

1.11. Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

The authority's heritage assets comprise artworks, literature, antiquities, machinery and equipment held in the museum, in storage for future exhibition, or in locations within the wider district.

Where carrying values can reasonably be determined, the values are included on the balance sheet as Non-Current Assets. Items held by the museum are subject to periodic insurance valuations which determine the carrying values for inclusion in the total of Non-Current Assets. Items which have an individual value below the de-minimis (currently £10,000) are not included in the value of Heritage Assets.

Heritage Assets are recognised and measured (including treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

Heritage assets are held in perpetuity with no defined useful life and consequently are not depreciated.

1.12. Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of assets held by the Council can be determined by reference to an active market. In practice, no intangible assets held by the Council 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 CIES. 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 lines in the CIES. Any gain or loss arising on disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.12. Intangible Assets continued

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 an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account and (for sale proceeds greater than £10k) the Capital Receipts Reserve.

1.13. Inventories and Long-term Contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value. The nature of the inventories means cost 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 year.

1.14. Investment Property

Investment property is property (land and/or buildings) held solely to earn rental income or for capital appreciation or both. The Council's property portfolio is reviewed annually to identify any additional assets which meet this criteria.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participants perspective. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. 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 for 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 £10k) the Capital Receipts Reserve.

1.15 Accounting for 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 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 Council as Lessee

Finance Leases

Property plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases inception (or 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 Council 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 CIES).

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.15 Accounting for Leases continued.....

Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to property, plant and equipment, 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 Council at the end of the lease period).

The council 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 requirement. Depreciation, 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 CIES as an expense of the services benefitting 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.

The Council as a Lessor

Finance Leases

Where the Authority grants a finance lease over a property or 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 – 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 MIRS. 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 MIRS. 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 MIRS.

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 payments (e.g. there is no 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.16. Overheads and Support Services

The costs of overheads, support services and service management are charged to those that benefit from the supply or service. The total absorption principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

1.17. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and that are expected to be used on a continuing basis for more than one financial year are classified as Property Plant and Equipment.

Recognition:

Expenditure on the acquisition, creation or enhancement of tangible non-current is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year (subject to a £10k de-minimis limit). Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement:

Assets are initially measured at cost, comprising:

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

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

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

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 and Expenditure line of the CIES, 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 CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

Assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure assets (e.g. highways and footpaths) if any are included in the Balance Sheet at depreciated historical cost.
- Community assets (e.g. parks, cemeteries, etc.) acquired prior to 1 April 1994 have been given a nil value. Assets acquired after 1 April 1994 are valued at historic cost.
- Heritage assets have been included in the balance sheet at last insurance valuation.
- Vehicles, plant and equipment are recorded in the Balance Sheet at historic cost net of depreciation.
- This is regarded as a reasonable indication of net current replacement cost.

Otherwise, net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties – market value.
- surplus assets – highest and best use.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.17. Property, Plant and Equipment continued.....

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years in accordance with the requirements of The Code. A 20% rolling revaluation programme has been implemented.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from a reversal of an impairment loss previously charged to a service revenue account.

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 reduction in the carrying amount of the asset is written down against the balance.
- where there is no balance in the Revaluation Reserve or an insufficient balance, the reduction in the carrying amount of the asset is first written down against the balance and then the remaining value is written down against the relevant service line in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of the Reserve's formal inception. Gains 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 reduction in the carrying amount of the asset is written down against that balance;
- where there is no balance in the Revaluation Reserve or an insufficient balance, the reduction in the carrying amount of the asset is written down against the relevant service line in the CIES.

Assets having major components will be reviewed for componentisation when revaluation occurs as part of the rolling 5-year programme, or when major capital improvements are undertaken. Componentisation affects all assets recognised under IAS16, IAS17 and IFRIC12.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, 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.

Depreciation is provided for on all non-current and intangible assets on a straight-line basis over the period of their useful economic life.

Where an asset has major components with different estimated useful lives, the components are depreciated separately.

Componentisation:

All property assets containing a building are split into two components – land and buildings. The buildings are then further reviewed to assess if there are additional significant components which should be recognised. A component is considered significant when the cost of the component is 20% or greater than the total cost of the asset and has a differing useful life. Each component is depreciated separately and where there is more than one significant component of the same asset which has the same useful life and depreciation method, such components may be grouped in determining the depreciation charge. Assets with a value less than £50k will not be considered for componentisation (on the basis of materiality) unless the circumstances are deemed appropriate.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.17. Property, Plant and Equipment continued.....

Remaining Useful Asset Life:

The calculation of depreciation takes into consideration the expected remaining useful life of each asset.

- For depreciable buildings, the asset lives range between 2 and 100 years depending on the type of asset and its current use.
- For intangible assets a standard 5 year life has been used for the calculation of annual amortised amounts.
- For vehicles and smaller items of plant, a standard 7 year life has been used. For major plant an asset life up to 20 years may be used if appropriate.

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. These are assets that have been declared surplus to the Council's operational requirements, are being actively marketed and have an estimated sale date within twelve months of the balance sheet date. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Assets Held for Sale are included as current assets on the Balance Sheet at the lower of the carrying amount or the fair value of the asset less the costs to sell the asset. Impairment or revaluation losses on initial classification or subsequent write down to fair value are charged directly to the CIES even if the asset has been previously re-valued. Any balance on the Revaluation Reserve remains until the asset is sold. No depreciation is charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the CIES 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 in the Revaluation Reserve relating to the asset sold are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government, including mortgage receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account via the MIRS.

1.18. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that properly requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account. The main provision that the Council currently holds is that for bad debts.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.18. Provisions, Contingent Liabilities and Contingent Assets continued.....

Provisions are recognised where an obligation exists at the balance sheet date, which would be settled by the transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. Provisions are charged to the relevant revenue account and are shown within the appropriate section within the Balance Sheet.

Contingent Liabilities

Contingent Liabilities are not recognised within the financial statements. Contingent Liabilities are disclosed by way of a note to the accounts if there are possible obligations that may require payment or a transfer of economic benefits. A contingent liability arises either where a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Council or where a provision would otherwise be made but it is not probable that an outflow of resources will be required and or the obligation cannot be measured reliably.

Contingent Assets

Contingent Assets are not recognised within the financial statements. Contingent Assets are disclosed by way of a note to the accounts if the inflow of economic benefits or service potential is probable. A contingent asset arises where an event has taken place that gives the Council 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 Council. The disclosure will indicate the nature of the contingent asset and an estimate of its value.

1.19. Reserves

The Council has both capital and revenue reserves, some of which can be used to finance current expenditure.

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the MIRS. 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 of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MIRS so that there is no net charge against council tax for the expenditure.

In addition the Council maintains an unallocated General Fund Balance Reserve which may be used to fund one-off unexpected items of expenditure or for appropriations of annual surpluses or deficits.

Certain reserves are kept to manage the accounting processes for non-current assets such as the Revaluation Reserve, the Capital Adjustment Account and the Financial Instruments Adjustment Account, and for pension costs and employee benefits, and do not represent usable resources for the Council.

Capital reserves of capital grants, contributions and usable capital receipts, can only be used to finance capital expenditure.

1.20. 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 non-current assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the General Fund in the MIRS so there is no impact on the level of Council Tax.

1.21. Value Added Tax (VAT)

VAT payable is included only to the extent that it is not recoverable from Her Majesty's Revenue and Customs and therefore charged to revenue or capital as appropriate. VAT receivable is excluded from income.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies continued

1.22. Fair Value Measurement

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

2. Accounting Standards that have been Issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The amendments that are to be adopted in the 2017/18 Code only affect pension funds and there will therefore be no impact on the Council's accounts.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

3. Critical Accounting Judgements In Applying Accounting Policies

In applying the accounting policies the Council 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:

Classification of Leases

The Council has undertaken an analysis to classify the leases that it holds both as a lessor and a lessee, as either operating or finance leases. In deciding whether these transactions score as leases and which type under the accounting arrangements for ISA 17 Leases it has been necessary to make judgements about the underlying economic substance of the lease agreement.

Arrangements Containing a Lease - Implied Leasing

The Council does not have any outsourced contracts where there are leases.

Local Government Funding

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

Investment Properties (Commercial Property)

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or capital appreciation. These properties have been assessed using these criteria which is subject to interpretation.

Assets Held For Sale

The Council has reviewed all assets in accordance with the accounting policy and determined that no properties currently need to be reclassified.

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 Council 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.

Valuation and Revaluation of Property Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £71k for every year that useful lives had to be reduced.

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 by North Yorkshire County Council (the Pension Fund Administrators) on behalf of the Council to provide the expert advice about the assumptions that are to be

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1,203k. However, the assumptions interact in complex ways. During 2016/17, the Authority's actuaries advised that the net pensions liability had reduced by £5,853k as a result of estimates being corrected as a result of experience.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

4. Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty continued....

Arrears

At 31 March 2017, the Authority had a balance of sundry debtors for £400k and housing benefit overpayments of £328k. A review of all balances suggested that an impairment of doubtful debts of £480k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, a doubling of the amount of impairment for doubtful debts (for non-public body sundry debtors) would require an additional £33k to be set aside as an allowance.

Employee Benefits Accrual

The employee benefits accrual cost was calculated for years from 2008/09 to 2016/17. There is little or no variation year on year. The amount involved is deemed not to be material and therefore no adjustment has been made to the accrual included within the accounts. The calculation will be performed and reviewed each year and should it be deemed material an adjustment to the accrual will be made in the accounts.

5. Material Items of Income & Expenditure

In the period there have been no material items in the context of the overall income and expenditure of the Council.

6. Events After The Reporting Period

The unaudited Statement of Accounts was authorised for issue on 2 June 2017 by the Chief Finance Officer. Events taking place after this date are not reflected in the financial statements or notes. Where events take place before this date, provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2016/17	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	868	-	-	(868)
Revaluation losses on Property, Plant and Equipment	108	-	-	(108)
Movements in the fair value of Investment Properties	52	-	-	(52)
Amortisation of intangible assets	25	-	-	(25)
Capital grants and contributions applied	(259)	-	-	259
Revenue expenditure funded from capital under statute	-	-	-	-
Soft Loans				-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	159	-	-	(159)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(319)	-	-	319
Capital expenditure charged against the General Fund	(300)	-	-	300
Movements in Donated Assets	-	-		-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(88)	-	88	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-		(154)	154
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	(176)	176	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(157)	-	157
Other cash receipts	(156)	156	-	-
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		-	-	-

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations continued

2016/17	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
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	-	-	-	-
Adjustments 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 36)	1,774	-	-	(1,774)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,382)	-	-	1,382
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	(11)	-	-	11
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(344)	-	-	344
Cost of Services	(49)	175	(66)	(60)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2015/16	General Fund Balances £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non-current assets	804	-	-	(804)
Revaluation losses on Property, Plant and Equipment	358	-	-	(358)
Movements in the fair value of Investment Properties	(445)	-	-	445
Amortisation of intangible assets	79	-	-	(79)
Capital grants and contributions applied	(105)	-	-	105
Revenue expenditure funded from capital under statute	(170)	-	-	170
Soft Loans	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	-	-	-	-
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	(318)	-	-	318
Capital expenditure charged against the General Fund	(305)	-	-	305
Acquisition of Donated Assets	-	-	-	-
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3	-	(3)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(35)	35	-	-
Use of the capital Receipts Reserve to finance new capital expenditure	-	(182)	-	182
Other cash receipts	(32)	32	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	0	0	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	475	-	(475)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations continued

2015/16	General Fund Balances Restated £'000	Capital Receipts Reserve Restated £'000	Capital Grants Unapplied Restated £'000	Movement in Unusable Reserves Restated £'000
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	-	-	-	-
Adjustments 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	3	-	-	(3)
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 36)	1,975	-	-	(1,975)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,351)	-	-	1,351
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	(38)			38
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(476)	-	-	476
Cost of Services	(53)	360	(3)	(304)

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the 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 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 these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

8. Earmarked Reserves

This consists of sums earmarked for specific purposes, e.g. funding of specific projects and service developments of strategic importance. This note sets out the amounts set aside during the accounting period and the amounts posted back to meet expenditure over the same period. The significant reserves and their intended purpose are described in more detail below:

	Balance at 31-Mar-15 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-16 £'000	Exp in Year £'000	Income in Year £'000	Balance at 31-Mar-17 £'000	See Notes Below
Bishopdale Court	5	-	-	5	-	-	5	
Building Control Reserve	25	-	-	25	-	-	25	
Buildings Reserve	350	(35)	150	465	(94)	130	501	8.1
Business Rates Equalisation	1,510	(960)	700	1,250	(364)	208	1,094	8.2
Contingency	25	(25)	25	25	(25)	25	25	
Edith Stead Bequest Reserve	2	-	-	2	-	-	2	
Enabling Efficiencies Fund	393	(42)	67	418	(141)	94	371	8.3
ERDF Funds	48	-	-	48	-	-	48	8.4
Future Year Budget Support	299	(36)	101	364	(271)	136	229	8.5
Insurance	40	-	10	50	-	10	60	
IT Reserve	650	(54)	134	730	(71)	80	739	8.6
Local Authority Business Growth Incentive	9	-	-	9	-	-	9	
Local Plan / Planning Reserve	386	(145)	129	370	(119)	425	676	8.7
New Homes Bonus	1,085	(625)	798	1,258	(438)	1,190	2,010	8.8
Partial Exemption Reserve	17	-	-	17	-	-	17	
Revenue Expenditure Reserve	121	(121)	170	170	(170)	124	124	8.9
Vehicle Replacement Reserve	650	(200)	130	580	(57)	138	661	8.10
Total	5,615	(2,243)	2,414	5,786	(1,750)	2,560	6,596	

8.1. The Buildings Reserve has been created to fund repairs and improvements to the Council's buildings.

8.2. The Business Rates Equalisation reserve is to provide protection should the Council suffer early losses before the funding safety net is reached.

8.3. The Enabling Efficiencies Fund is used to fund the implementation of the Council's savings plan which will generate short/longer term savings.

8.4. ERDF Funds are grants from the Government for Economic Development Initiatives.

8.5. The Future Year Budget Support reserve has been created from planned income and savings generated from the Council's income and savings plan and will be used to support future years budgets to mitigate the impact of reductions in government grant funding.

8.6. The ICT Replacement reserve is to fund the purchase of new computer equipment and upgrade of systems.

8.7. Local Plan / Planning Reserve is used to fund costs relating to the local plan, including the public consultation process and other planning cost pressures .

8.8. New Homes Bonus Reserve is used to fund local infrastructure improvements, the return of empty homes into use and to support local community, voluntary and business sectors to deliver a range of community activities and projects for the benefit of local residents.

8.9. Revenue Expenditure Reserve is for funds to cover expenditure commitments that have slipped to the following financial year.

8.10. Vehicle replacement reserve is used to fund replacements of the vehicle fleet .

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

9. Other Operating Expenditure

2015/16 Restated £'000		2016/17 £'000
1,239	Parish Precepts	1,275
(32)	Receipts from covenants	(156)
883	Depreciation, Amortisation & Impairment	1,048
357	Revaluations (Gain) / Loss Chargeable to the CIES	(47)
528	Pension Costs Chargeable to CIES	356
(35)	(Gains) / Losses on Disposal of non-Current assets	(17)
-	Other	-
2,940	Total	2,459

10. Financing and Investment Income and Expenditure

2015/16 £'000		2016/17 £'000
256	Interest Payable and similar charges	256
(105)	Interest Receivable and similar income	(127)
804	Net interest on the net defined benefit liability (asset)	773
(492)	Income and expenditure in relation to investment properties and changes in their fair value	(21)
(8)	Other investment income	(8)
455	Total	873

11. Taxation and Non-Specific Grant Income

2015/16 £'000		2016/17 £'000
(4,535)	Council Tax	(4,773)
(2,722)	Non Ring-fenced Government Grants	(2,594)
(147)	Capital Grants and other contributions	(360)
(6,565)	Retained Business Rates	(7,378)
5,801	Business Rates Tariff/(Top Up)	5,991
(8,168)	Total	(9,114)

12. Property, Plant and Equipment

12.1. Depreciation

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

	Estimated Useful Life (years)
Buildings	
Operational Buildings, up to	100
Non-Operational Buildings, up to	50
Garages	10
Other Assets	
Vehicles and smaller items of Plant & Equipment	7
Major items of plant and equipment, up to	20

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12.2. Property, Plant and Equipment

Movement on Fixed Assets

The tables below and on the following page show the movement in value of the Council's non-current assets. Properties owned by the Council are valued on a rolling programme basis except for investment properties which are valued annually at the balance sheet date. Valuations for 2016/17 have been undertaken by an external RICS valuer provided by Eddisons, Toronto Square, Toronto St, Leeds LS1 2HJ.

Community Assets include allotments and the cemeteries at Waltonwray's and Ingleton. **Heritage Assets** with significant value and which have been capitalised are comprised of the Shakespeare First Folio and the Roebuck Collection of paintings.

2016/17	Land & Buildings	Vehicles Plant & Equipment	Surplus Assets	PPE TOTAL	Investment Property	Community & Heritage Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Tangible Assets							
Cost or Valuation at 31 March 2016	26,606	5,487	2,750	34,843	1,469	3,079	39,391
Movement in 2016/2017							
Additions	615	197	-	812	241	-	1,053
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(52)	-	-	(52)	-	-	(52)
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(155)	-	-	(155)	(52)	-	(207)
Derecognition - disposals	(167)	(92)	-	(259)	-	-	(259)
Reclassification	(130)	-	30	(100)	83	-	(17)
Value as at 31 March 2017	26,717	5,592	2,780	35,089	1,741	3,079	39,909
Accumulated Depreciation and Impairment							
at 31 March 2016	1,951	3,592	-	5,543	-	-	5,543
Movement in 2016/2017							
Depreciation for the Year	552	311	5	868	-	-	868
Depreciation written out to the Revaluation Reserve	(242)	-	-	(242)	-	-	(242)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	(48)	-	-	(48)	-	-	(48)
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	(7)	(92)	-	(99)	-	-	(99)
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-
Reclassification	(27)	-	10	(17)	-	-	(17)
Value as at 31 March 2017	2,179	3,811	15	6,005	-	-	6,005
Net Book Value							
at 31 March 2017	24,538	1,781	2,765	29,084	1,741	3,079	33,904
at 31 March 2016	24,655	1,895	2,750	29,300	1,469	3,079	33,848

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12.2. Property, Plant and Equipment continued

Movement on Fixed Assets continued

2015/16	Land & Buildings	Vehicles Plant & Equipment	Surplus Assets	PPE TOTAL	Investment Property	Community & Heritage Assets	TOTAL
	Restated £'000	£'000	£'000	£'000	Restated £'000	£'000	£'000
Tangible Assets							
Cost or Valuation at 31 March 2015	27,918	5,644	-	33,562	605	3,079	37,246
Movement in 2015/16							
Additions	344	427	-	771	75	-	846
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(278)	-	2,685	2,407	-	-	2,407
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(921)	-	20	(901)	446	-	(455)
Derecognition - disposals	-	(468)	-	(468)	-	-	(468)
Reclassifications	(457)	(116)	45	(528)	343	-	(185)
Value as at 31 March 2016	26,606	5,487	2,750	34,843	1,469	3,079	39,391
Accumulated Depreciation and Impairment							
at 31 March 2015	2,452	3,770	-	6,222	-	-	6,222
Movement in 2015/16							
Depreciation for the Year	464	340	-	804	-	-	804
Depreciation written out to the Revaluation Reserve	(353)	-	-	(353)	-	-	(353)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	(544)	-	-	(544)	-	-	(544)
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	(468)	-	(468)	-	-	(468)
Other movements in Depreciation and Impairment	(68)	(50)	-	(118)	-	-	(118)
Value as at 31 March 2016	1,951	3,592	-	5,543	-	-	5,543
Net Book Value							
at 31 March 2016	24,655	1,895	2,750	29,300	1,469	3,079	33,848
at 31 March 2015	25,466	1,874	-	27,340	605	3,079	31,024

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

12.3. Commitments Under Capital Contracts

The Council is required to disclose any significant commitments under capital contracts. These commitments relate to contractual obligations entered into but not discharged by 31 March 2017, and commitments to meet items in the proposed capital programme where contracts have not been entered into, which are not already reflected within the accounts.

The Council has authorised expenditure in future years of £4,468k and the table below analyses the schemes which are approved and contracted, or approved to proceed but are not yet contracted:

	Expenditure approved and contracted at 31-Mar-17 £'000	Expenditure approved to proceed but not contracted at 31-Mar-17 £'000	Period of Investment
IT Software	109	171	1-3 years
Vehicles & Equipment	733	370	1-3 years
Home Improvement & Repair Grants	81	433	1-3 years
Craven Market Towns Development	-	67	1-3 years
Property Acquisitions / New Build	325	-	1-3 years
Improvements to Property	470	1,709	1-3 years
Total	1,718	2,750	

12.4. Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations were carried out by an external valuer. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. No items of vehicles, plant, furniture or equipment required revaluation.

	Other Land and Buildings £'000	Vehicles Plant Furniture & Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historical cost:	-	1,895	-	1,895
Changes in Current Value as at:				
31-Mar-17	6,354	-	-	6,354
31-Mar-16	9,000	-	2,750	11,750
31-Mar-15	1,624	-	-	1,624
31-Mar-14	1,165	-	-	1,165
31-Mar-13	8,136	-	-	8,136
Total Cost or Valuation	26,279	1,895	2,750	30,924

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

13. Heritage Assets

Heritage assets are included in the Balance Sheet at their insurance valuations. Revaluation occurs every five years with the last one being done in June 2014, unless an event dictates otherwise. There have been no revaluations or disposals of capitalised heritage assets in the year.

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

	2015/16	2016/17
	£'000	£'000
Rental Income From Investment Property	76	89
Direct Operating expenses arising from investment property	(29)	(16)
Net Gain / (Loss)	47	73

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

	2015/16	2016/17
	£'000	£'000
Balance at start of the year	605	1,469
Additions:		
Purchases	-	-
Construction	75	241
Subsequent Expenditure	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	446	-
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	343	31
Other Changes	-	-
Balance at end of Year	1,469	1,741

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 1 Accounting Policy 1.22 for an explanation of the fair value levels).

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

15. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licenses) 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, they are therefore carried at amortised cost.

2015/16 Software Licenses £'000		2016/17 Software Licenses £'000
	Cost	
1,242	Historic Cost brought forward 1 April	1,412
54	Additions	64
116	Reclassifications	-
-	Disposals	-
1,412	Historic Cost carried forward 31 March	1,476
	Amortisation and Impairments	
1,060	Accumulated amortisation and impairment brought forward	1,188
79	Charge for year	25
49	Reclassifications	-
-	Disposals	-
1,188	Accumulated amortisation and impairment carried forward	1,213
224	Balance Sheet at 31 March	263

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

16. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. Notes 18 and 21 provide further information.

	Long-Term		Current	
	31-Mar-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000
Investments				
Loans and receivables (excl cash equivalents)	-	-	10,020	10,027
Available-for-sale financial assets	-	-	-	-
Total investments	-	-	10,020	10,027
Debtors				
Loans and receivables	4	2	475	108
Total included in Debtors	4	2	475	108
Borrowings				
Financial Liabilities at amortised cost	6,004	5,996	40	40
Total included in Borrowings	6,004	5,996	40	40
Creditors				
Financial liabilities carried at amortised cost	-	-	3,229	4,065
Total Creditors	-	-	3,229	4,065

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

All financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;

No early repayment or impairment is recognised;

Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

	31 March 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
The fair values calculated using Capita's method (new borrowing rate) are as follows				
Financial Liabilities	5,988	7,882	5,988	8,692

	31 March 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
The fair values calculated using PWLB's method (premature repayment rate) are as follows				
Financial Liabilities	5,988	9,425	5,988	10,484

The fair value is higher than the carrying amount because the authority's portfolio of loans are all at fixed rates where the interest rate payable is higher than for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31 March 2016		31 March 2017	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Fixed term Loans and Receivables	10,000	10,033	10,000	10,000

The fair value is almost the same as the carrying amount because the authority's portfolio of investments consists of fixed rate loans where the interest rate receivable is the same as the rates available for similar loans at the balance sheet date. This guarantee to receive interest at around current market rates reduces the amount that the authority would receive if it agreed to early repayment of the loans.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

17. Short-Term Debtors

The following table shows the amounts owed to the Council for which payments have not been received by 31 March 2017. Payments to Government departments and the HM Customs have been grouped in Central Government Bodies. The other entities and individuals are made up of any debtors or prepayments that do not fall under the other categories. These include Council Tax and Rental debtors, as well as general debtors, joint projects and any accrued income.

31-Mar-16 £'000		31-Mar-17 £'000
650	Central Government Bodies	549
187	Other Local Authorities / Public Bodies	171
1,374	Other Entities and Individuals	1,080
2,211		1,800
(590)	Less Provision for Bad Debts	(480)
1,621	Total	1,320

18. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

Balance at 31-Mar-16 £'000		Balance at 31-Mar-17 £'000
4	Cash held by the Authority	4
371	Bank Current Accounts	457
1,707	Short-term Deposits	4,020
2,082		4,481

19. Assets Held For Sale

There are no items fulfilling the criteria of Assets Held for Sale as at 31 March 2017.

20. Creditors

The following analysis identifies the Council's major creditors (payable within 12 months):

31-Mar-16 £'000		31-Mar-17 £'000
134	Central Government Bodies	374
1,554	Other Local Authorities / Public Bodies	2,345
1,798	Other Entities and Individuals	1,645
3,486	Total	4,364

21. Usable Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. These Reserves can be analysed between Usable (i.e. the balances are available to support the delivery of Council Services) and Unusable (i.e. they are kept to manage accounting processes for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Authority). Unusable Reserves are detailed in note 23.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, and revenue earmarked reserves are set out in detail in note 8. Descriptions of each reserve are shown after the table.

2015/16 £'000		2016/17 £'000	Note
	Usable Reserves		
995	General Fund	995	21.1
5,786	Earmarked Reserves	6,596	21.2
2,583	Capital Receipts Reserve	2,758	21.3
367	Capital Grants Unapplied	301	21.4
9,731	Total	10,650	

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

21. Usable Reserves continued.....

21.1. General Fund

This is a non-earmarked balance which is set aside to cover unforeseen events and the risk of inflation increases. The Council has a minimum level for this balance set at £1.0m. Any amounts above this may be used to support the budget and future council tax levels within the context of the Council's financial strategy.

21.2. Earmarked Reserves

The Council has reserves which have been set up voluntarily to earmark resources for future spending plans. The details of these reserves are set out in note 8.

21.3. Capital Receipts Reserve

Usable capital receipts are created from the income arising from the sale of non-current assets and other capital income including the sale of intangible assets which are assets that have no physical substance, receipts from loans, right to buy discounts and covenants which are used to finance capital expenditure. They are held in this reserve until such time as they are required.

21.4. Capital Grants Unapplied Reserve

This reserve holds grants and contributions that the Council has received from central government and other organisations towards the costs of capital expenditure that have not been used at the balance sheet date, but which will be used in the future. The contributions held in this reserve do not have conditions attached to either the timing of their use or the purpose for which they may be utilised or both.

22. Unusable Reserves

Unusable reserves are those that are kept to manage accounting processes for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Authority.

Details of each of the reserves, together with movements in the year, are shown below the table.

2015/16 £'000		2016/17 £'000	Note
	Unusable Reserves		
	Revaluation Balances		
10,633	Revaluation Reserve	10,518	22.1
17,846	Capital Adjustment Account	18,128	22.2
(23,433)	Pensions Reserve	(23,865)	22.3
-	Deferred Capital Receipts Reserve	-	22.4
(688)	Collection Fund Adjustment Account	(333)	22.5
(58)	Accumulated Absences Account	(58)	22.6
4,300	Total	4,390	

22.1. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

22. Unusable Reserves continued.....

22.1. Revaluation Reserve continued.....

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.

2015/16 £'000		2016/17 £'000
8,043	Balance brought forward at 1 April	10,633
3,202	Upwards revaluation of assets	661
(443)	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	(471)
2,759	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	190
(169)	Difference between fair value depreciation and historical cost depreciation	(236)
-	Accumulated gains on assets sold or scrapped	(69)
(169)	Amount written off to the Capital Adjustment Account	(305)
10,633	Balance carried forward at 31 March	10,518

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

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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

22. Unusable Reserves continued.....

22.2. Capital Adjustment Account continued.....

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

2015/16		2016/17
£'000		£'000
17,393	Balance brought forward at 1 April	17,846
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(804)	Charges for depreciation and impairment of non-current assets	(868)
(79)	Amortisation of intangible assets	(25)
(358)	Revaluation losses on Property, Plant and Equipment	(108)
170	Revenue Expenditure Funded From Capital Under Statute	-
-	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(159)
(1,071)		(1,160)
169	Adjusting amounts written out of the Revaluation Reserve	305
(902)	Net written out amount of the cost of non-current assets consumed in the year	(855)
	Capital financing applied in the year:	
182	Use of the Capital Receipts Reserve to finance new capital expenditure	157
-	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	259
105	Application of grants to capital financing from the Capital Grants Unapplied Account	154
318	Minimum Revenue Provision - Borrowing	319
305	Capital expenditure charged against the General Fund	300
910	Total capital financing applied in the year	1,189
445	Movements in the market value of Investment Properties debited or credited to the CIES	(52)
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
17,846	Balance carried forward at 31 March	18,128

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

22. Unusable Reserves continued.....

22.3. 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 Council 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 Council makes employer's contributions to pension funds 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 Council 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.

2015/16 £'000		2016/17 £'000
(25,767)	Balance brought forward at 1 April	(23,433)
2,958	Remeasurements of the net defined benefit liability / (asset)	(40)
(1,975)	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,774)
1,351	Employer's pensions contributions and direct payments to pensioners payable in the year	1,382
(23,433)	Balance carried forward at 31 March	(23,865)

22.4. Deferred Capital Receipts Reserve

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

2015/16 £'000		2016/17 £'000
475	Balance brought forward at 1 April	-
(475)	Deferred Payments re assets sold in year transferred to the Capital Receipts Reserve	-
-	Balance carried forward at 31 March	-

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

22. Unusable Reserves continued.....

22.5. Collection Fund Adjustment Account

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account.

2015/16 £'000		2016/17 £'000
(1,202)	Balance brought forward at 1 April	(688)
514	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	355
(688)	Balance carried forward at 31 March	(333)

22.6. 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.

2015/16 £'000		2016/17 £'000
58	Balance brought forward at 1 April	58
58	Balance carried forward at 31 March	58

23. Cash Flow Statement - Operating Activities

2015/16 £'000		2016/17 £'000
	The cash flows for operating activities include the following items:	
(105)	Interest Received	(127)
256	Interest Paid	256
151		129

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

23. Cash Flow Statement - Operating Activities continued.....

2015/16 £'000		2016/17 £'000
189	Net Surplus / (deficit) on the provision of services The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	859
1,239	Depreciation, impairment and downward valuations	1,001
4	(Increase) / decrease in long term debtors	2
(425)	Increase / (decrease) in creditors	538
90	(Increase) / decrease in debtors	209
408	Increase / (decrease) in provisions	(101)
(2)	(Increase) / decrease in inventories	(12)
624	Movement in pension liability	392
-	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	159
(445)	Changes in the value of Investment Properties	52
-	amounts posted from the Donated Assets Account	-
(10)	Other non-cash items charged to the net surplus or deficit on the provision of services	(15)
1,483	The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:	2,225
(67)	Proceeds from the sale of property, plant and equipment, investment property and intangibles	(183)
1,605	Net Cash Flows From Operating Activities	2,901

24. Cash Flow Statement - Investing Activities

2015/16 £'000		2016/17 £'000
(900)	Purchase of property, plant and equipment, investment property and intangible assets	(1,117)
67	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	183
(5,500)	Proceeds from short-term and long-term investments	-
(6,333)	Net Cash Flows From Investing Activities	(934)

25. Cash Flow Statement - Financing Activities

2015/16 £'000		2016/17 £'000
-	Cash receipts of short-term and long-term borrowing	-
-	Repayments of short-term and long-term borrowing	-
1,737	Other payments for financing activities	432
1,737	Net Cash Flows From Financing Activities	432

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

26. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
1,634	-	1,634	Chief Executive/Director of Services	1,823	-	1,823
2,095	-	2,095	Community Department	2,237	-	2,237
808	-	808	Resources Department	1,527	(736)	791
48	-	48	Adjustment for Investment Properties	73	-	73
4,585	-	4,585	Net Cost of Services	5,660	(736)	4,924
(4,721)	(53)	(4,774)	Other Income and Expenditure	(6,470)	687	(5,783)
(136)	(53)	(189)	Surplus or Deficit	(810)	(49)	(859)
6,645			Opening General Fund Balance 31 March (including Earmarked Reserves)	6,781		
(136)			Plus Surplus/Less Deficit on General Fund Balance in Year	(810)		
6,781			Closing General Fund Balance 31 March (including Earmarked Reserves)	7,591		

Note 26a to the EFA 16 17 - adjustments between funding and accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustments (Note 2) £'000	Other (Note 3) £'000	Total Adjustments £'000
Chief Executive/Director of Services	-			-
Community Department	-			-
Resources Department	-	(736)		(736)
Net Cost of Services	-	(736)	-	(736)
Other Income & Expenditure from the Funding	(86)	1,128	(355)	687
Difference between General Fund Surplus or	(86)	392	(355)	(49)

Other (Note 3) Analysis:

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

£ '000

(11)

Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements

(344)

(355)

Note 26a to the EFA 15 16 - adjustments between funding and accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net Change for the Pensions Adjustments (Note 2) £'000	Other (Note 3) £'000	Total Adjustments £'000
Chief Executive/Director of Services	-			-
Community Department	-			-
Resources Department	-			-
Net Cost of Services	-	-	-	-
Other Income & Expenditure from the Funding	(166)	624	(511)	(53)
Difference between General Fund Surplus or	(166)	624	(511)	(53)

Other (Note 3) Analysis:	£ '000
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	3
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	(38)
Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year in accordance with statutory requirements	(476)
	<u>(511)</u>

1. Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. Net Change for Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee

☐ For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

☐ For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

3. Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

☐ For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

☐ The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or deficits on the Collection Fund.

Note 26b to the EFA 16 17 - Segmental Income & Expenditure

	Chief Executive/ Director of Services £'000	Community Department £'000	Resources Department £'000	Other Income & Expenditure from the Funding Analysis £'000	Total £'000
Revenues from External Customers	(9,759)	(5,013)	(1,897)	-	(16,669)
Revenues from transactions with other operating segments of the authority	(10)	(131)	-	-	(141)
Interest Revenue	-	-	-	(127)	(127)
Interest Expense	-	-	-	256	256
Depreciation & Amortisation	-	-	-	1,048	1,048
	(9,769)	(5,144)	(1,897)	1,177	(15,633)

Note 26b to the EFA 15 16 - Segmental Income & Expenditure

	Chief Executive/ Director of Services £'000	Community Department £'000	Resources Department £'000	Other Income & Expenditure from the Funding Analysis £'000	Total £'000
Revenues from External Customers	(10,459)	(4,971)	(1,764)	-	(17,194)
Revenues from transactions with other operating segments of the authority	(28)	(115)	-	-	(143)
Interest Revenue	-	-	(2)	(105)	(107)
Interest Expense	-	-	-	256	256
Depreciation & Amortisation	-	-	-	882	882
	(10,487)	(5,086)	(1,766)	1,033	(16,306)

Note 26c Segmental Income: Income received on a segmental basis

	2015/16 Income from Services £'000	2016/17 Income from Services £'000
Chief Executive/Director of Services	(10,487)	(9,769)
Community Department	(5,086)	(5,144)
Resources Department	(1,766)	(1,898)
Total Income Analysed on a Segmental Basis	(17,339)	(16,811)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Expenditure and Income Analysed by Nature

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

	2015/16 £ '000	2016/17 £ '000
Expenditure		
Employee benefits expenses	7,452	7,296
Other services expenses	14,507	14,772
Support service recharges	-	-
Depreciation, amortisation, impairment	882	1,048
Interest payments	1,060	1,029
Precepts and levies	1,239	1,275
Payments to Housing Capital Receipts Pool	-	-
Gain on the disposal of assets	323	(64)
Total Expenditure	25,463	25,356
Income		
Fees, charges and other service income	(7,054)	(7,132)
Interest and investment income	(147)	(291)
Income from council tax, nondomestic rates, district rate income	(5,299)	(6,160)
Government grants and contributions	(13,152)	(12,632)
Total income	(25,652)	(26,215)
Surplus or Deficit on the Provision of Services	(189)	(859)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

28. Members Allowances

The Accounting Code of Practice requires disclosure of the total sum paid in the year under the Members Allowances Scheme. The total amount paid to Members (Basic Allowance, Special Responsibility Allowance and travel/subsistence payments) in 2016/17 is £164,004 (compared to £157,428 in 2015/16). The table analyses these payments.

2015/16 £'000		2016/17 £'000
151	Allowances	158
6	Expenses	6
157	Total	164

29. Officers' Remuneration

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

Post Title	Salary (including fees & allowances) £	Bonuses £	Benefits in Kind (car allowance) £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total Remuneration including pension contributions £
2016/17						
Chief Executive	97,869	5,000	98	102,967	14,402	117,369
Director of Services	77,265	-	14	77,279	10,817	88,096
Corporate Head Business Support:						
Salary	54,559	-	36	54,595	7,638	62,233
Exit Package	47,651	-	-	47,651	-	47,651
Total	102,210	-	36	102,246	7,638	109,884
Strategic Manager - Financial Services (Section 151 Officer)	49,218	-	7	49,225	6,891	56,116
Solicitor to the Council (Monitoring Officer)	48,299	-	7	48,306	6,762	55,068
Strategic Manager - Planning and Regeneration	54,601	-	86	54,687	7,644	62,331
2015/16						
Chief Executive	96,900	5,000	113	102,013	14,266	116,279
Director of Services	76,500	-	20	76,520	10,710	87,230
Corporate Head Business Support	63,021	-	38	63,059	8,823	71,882
Strategic Manager - Financial Services (Section 151 Officer)	47,545	-	6	47,551	6,656	54,207
Solicitor to the Council (Monitoring Officer)	48,307	-	9	48,316	6,833	55,149
Strategic Manager - Planning and Regeneration	54,060	-	115	54,175	7,568	61,743

Note 1 - The Corporate Head Business Support left the Authority in February 2017 . Payments include termination benefits paid.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

29. continued

The numbers of employees (including senior officers) whose remuneration for the year (excluding employer's pension contributions) was £50,000 or more was:

2015/16 Total	Remuneration Band			2016/17 Total
	£		£	
1	50,000	to	54,999	1
0	55,000	to	59,999	0
1	60,000	to	64,999	0
0	65,000	to	69,999	0
0	70,000	to	74,999	0
1	75,000	to	79,999	1
0	80,000	to	84,999	0
0	85,000	to	89,999	0
0	90,000	to	94,999	0
0	95,000	to	99,999	0
1	100,000	to	104,999	2

Note 1 - Increase to 2 employees falling into the £100,000 to £104,999 band in 2016/17 due to employment termination benefits paid in 2016/17

Termination Benefits

1 exit package was approved in 2016/17 at a cost of £47,651 which has been charged to the CIES in the current year (10 in 2015/16 costing £100,646).

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	
		2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£	£							£	£
0	- 20,000	2	-	7	-	9	-	65,593	-
20,001	- 40,000	-	-	1	-	1	-	35,052	-
40,001	- 60,000	-	1	-	-	-	1	-	47,651
60,001	- 80,000	-	-	-	-	-	-	-	-
80,001	- 100,000	-	-	-	-	-	-	-	-
Total		2	1	8	-	10	1	100,645	47,651

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

30. External Audit Costs

The Council 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 Council's external auditors, Mazars:

2015/16 £'000		2016/17 £'000
46	Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the year.	46
7	Fees payable to Mazars for the certification of grant claims and returns for the year	9
53	Total	55

31. Grant Income

An analysis of Government and Other Grants Included in the CIES for 2016/17 is shown below:

2015/16 £'000		2016/17 £'000
	<u>Credited to Taxation and Non-specific Grant Income</u>	
1,147	Revenue Support Grant	698
	Non-Service Related Government Grants	
798	New Homes Bonus	1,090
742	NNDR - Small Business Rate Relief, Retail Relief and Other S. 31 Grants	507
35	Council Tax Freeze Grant	-
-	Transitional Grants	21
-	Rural Services Support Grant	278
2,722	Total	2,594
	<u>Credited to Services</u>	
	Other Government Grants:-	
9,519	DWP Grant for HB	9,029
239	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	433
188	Housing Benefits Admin & Other Benefit Reforms Grants	151
121	NNDR Collection	120
13	Local Council Tax New Burdens	-
46	Local Council Tax Support Admin Subsidy	46
5	DANP (Neighbourhood Plans)	-
5	FERIS	5
6	Welfare Reform	7
7	LADS (Data Sharing)	19
3	Right to Move	-
-	Arts Council	56
-	Prevent	10
-	HLF	56
-	Rough Sleeper (Homelessness)	5
54	New Burdens	-
	Non-government Grants:	
	Arts Council Funding (30864670)	247
12,928	Total	12,778

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

31. Grant Income continued....

The Council received a restricted capital grant from the Arts Council England for the purpose of improving the arts venue within Skipton Town Hall. The project was completed within the financial year and the grant has been included as income in the year.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them at the balance sheet date that will require the monies or property to be returned to the giver if they are not utilised for the intended purpose. Capital grant receipts in advance are sums of money that have been received from the Government such as Disabled Facilities Grants, and other organisations to contribute towards the costs of non-current assets and other capital expenditure such as grants to other organisations. When the conditions for the grant are met it is transferred to the Comprehensive Income and Expenditure Statement. Should the conditions not be met then the grant is repaid. The balances at the year-end which are included as part of creditors are as follows:

	Long-Term		Current	
	31-Mar-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000
Grants Receipts in Advance (Revenue Grants)				
Local Services Grant	-	-	154	152
Total	-	-	154	152

32. Related Party Transactions

The Council is required to disclose all material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council 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. In this context related parties include:

- Central Government
- Members
- Officers
- Other Public Bodies
- Entities controlled or significantly influenced by the Council

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2017 are shown in Note 31.

Members

Members of the Council have direct control over the Council's financial and operating policies, and annually are asked to declare any third party interests (e.g. directorships, chairpersonships, etc.).

During 2016/17, there were services provided by the Council, to organisations of which Members had a declared interest. The agreements are in place with no bias, and no discounts or benefits were afforded to these organisations. The material transactions are included below.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

32. Related Party Transactions continued.....

Officers

During the year 2016/17 one Officer declared an interest of acting as a director of Skipton Business Improvement District as a representative of Craven District Council. No other Council Officers declared any transactions with any organisation in which they have an interest.

Other Public Bodies

The Council collects Council Tax to fund its own revenue requirements and to distribute to other precepting authorities. These being North Yorkshire County Council, The Police & Crime Commissioner for North Yorkshire, North Yorkshire Fire and Rescue Service and various Town & Parish Councils. For further details see Collection Fund Note 5.

Craven District Council Councillors who were also North Yorkshire County Councillors are as follows; Cllr Ireton, Cllr Heseltine, Cllr Barrett, Cllr Welch, Cllr Mulligan and Cllr Solloway. In the year Craven District Council had £1.3m in receivables and £500k in payables relating to North Yorkshire County Council.

Cllr Harbron, Cllr Jaquin, Cllr Heseltine, Cllr Madeley, Cllr Dawson and Cllr Whitaker are members of the Skipton Town Council. Transactions relating to Skipton Town Council were £32k in receipts and no material payments other than that of the precepts payable. The precepts payable amounted to £440k.

Cllr Lis is a director of the Yorkshire Dales National Park Authority (YDNPA), the Yorkshire Millennium Trust and National Parks UK LTD . Transactions relating to the YDNPA were £11k in receivables and £31k in payables.

Three Members of the Council declared an interest in grants paid to community or charitable organisations in 2016/17 as set out in the following table which also shows comparable figures for 2015/16

2015/16 Restated £'000	Organisation	2016/17 £'000
10	Settle Swimming Pool	1
3	Burton Regeneration Group	-
	Age UK North Craven	-
13	Total	1

Cllr Welch is a trustee on the Settle Swimming Pool Committee, which had receivables of £7k during the year and £1k of payables.

The grants were made with proper consideration of declarations of interest, and none of the relevant members took part in any discussion relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open for public inspection at the Council offices.

The Council does not administer any pension fund.

The Council has no controlling interest in any third party organisation or company, and has not entered into any joint ventures.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

32. Related Party Transactions continued.....

The table below summarise those material transactions which were a cost to the Council during the year. The table also shows the balances owed to/(from) these parties at the year end.

2015/16 Transactions £'000	2015/16 Balance Owed £'000		2016/17 Transactions £'000	2016/17 Balance Owed £'000
1,239	-	Parish Precepts	1,275	-
1,351	-	North Yorkshire Pension Fund (Employer Contributions)	1,382	-
-	-	North Yorkshire waste disposal services	-	-
2,590	-	Total Payments	2,657	-

33. Capital Expenditure and Financing

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

2015/16 £'000		2016/17 £'000	2016/17 £'000
5,533	Opening Capital Financing Requirement		5,532
	Capital investment		
846	Property Plant & Equipment	1,053	
54	Intangible assets	65	
249	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grants	248	
180	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Loans	6	
1,329	Total Capital Investment		1,372
	Sources of finance		
(182)	Capital receipts		(157)
(388)	Government grants and other contributions		(665)
(485)	Sums Set Aside from Revenue		(300)
(275)	MRP / Loans Fund Principal		(319)
5,532	Closing Capital Financing Requirement		5,463
	Explanation of movements in year		
274	Increase in underlying need to borrow (unsupported by government financial assistance)		250
(275)	MRP / Loans Fund Principal		(319)
(1)	Increase / (decrease) in Capital Financing Requirement		(69)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

34. Leases

Authority as a Lessee

Finance Leases

The Council's offices at Belle Vue square are held on a 999 year finance lease which was fully paid in 2011/12. The value is included within land and buildings note 12. Craven District Council has no other finance leases for which it is a lessee.

Operating Leases

Craven District Council leases land in Bentham with which it provides car parking facilities. The annual rent is £1,330 and no parking income is derived. The expenditure was charged to the Comprehensive Income & Expenditure Statement in 2015/16.

31-Mar-16 £'000		31-Mar-17 £'000
1	Minimum lease payments	-
1		-

Authority as a Lessor

Finance Leases

Craven District Council has no finance leases for which it acts as a lessor.

Operating Leases

The Council acts as a lessor for a number of properties including industrial units, shops, offices and dwellings. The income received from these tenants during the year was £89k (£75k in 2015/16).

Undiscounted lease payments to be received on an annual basis for the next 5 years, and a total of amounts for the remaining years, are:

2017/2018 £'000	2018/2019 £'000	2019/2020 £'000	2020/2021 £'000	2021/2022 £'000	Remaining Years £'000
109	109	109	109	110	1,627

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

34. Leases continued.....

The rentals receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

35. Impairment Losses

During 2016/17 the Council has recognised no impairment losses, as was the case during 2015/16.

36. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered by North Yorkshire County Council and called the North Yorkshire Pension Fund - this is a funded defined benefit final salary scheme, meaning that the Council 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 pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The North Yorkshire pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Fund Committee of North Yorkshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Committee with advice from the Corporate Director – Strategic Resources and the Fund's Investment Consultant and Independent Adviser.

Discretionary Post-retirement Benefits

Discretionary Post-retirement Benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made 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 Movement 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:

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

36. Defined Benefit Pension Schemes continued.....

Transactions Relating to Retirement Benefits continued

2015/16 £'000	North Yorkshire Pension Fund	2016/17 £'000
	Comprehensive Income and Expenditure Statement	
	<i>Net Cost of Services:</i>	
1,149	current service cost	997
22	past service costs	4
-	past service costs (gains)	-
-	past service costs	-
-	administration expenses	-
-	settlement and curtailments	-
	<i>Financing and Investment Income and Expenditure:</i>	
804	net interest on the net defined benefit liability (asset)	773
1,975	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,774
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
(821)	Remeasurements (experience (gain)/loss on liabilities)	(5,853)
(3,323)	Remeasurements (experience (gain)/loss on financial assumptions)	12,715
-	Remeasurements (experience (gain)/loss on demographic assumptions)	(76)
1,186	Remeasurements (experience gain on assets)	(6,746)
(983)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	1,814
	Movement in Reserves Statement	
1,975	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	1,774
	Actual Amount charged against the General Fund Balance for pensions in the year:	
(1,351)	employers' contributions payable to the scheme	(1,382)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

36. Defined Benefit Pension Schemes continued.....

Assets and Liabilities in Relation to Post-employment Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded		Unfunded	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
1 April b/fwd	64,244	61,716	282	254
Current Service Cost	1,149	997	-	-
Interest on Pension Liabilities	2,031	2,063	9	8
Member contributions	292	295	-	-
Past Service Cost/(gain)	22	4	-	-
Remeasurements (experience (gain)/loss on liabilities)	(816)	(5,851)	(5)	(2)
Remeasurements (experience (gain)/loss on financial assumptions)	(3,308)	12,675	(15)	40
Remeasurements (experience (gain)/loss on demographic assumptions)	-	(79)	-	3
Curtailments	-	-	-	-
Benefits Paid	(1,898)	(2,423)	(17)	(17)
31 March c/fwd	61,716	69,397	254	286

Reconciliation of fair value of the scheme assets:

	Funded		Unfunded	
	2015/16	2016/17	2015/16	2016/17
	£'000	£'000	£'000	£'000
1 April b/fwd	38,759	38,537	-	-
Interest on plan assets	1,236	1,298	-	-
Remeasurements (assets)	(1,186)	6,746	-	-
Administration expenses	-	-	-	-
Employer Contributions	1,334	1,365	17	17
Member Contributions	292	295	-	-
Benefits/transfers paid	(1,898)	(2,423)	(17)	(17)
31 March c/fwd	38,537	45,818	-	-

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 experience in the respective markets. The actual return on scheme assets in the year was £8,044k (2015/16 £50k).

Scheme History

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Present Value of Liabilities	57,033	54,484	64,526	61,970	69,683
Fair Value of Assets	27,527	33,827	38,759	38,537	45,818
Surplus / (Deficit) in the Scheme	(29,506)	(20,657)	(25,767)	(23,433)	(23,865)

The liabilities show the underlying commitments that the Council has in the long-run to pay post employment (retirement) benefits. The total liability of £24m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

36. Retirement Benefits continued

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. For example, the deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2017/18 is £1.396m (2016/17 £1.383m).

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. The assessment of the North Yorkshire Pension Fund liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

The main assumptions used in their calculations have been:

	2015/16	2016/17
Rate of CPI inflation	1.8%	2.0%
Rate of increase in salaries	3.30%	3.25%
Rate of increase in pensions	1.8%	2.0%
Discount Rate	3.4%	2.5%
Longevity at 65 for current pensioners (in years):		
Men	23.3	22.8
Women	25.8	26.3
Longevity at 65 for future pensioners (in years):		
Men	25.6	25.0
Women	28.1	28.6

	31-Mar-16		31-Mar-17	
	£'000	%	£'000	%
Split of Assets between Investment Categories:				
Equities (Quoted)	23,970	62.2%	29,965	65.4%
Government Bonds (Quoted)	5,434	14.1%	6,506	14.2%
Corporate Bonds (Quoted)	2,081	5.4%	1,420	3.1%
Property (Quoted)	2,813	7.3%	3,895	8.5%
Cash (Quoted)	308	0.8%	46	0.1%
Other (Quoted)	3,931	10.2%	3,986	8.7%
Total	38,537	100.00%	45,818	100.00%

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

36. Retirement Benefits continued

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

Impact on the Defined Benefit Obligation in the scheme	
	Increase in assumption
	£'000
Longevity increase of 0.1 year	2,051
Rate of inflation increase by 0.1%	1,016
Rate of increase in salaries increase 0.1%	207
Rate for discounting scheme liabilities increase by 0.1%	(1,203)

Asset and Liability Matching Strategy

The Pension Fund Committee of North Yorkshire County Council has determined the investment strategy which is aimed at growing the Fund's assets to meet benefit obligations when they fall due. As required by the regulations, the suitability of various classes of investments has been considered including assessing the benefit of asset class diversification. The Fund is primarily invested in equities (60% of scheme assets) and fixed income (24%) with investments also in property and alternatives, the proportions being not materially dissimilar to the comparative year. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 27 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales and the other main existing public services schemes may not provide benefits in relation to service after 31 March 2014. The act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The council anticipates to pay £1.396m expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for the scheme members is 17.5 years.

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

37. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2017 .

Local Land Charges

Craven District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. Whilst some of the costs of the claim have been estimated and provided for in the accounts, the actual value of the costs is not known, and could be considerably more than the value allowed in the accounts. This group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

37. Contingent Liabilities continued.....

Municipal Mutual Insurance

The Scheme of Arrangement was enacted in 2012/13. The Council received notification on 13th April 2017 of the outstanding Levy payable at a rate of 25% on Established Scheme Liabilities over £50,000, the impact of which is not material and not included within the accounts. The impact upon the Council as a scheme creditor beyond this is not clear and the consequential impact on future funding for unknown claims incurred but not reported between 1974 and 1992. Whilst the council has considered the financial impact in producing its Statement of Final Accounts there is a risk that the Council's financial liability could increase from this level.

Non Domestic Rates

The Council has made a provision for NDR appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

Planning Appeals

The Council is currently involved in two planning application appeals relating to applications at Elsey Croft and Ings Lane. A hearing date is scheduled for the Elsey Croft application on 8th June 2017, however timescales for the Ings Lane appeal are unknown as this has been recently submitted based on a planning decision in the 2016/17 financial year. It is not possible to accurately quantify the financial liability arising.

Capital Receipts

The Council receives a share of receipts when dwellings included in the LSVT of its housing stock are subsequently sold. It has recently come to light that eligible costs may not have been deducted from the sale proceeds before allocating the Council its share. Negotiations are currently underway to ascertain the refund which the council may have to make.

Staffing Matter

Following a decision at Council undertaken during the 2016/17 financial year, an ongoing staff issue may give rise to a liability against the Council. The potential financial liability arising cannot be accurately quantified.

38. Nature and Extent of Risks Arising From Financial Instruments

The Council'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 Council
- Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to
- Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* and has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Council's treasury team operates under the treasury management policy, annual treasury management strategy and investment strategy approved by the Council.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

38. Nature and Extent of Risks Arising From Financial Instruments continued.....

Credit Risk

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

The authority manages its credit risk by restricting deposits to a maximum of £1m with any counterparty which does not meet a minimum standard of creditworthiness, spreading the investment portfolio as widely as possible, and investing with credit-rated counterparties or those with sufficient asset-backed capital.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £1.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum would be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits, but deposit protection arrangements would limit losses should any arise.

The Authority generally only allows credit for customers when there are standing order or direct debit payment arrangements in place, and deals with the credit risk associated with them by making bad debts provisions within the accounts. Details of the provisions are covered in a separate note.

Collateral – during the reporting period the Council held no collateral as security.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions and the age of the debts.

	Amount at 31 Mar 2017 £'000 (A)	Historical experience of default % (B)	Historical experience adjusted for market conditions at 31 Mar 2017 % (C)	Estimated maximum exposure to default and uncollect- ability 31 Mar 2017 £'000 (A x C)	Estimated maximum exposure default and uncollect- ability 31 Mar 2016 £'000
Deposits with banks and financial institutions	10,000	0	0	0	0
Customers:					
- Government & Local Authorities	720	0	0	0	0
- Other	249	0.6	0.6	1	2
				1	2

No credit limits were exceeded during the reporting period by banks and financial institutions and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits. The amount owed by customers past its due date for payment can be analysed by age as follows:

At 31-Mar-16 £'000		At 31-Mar-17 £'000
6	Up to 1 month	209
206	1-2 months	22
39	2-3 months	5
10	3-6 months	13
-	over 6 months	-
261		249

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

38. Nature and Extent of Risks Arising From Financial Instruments continued

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowing from either the Public Works Loans Board or the money market. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Treasury Management Strategy approved by the Council each year allows flexibility for the treasury team to ensure that resources are available to fund commitments. The risk that the Council is facing, all be it some way off, is that £4.3m of its debt becomes due for repayment in 2057 and potentially will need to be replaced.

The maturity analysis of financial liabilities is as follows:

At 31-Mar-16 £'000		At 31-Mar-17 £'000
-	Less than one year	-
-	Between one and two years	-
-	Between two and five years	500
5,988	More than five years	5,488
5,988		5,988

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

38. Nature and Extent of Risks Arising From Financial Instruments continued

Market Risk

Interest Rate Risk

The authority is exposed to risk in terms of exposure to interest rate movements on its investments and borrowings. The Council's long term borrowing is at fixed rates which, as interest rates have dropped, has increased the fair value or increased the financial penalty which would be incurred should the debt be repaid early. However, as borrowings are carried at amortised cost any changes in fair value have no impact on the Comprehensive Income and Expenditure Statement.

The Council has generally been a net investor and as such its earnings from its deposits form a critical element of income for delivery of services. With interest rates continuing to be low, generating investment income has been particularly challenging and a mix of short term and longer term deposits have been made to enable any increases in interest rates to be maximised.

During times of falling interest rates the Council will look to invest ahead of the falls and for longer periods. However, if borrowing is required then this will either be delayed or kept short. If there is potential for rates to rise then investments are kept short so that advantage can be taken of increased rates.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

At 31-Mar-16 £'000		At 31-Mar-17 £'000
-	Increase in interest payable on variable rate borrowings	-
156	Increase in interest receivable on variable rate investments	185
-	Increase in government grant receivable for financing costs	-
156	Impact on Surplus of Deficit on the Provision of Services	185
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on Other Comprehensive Income & Expenditure	-
(1,260)	Increase/(Decrease) in fair value of fixed rate borrowings (no impact on Consolidated Income and Expenditure Statement)	(1,442)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

This is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The most common financial instruments where capital is at risk are equities and gilts.

The Council does not invest in the equity share market.

The in-house treasury team do not purchase Gilts (Government backed securities) as this is a specialist market.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

39. Provisions

2015/16 £'000	Business Rates	Business Rates £'000	Other £'000	2016/17 TOTAL £'000
435	Balance brought forward at 1 April	824	19	843
408	Increase/(decrease) in provision in year	(126)	25	(101)
843	Balance carried forward at 31 March	698	44	742

Business Rates

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2014.

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

The Council retains a 40% share of net business rates income under the new localised scheme. The amount shown in the Council's Balance Sheet reflects the Council's proportion of the appeals provision as at 31 March 2017.

Local Land Charges

Craven District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £4,140 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £31,330 plus interest and costs. These elements have been settled in the year. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. This element of the provision remains at £19,000.

Restructuring Costs

There is a £25k provision for restructuring costs to meet the liabilities arising from restructures in 2016/17 that will be paid in 2017/18.

40. Changes In Accounting Policies, Accounting Treatment And Presentation

Restatement of Accounts

Under IAS8 Councils are required to disclose changes made to the previous years Statement of Accounts in relation to changes in accounting policy and material prior period adjustments. The following tables explain the differences between the amounts presented in the 2015/16 financial statements and the equivalent amounts presented in the 2016/17 financial statements. None of these changes have affected the general fund balances held by the Council.

Prior Period Adjustments

Prior period adjustments have been made to the Council's 2015/16 published financial statements in relation to the following:

Comprehensive Income and Expenditure Account

Cost of Services have been re-stated from an analysis based on SERCOP to an analysis based on current reporting structures for internal financial reporting. Items previously analysed under SERCOP headings are now shown under the headings of 'Chief Executive/Director of Services', 'Community Department' and 'Resources Department'. There has also been changes to the treatment of certain types of transaction to reflect internal financial reporting, with Depreciation (£1,240k) and year-end Pension costs (£528k) being shown in Note 9 'Other Operating Expenditure'. This adjustment resulted in Cost of Services moving from £6,352k in 2015-16 to £4,585, with Note 9 Other Operating Expenditure moving from £1,172k to £2,940k.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

40. Changes In Accounting Policies, Accounting Treatment And Presentation continued.....

By SeRCOP Service Line	As reported in the CIES 2015/16 £'000	Adjustments £'000	As Restated £'000	By Internal Reporting
Net Movement				
Central Services to the Public	392	(7)	1,649	Chief Executive/Director of Services
Cultural and Related Services	1,394	(626)	1,963	Community Department
Environmental and Regulatory Services	1,826	(281)	973	Resources Department
Planning Services	1,133	7		
Highways and Transport Services	(878)	(95)		
Other Housing Services	772	(47)		
Corporate and Democratic Core	778	(164)		
Non Distributed Costs	935	(554)		
Cost of Services	6,352	(1,767)	4,585	Cost of Services
Other Operating Expenditure	1,172	1,767	2,939	Other Operating Expenditure
Financing and Investment Income & Expenditure	455		455	Financing and Investment Income & Expenditure
Taxation and Non-Specific Grant Income	(8,168)		(8,168)	Taxation and Non-Specific Grant Income
(Surplus) or Deficit on Provision of Services	(189)	-	(189)	(Surplus) or Deficit on Provision of Services
Total Expenditure				
Central Services to the Public	949	(7)	12,136	Chief Executive/Director of Services
Cultural and Related Services	2,782	(744)	7,049	Community Department
Environmental and Regulatory Services	4,318	(347)	2,738	Resources Department
Planning Services	2,041	(13)		
Highways and Transport Services	589	(95)		
Other Housing Services	11,004	(47)		
Corporate and Democratic Core	1,010	(164)		
Non Distributed Costs	997	(608)		
Cost of Services	23,691	(2,025)	21,923	
Total Income				
Central Services to the Public	(557)		(10,487)	Chief Executive/Director of Services
Cultural and Related Services	(1,388)	118	(5,086)	Community Department
Environmental and Regulatory Services	(2,492)	66	(1,766)	Resources Department
Planning Services	(908)	20		
Highways and Transport Services	(1,467)			
Other Housing Services	(10,232)			
Corporate and Democratic Core	(232)			
Non Distributed Costs	(62)	54		
Cost of Services	(17,339)	258	(17,339)	

SECTION 5

SUPPLEMENTARY FINANCIAL STATEMENT

Collection Fund and Notes

THE COLLECTION FUND

The Council is required by the Local Government Finance Act 1988 to maintain a Collection Fund to account for the income from Council Tax, Non-Domestic (Business) Rates and any residual Community Charges. This income finances the net expenditure requirements (demands) of the authorities within the Craven area, including the District Council itself, North Yorkshire County Council (NYCC), Police and Crime Commissioner North Yorkshire (PCCNY), North Yorkshire Fire and Rescue Service (NYFRS) and the Parish Councils.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor or creditor position between the billing authority and each major preceptor to be recognised in the Council's Balance Sheet since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

2015/16 £'000		NDR £'000	2016/17 Council Tax £'000	Total £'000	Notes
	Income				
34,799	Council Tax	-	36,579	36,579	
17,689	Non Domestic Ratepayers	18,301	-	18,301	4
37	Transitional Protection Payments	73	-	73	
52,525	Total Income	18,374	36,579	54,953	
	Expenditure				
33,864	Demands on Collection Fund	-	35,827	35,827	5
475	Payments of previous surplus	-	550	550	
(2,400)	Receipt of previous deficit	(909)	-	(909)	
	Business Rates:				
8812	- Payment to Government	9,247	-	9,247	4
1586	- Payment to NYCC	1,664	-	1,664	4
176	- Payment to NYFRS	185	-	185	4
7050	- Payment to Craven DC	7,398	-	7,398	4
	- Costs of Collection Allowance (to				
121	CDC)	120	-	120	
3	- Interest on Overpayments	-	-	-	
197	Bad and Doubtful Debts - Write Offs	120	79	199	5
(65)	Contribution to Provision for bad and				
(540)	Doubtful Debts	5	9	14	5
1,679	Appeals - Write Offs	(887)	-	(887)	5
	Contribution to Provision for Appeals	571	-	571	5
50,958	Total Expenditure	17,514	36,465	53,979	
(1,567)	(Surplus) / Deficit for the year	(860)	(114)	(974)	
	COLLECTION FUND BALANCE				
2,097	Balance Brought Forward	2,119	(1,589)	530	6
(1,567)	(Surplus) / Deficit for the year	(860)	(114)	(974)	6
530	Balance Carried Forward	1,259	(1,703)	(444)	6

NOTES TO THE COLLECTION FUND

1. General

This account 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 costs of administering collection are accounted for in the General Fund.

The year-end surplus or deficit on the Collection Fund is to be distributed between billing and precepting authorities on the basis of estimates made by 15 January each year of the year-end balance.

2. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands at estimated 1 April 1991 values. Individual charges are calculated by estimating the amount of income required to fund the demands on the collection fund for the forthcoming year and dividing this by the Council Tax base. The numbers of properties making up the tax base are shown in the table below. A number of adjustments are then made to reflect discounts, reliefs and exemptions that apply to properties in each band. The numbers of properties after the above adjustments are then converted into the Band D equivalent using the proportions shown in the table.

Band	Council Tax Setting				
	Total No Of Dwellings	Discounts Exemptions Allowances	Revised No. of Dwellings	Ratio	Band D equivalent dwellings
-A	9	(1)	8	5/9	4.40
A	4,145	(628)	3,517	6/9	2,344.90
B	6,022	(646)	5,376	7/9	4,181.30
C	5,814	(493)	5,321	8/9	4,729.30
D	4,166	(294)	3,872	9/9	3,872.30
E	3,120	(176)	2,944	11/9	3,598.20
F	1,977	(94)	1,883	13/9	2,719.20
G	1,263	(51)	1,212	15/9	2,020.00
H	96	(4)	92	18/9	184.00
Total	26,612	(2,387)	24,225		23,653.60
Net effect of premiums and discounts					(1,828.84)
COUNCIL TAX BASE (Band D Equivalent)					21,824.76

The adjustment for anticipated changes include: successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties, plus the impact of legislation on second homes and empty properties.

The total council tax income in the year, including the income from benefits, is equivalent to the average Band D charge for the year multiplied by the year-end tax base.

3. Council Tax Income

The average Band D Council Tax for a property (£1,583.95 in 2016/17) was set by dividing the total of Precepts and Demands on the Collection Fund by the Council Taxbase shown above. The Council Tax for dwellings in other Valuation Bands is the appropriate Proportion of the Band D tax.

NOTES TO THE COLLECTION FUND

3. Council Tax Income continued.....

The basic amount for a band D property in 2016/17 of £1,583.95 is broken down as follows:

2015/16 £		2016/17 £
152.21	Craven District Council	157.21
1,099.98	North Yorkshire County Council	1,143.86
212.77	Police and Crime Commissioner North Yorkshire	217.00
64.59	North Yorkshire Fire & Rescue Authority	65.88
1,529.55		1,583.95

4. Income from Business Ratepayers

NNDR is organised on a national basis. The Government specifies an amount, 49.7p in 2016/17, (49.3p in 2015/16) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The total non-domestic rateable value at 31st March 2017 was £47.609m (31st March 2016 £47.754m).

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Craven the local share is 40%. The remainder is distributed to preceptors and in the case of Craven these are Central Government (50%), North Yorkshire County Council (9%) and 1% to the North Yorkshire Fire & Rescue Authority.

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £9.247m to Central Government, £1.664m to NYCC, £185k to NYFRS and £7.398m to Craven Council. These sums have been paid in 2015/16 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Craven made an estimated tariff payment from the General Fund in 2016/17 to the value of £5.876m (£5.827 in 2014/15).

The total income from business rate payers collected in 2016/17 was £18.374m (£17.726m in 2015/16). This sum includes £73k (£37k in 2015/16) of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme.

In addition to the top up, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. For Craven the value of safety net figure is £1.247m. The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2016/17.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2017. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision as at 31 March 2017 has been calculated at £1,744k (£2,061k at 31 March 2016).

NOTES TO THE COLLECTION FUND

4. Income from Business Ratepayers continued.....

The amounts collected are analysed below:

2015/16 £'000		2016/17 £'000
23,038	Gross Amount Due	22,855
(4,495)	Charitable Relief etc.	(3,819)
37	Transitional Protection Payments	73
(854)	Other Reliefs: Empty and Part Occupation Relief etc.	(735)
17,726		18,374

5. Demands on the Collection Fund

Monies are paid from the Collection Fund to finance a proportion of expenditure of each of the precepting authorities.

Details of the total payments made are as follows:

2015/16 £'000		2016/17 £'000
3,252	Craven District Council	3,431
23,503	North Yorkshire County Council	24,964
4,546	Police and Crime Commissioner North Yorkshire	4,736
1,380	North Yorkshire Fire & Rescue Authority	1,438
1,183	Parishes	1,258
33,864	Total	35,827

The Council acts as an agent on behalf of the Precepting Bodies for Council Tax and Central Government for Non-Domestic Rates. Provision is made for bad debts based on prior years' experience and current collection rates. The following table shows the movement in the year. The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31st March 2017.

2015/16 £'000		2016/17 £'000
	<u>Council Tax Bad & Doubtful Debts</u>	
67	Write-offs during the year	79
(84)	Contributions to provisions during the year	(88)
(17)	Net (increase)/decrease in provision in year	(9)
(430)	Balance at 1 April	(447)
(447)	Balance at 31 March	(456)
	<u>NNDR Bad & Doubtful Debts</u>	
130	Write-offs during the year	120
(48)	Contributions to provisions during the year	(125)
82	Net (increase)/decrease in provision in year	(5)
(216)	Balance at 1 April	(134)
(134)	Balance at 31 March	(139)
	<u>NNDR Appeals</u>	
540	Write-offs during the year	887
(1,679)	Contributions to provisions during the year	(570)
(1,139)	Net (increase)/decrease in provision in year	317
(922)	Balance at 1 April	(2,061)
(2,061)	Balance at 31 March	(1,744)

NOTES TO THE COLLECTION FUND

6. Distribution of Year-end (Surplus)/Deficit

The year-end surplus or deficit on the Collection Fund is to be shared between billing and precepting authorities on the basis of estimates made on 15 January of the year-end balance. For 2016/17 there was a distribution of £550k surplus on Council Tax based on this calculation and a claw-back of £910k deficit on NNDR.

Council Tax:

There was an in-year surplus of £114k on the Collection Fund in 2016/17, the effect of which was to increase the balance on the Account at 31 March 2017 to £1,703k.

NNDR:

There was an in-year surplus of £860k on the Collection Fund in 2016/17, the effect of which was to reduce the deficit on the Account at 31 March 2017 to £(1,259)k.

The balance at 31 March 2017 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting authorities and the billing authority as follows:

2015/16 Council Tax £'000	2015/16 NNDR £'000		2016/17 Council Tax £'000	2016/17 NNDR £'000
159	(848)	Craven District Council (including parishes)	170	(504)
1,144	(191)	North Yorkshire County Council	1,226	(113)
222	-	Police and Crime Commissioner North Yorkshire	239	-
64	(21)	North Yorkshire Fire & Rescue Authority	68	(12)
	(1,059)	Central Government	-	(630)
1,589	(2,119)	Total	1,703	(1,259)

The overall position between Craven District Council as the Billing Authority and the major preceptors is reflected in the Council's Balance Sheet at 31st March 2017 as required by the 2016/17 Code of Practice on Local Authority Accounting.

SECTION 6

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRAVEN DISTRICT COUNCIL

Opinion on the Council financial statements

We have audited the financial statements of Craven District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Collection Fund and the related notes. 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 2016/17.

This report is made solely to the members of Craven District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Craven District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Section 151 Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Section 151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Narrative Statement for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Respective responsibilities of the Council and the auditor

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

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council'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 are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council 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 criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, Craven District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

Mark Kirkham

For and on behalf of Mazars LLP

Mazars House
Gelderd Road
Gildersome
Leeds

September 2017

SECTION 7

GLOSSARY OF TERMS AND INDEX OF NOTES

GLOSSARY OF TERMS

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

Accounting Policies

Accounting policies are the principles, bases conventions, rules and practices applied by the Council 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 the allocation of support service costs, or specify the estimation basis for accruals where there is uncertainty over the amount.

Accounts

A generic term for statements setting out details of income and expenditure or assets and liabilities, in a structured manner. Accounts may be categorised by the type of transactions they record, e.g. revenue account, capital accounts or by the purpose they serve, e.g. management accounts, final accounts, balance sheet.

Accruals

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

Actuary

A person or firm who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions to keep it solvent.

Administrative Buildings

Buildings that either have a shared use or are not charged directly to a service. The costs relating to all such buildings are usually pooled and then allocated to the users of the buildings on some appropriate basis (usually the floor area occupied by each user).

Agency Services

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

Amortisation

The gradual elimination of the value of an asset through depreciation as a result of usage and age usually applied to intangible assets such as software. Or the payment of a debt over a specified number of years.

Asset

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

Assets Under Construction

This is the value of work on uncompleted non-current assets at the balance sheet date.

Audit

An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.

Balances

Surplus of income over expenditure that may be used to finance expenditure. Balances can be earmarked in the accounts for specific purposes. Those that are not, represent resources set aside for such purpose as general contingencies and cash flow management.

Balance Sheet

This is a statement of the recorded assets, liabilities and other balances of the Council at the end of the accounting period.

Business Improvement District Schemes(BIDS)

BID projects benefit a particular area and are financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in the BID area.

GLOSSARY OF TERMS

Billing Authorities

Those authorities that set the council tax and collect the council tax and non-domestic rates.

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

Capital Expenditure charged to Revenue Account (CERA)

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

Capital Financing

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

Capital Financing Requirement

A prudential indicator in the CIPFA prudential code. It is derived from information in the balance sheet. The indicator generally represents the underlying need to borrow for capital purposes.

Capital Grant

Grant provided for the purpose of capital expenditure on projects.

Capital Programme

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

Capital Receipts

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

Cash Equivalents

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

Cash Flow Statement

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

Central Services to the Public

This brings together those costs relating to services provided to the public by the Council.

Charging Authority

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

CIPFA

Chartered institute of Public Finance and Accountancy. CIPFA is the main professional body for accountants working in public service. It produces guidance in relation to various matters concerning the public sector including financial and governance issues.

Code of Practice on Local Authority Accounting

The Code has been written by CIPFA to assist local government in ensuring that its Statements of Account comply with IFRS and local government accounting regulations.

Collection Fund

A fund administered by Charging Authorities into which is paid council tax and NNDR 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 Council intends to hold in perpetuity that have no determinable useful life and or value, or may have restrictions on their disposal. Examples of such items are cemeteries, crematoria and allotments.

GLOSSARY OF TERMS

Comprehensive Income and Expenditure Account

The income and expenditure account combines the income and expenditure relating to all the Council's functions.

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 Council's control.

Contingent Liability

A possible liability that can be the result of 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 Council'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 of all activities that the Council 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 accounting code of practice does not require these costs to be apportioned to services.

It comprises of two divisions of service Democratic Representation and Management (DRM) and Corporate Management (CM). DRM includes all Members allowances and expenses and the costs associated with all member activities such as advice and servicing meetings of the Council, Executive and Committee Meetings. CM is the statutory management of the Council and includes the costs and activities of the infrastructure that allows services to be provided by the Council or another organisation, and the information that is required for public accountability. Bringing these costs together here excludes them from the total cost of any particular service, which accords with relevant accounting regulations.

Council Tax

A charge on residential property within the Council's area to contribute to financing a proportion of the Council's expenditure.

Creditors

Amounts owed to the Council for work done, goods received or services provided within the accounting period but for which payment was not made at the balance sheet date.

Cultural and Related Services

This service line contains the costs associated with Recreation and Sport, and Open Spaces expenditure

Current Assets

Assets that can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts that will become due during the next accounting period.

Current Service Cost

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Curtailement

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 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 Council for goods and services provided within the accounting period but not received at the balance sheet date.

Deferred Credits

Amounts due to the Council from the sale of non-current assets that are not receivable immediately on sale but will be received in instalments over time. An example is mortgages granted under the council house right to buy scheme.

GLOSSARY OF TERMS

Deferred Discounts & Premiums on Early Repayment of Debt

Amounts due to or from the Council arising from the early repayment of debt.

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 Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation

The measure of the cost or revalued amount of benefits of the non-current 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.

Environmental and Regulatory Services

Includes the expenditure and income to the Council of its refuse collection and recycling service, its commercial waste function and the cleaning of the districts streets. It also includes the work of the Environmental Health team in inspecting food premises, monitoring pollution and water sampling and health and safety. The costs of pest control, the Council's statutory responsibility for closed burial grounds and public conveniences are also included within this heading.

Exceptional Items

Material items which derive from events or transactions which fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

Exchange Transactions

These are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange.

Expected Return in 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.

Fees and Charges

Income arising from the provision of services.

Finance Leases

Finance leases transfer all the risks and reward of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the lessee's Balance Sheet.

Financial Instruments and the Financial Instruments Adjustment Account (FIAA)

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. They refer to both financial assets and financial liabilities and includes both the straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones, such as derivatives and embedded derivatives. The FIAA is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

Financial Reporting Standards (FRSs)

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

Financial Year

The period of time to which a statement of accounts relates. The financial year of the Council runs from 1 April to 31 March.

GLOSSARY OF TERMS

General Fund

The main account of the Council that records the costs of service provision except those shown in the Collection Fund.

Going Concern

The concept that the Council 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 council services either specifically (e.g. disabled facilities improvement grants) or generally (e.g. revenue support grant).

Highways and Transport Services

The expenditure and income included within this heading relates to the Council's provision of off street car parking.

Housing Capital Receipts Pool

Prescribed contributions are made to Housing Capital Receipts Pool in respect of the sale of former Housing Revenue Account assets which includes surplus land and houses under the 'right to buy scheme' by all councils.

Housing - Other Services

The expenditure contained within this heading refers to the strategic housing responsibilities of the Council this service area includes costs and income associated with homelessness, housing benefits, private sector housing grants, and as a housing enabler.

Impairment

A reduction in the value of a fixed asset below its current value on the Council's balance sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Asset

These are non-current assets that cannot be sold, but where there is economic benefit to the council of more than one year. An example is footpaths within some of the council housing developments.

Intangible Non-Current Asset

These are assets which do not have a physical substance, such as 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)

IFRS is the prescribed format for all local authority Statement of Accounts. The Code of Practice gives detailed guidance on how the Council will account for its transactions in the statements and notes explaining the transactions.

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 this criteria should be classified as current assets and are short-term for periods of up to one year.

Leasing

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time. Leases can be either finance leases or operating leases.

Liability

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

Minimum Revenue Provision (MRP)

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

GLOSSARY OF TERMS

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

Movement in Reserves

A statement which shows the movement in the year on the different reserves held by the Council.

National Non-Domestic Rates (NNDR)

An NNDR poundage is set annually by central government and collected by charging authorities, who pay the monies over to the government. The proceeds are then 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 depreciation.

Non-Current Assets

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

Non Distributed Costs

Non Distributed costs are held centrally, and as such are not recharged to particular services, as per relevant accounting regulations. Non Distributed costs include the costs relating to unused facilities, such as unused buildings, and the cost of bringing assets under construction into the balance sheet at fair value. Pension costs charged during the year due to changes in value of the pension fund IAS19 pension costs are also included.

Non-Exchange Transactions

These are transactions that are not exchange transactions e.g. council tax. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Non-Operational Assets

These are non-current assets owned by the Council, but not directly occupied, used or consumed in the delivery of council services. Examples of these types of asset are the bus station, and land awaiting disposal.

Operational Assets

These are non-current assets held and occupied, used or consumed by the Council 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.

Planning Services

Planning services includes the expenditure and income of the Council in the delivery of the Development Control and Planning Policy functions together with Building Control. In addition the Council has a number of industrial units through which it strives to encourage businesses to the district to promote economic growth.

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 county councils, parish councils, police and fire authorities which cannot levy a council tax directly on the public but have the power to precept charging authorities (district councils).

Prior Year 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.

GLOSSARY OF TERMS

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 of either cash or 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 Councils must set as part of their budget process. They are designed to show the affordability of the capital programme and that the Council's borrowing is prudent and sustainable.

Public Works Loans Board (PWLB)

A government agency that lends money to public bodies for capital purposes. Monies are drawn down from the national loans fund and rates of interest are determined by the Treasury. Councils are free to borrow as much as they like from the PWLB provided that it is prudent, affordable, sustainable and within the prudential indicators set at full council.

Realisable Value

The value of an 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 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.

Retirement Benefits

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

Revaluation Reserve

This account contains surpluses and losses arising from the periodic valuation of fixed assets.

Revenue Account

An account which records the Council'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

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in an asset being carried on the Balance Sheet. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and impact on that years Council Tax.

Revenue Support Grant

A general government grant paid to the General fund in support of the Council'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.

S106 Agreements

Where a developer undertakes to provide community benefits e.g. open recreation spaces, a percentage of affordable housing.

Section 151 Officer (S151)

The section S151 officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management and accounting practices meet relevant 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. In Craven the Section 151 Officer is the Chief Financial Officer.

GLOSSARY OF TERMS

Settlement

An irrevocable action that relieves the employer (or defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements can include: a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Service Reporting Code of Practice (SeRCOP)

The system of local authority accounting and reporting has been modernised to meet the changing needs of local government. The SeRCOP provides guidance on the content and presentation of costs and service activities to enable consistency across Local Government. The code has been driven by IFRS.

Soft Loans

Local authorities will sometimes make loans for policy reasons rather than as financial instruments and these loans may be interest free or at rates below prevailing market rates. Where this occurs these loans are referred to as soft loans.

Statement of Recommended Practice (SORP)

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

Statement of Standard Accounting Practice (SSAP's)

Statements prepared by the Accounting Standards Committee. Many of these have been replaced by Financial Reporting Standards (FRSs), but any departure from them must be disclosed in the published accounts.

Inventories

Items of raw materials and stores purchased by the Council 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.

Tangible Non-Current Assets

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

Temporary Borrowing/Investment

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

Unapportionable Central Overheads

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

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Useful Life

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

Vested Rights

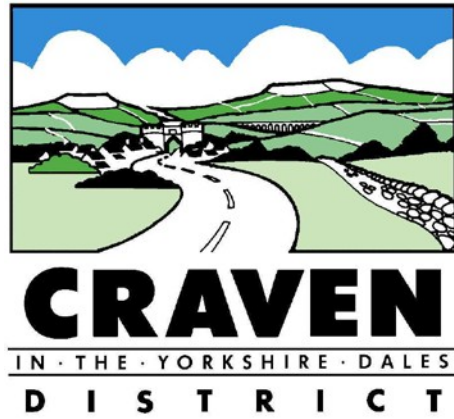
In relation to a defined benefit pension scheme these are for active members, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners, their preserved rights and for pensioners, pensions to which they are entitled.

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.

INDEX OF NOTES

Note	Note No	Page No
Accounting Policies	1	26
Accounting Standards Issued, Not Adopted	2	39
Adjustments between Accounting Basis and Funding Basis under Regulations	7	42
Analysis of Government Grants	31	67
Appointed Auditor Costs	30	67
Assets Held for Sale	19	54
Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	4	40
Capital Expenditure and Sources of Finance	33	70
Cash and Cash Equivalents	18	54
Cash Flow Statement – Financing Activities	25	60
Cash Flow Statement – Investing Activities	24	60
Cash Flow Statement – Operating Activities	23	59
Commitments Under Capital Contracts	12.3	50
Contingent Liabilities	37	76
Critical Judgements in Applying Accounting Policies	3	40
Depreciation	12.1	47
Earmarked Reserves (Revenue)	8	46
Events after the Reporting Period (Balance Sheet Date)	6	41
Expenditure and Funding Analysis and Notes	26	61
Expenditure and Income Analysed by Nature	27	64
Financial Assets and Liabilities	16	53
Financing and Investment Income and Expenditure	10	47
Heritage Assets	13	51
Impairment Losses	35	72
Investment Properties	14	51
Leases	34	71
Material items of Income and Expenditure	5	41
Members' Allowances	28	65
Nature and Extent of Risks Arising from Financial Instruments	38	77
Non-Current Intangible Assets (Property, Plant and Equipment)	15	52
Non-Current Tangible Assets (Property, Plant & Equipment)	12.2	48
Officers' Emoluments	29	65
Other Operating Expenditure	9	47
Pensions	36	72
Provisions	39	81
Related Party Transactions	32	68
Revaluations	12.4	50
Short Term Creditors	20	54
Short Term Debtors	17	54
Taxation and Non-Specific Grant Income	11	47
Usable Reserves	21	54
Unusable Reserves	22	55



ANNUAL GOVERNANCE STATEMENT 2016/17

Annual Governance Statement (AGS)

Scope of Responsibility

Craven District Council 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 Council 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 these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

The Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

A copy of the Local Code can be obtained from the Council's website www.cravencd.gov.uk or by writing to: - Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ.

This Statement demonstrates how Craven District Council has complied with the Code and meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015, which require the Council to prepare an annual governance statement.

The Purpose of the Governance Framework

The Governance Framework comprises the systems, processes cultures and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and, where appropriate, leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Craven District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realised, and to manage them efficiently, effectively and economically.

This statement gives assurances on compliance with Craven District Council's governance framework for the year ending 31 March 2017 and up to the date of approval of the Statement of Accounts for 2016/2017.

Annual Review of Effectiveness

Craven District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

In preparing the Annual Governance Statement for 2016/17, the Council has reviewed the effectiveness of the principles and mechanisms to secure good governance in place as outlined in the Local Code of Governance.

The purpose of the review is to identify and evaluate the key controls in place to manage key risk, and evaluate the assurances received, identify gaps in controls and assurances. Areas of improvement have been identified and are outlined in the Statement.

Review of the governance framework is overseen by the Council's Strategic Finance Manager (s151 Officer) and undertaken by the Corporate Governance Working Group consisting of the Corporate Leadership Team (CLT) and representatives of the service managers that form the Council's Senior Leadership Team (SLT).

The review of effectiveness is informed by the work of the Corporate Leadership Team (CLT) who have responsibility for developing and maintaining the governance environment, the Internal Audit Services Manager's annual report, and also by the comments made by external auditors, and other review agencies and inspectorates.

The outcomes of the review are considered and approved by the Audit and Governance Committee. The Audit and Governance Committee has overall responsibility for ensuring the effective development and operation of corporate governance within the Council and ensuring compliance with best practice.

Issues identified in the 2015/16 Annual Governance Statement and the management actions to reduce the risk have been reported to, either Audit & Governance Committee and or Policy Committee and or Council. These reports where appropriate have also included new issues for consideration.

Specific Assurances

The following specific assurances have been obtained to support this statement:

- **Chief Financial Officer , Section 151 Officer**

In accordance with the CIPFA statement on the role of the Chief Financial Officer, they must provide assurance in a number of governance arrangements including those relating to financial decision making, financial accounting and reporting, internal control, and risk management, in order to protect that financial control is exercised consistently, and that the organisation implements appropriate measures to protect its assets from fraud and loss. These assurances have been considered through the review of our governance arrangements, and it has been established that the Council's arrangements confirm to the CIPFA requirements.

- **Chief Information Officer**

Craven District Council maintains externally verified (annually) compliance with the Governments PSN (Public Services Network) and the Payment Card Industries PCI-DSS (Payment Card Industries – Data Security Standards). Compliance with these standards provides confidence that services used over the technical network will work without problems, gives assurance that our data and our customers data is protected in accordance with our Information Assurance (IA) commitments and ensures that in the event of things going wrong they can be quickly put right. In the case of PCI-DSS it also ensures that adequate controls are in place surrounding the storage, transmission and processing of our customers payment card data that we handle.

- **Audit Services Manager**

The 2016/17 financial year was the second year of a three year shared service arrangement between Craven District Council and Harrogate Borough Council.

The overall opinion of the Council's Internal Audit is that:

“.....Governance: This concerns the combination of protocols, procedures and structures in place to inform, direct, manage and monitor activities towards the achievement of the Council's objectives. The opinion is that generally speaking, adequate and effective arrangements are in place. The Annual Governance Statement sets out those arrangements and I can confirm that these are comprehensive.”

“.....Risk Management: The Council has adequate arrangements in place with risk management being embedded within the Authority. This is based on Internal Audit's experience together with a review of the Risk Management Strategy and risk registers (both corporate and specific (recent examples include, Skipton Town Hall refurbishment, Health and Safety). There is also robust challenge by Members when risk registers are submitted to the Audit and Governance Committee for consideration and approval.” Audit and Governance Committee appointed its Independent Member to be its representative on the Risk Management Group. His remit is to report back to the Committee the scope for improving effectiveness of the Council's arrangements and provide suggestions for areas of focus. However, due to recent changes in approach, risk management is now considered and integrated into the work of the Senior Leadership Team (SLT) replacing the work of the former Risk Management Group, and arrangements need to be put in place to ensure the continued involvement of the Independent Member during 2017/18.

“.....Internal Control: Generally, fundamentally sound systems of internal control are in place. 88% of the opinions issued were either “significant” or “good”. In other areas, progress continues to be made.

- **External Audit**

The external audit of the Council is provided by Mazars. Whilst external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance. The Council believes that a proactive relationship with the Mazars strengthens its governance arrangements. Regular meetings have taken place to cover corporate matters and accounting and internal audit matters.

Conclusions and significant issues arising in 2016/17 are included in their report to those charged with governance. There were no significant issues from the 2015/16 Audit.

- **Local Government Ombudsman**

The Local Government Ombudsman Annual Review letter was reported to the Council's Standards Committee in September 2016. The report considered 8 complaints referred to the Ombudsman in for the year ended 31 March 2016. Of the complaints received, none were upheld. 4 were referred back to the Council for local resolution, 1 was considered incomplete/invalid and 2 were closed after initial enquiries.

The Review letter for the year ended 31 March 2017 is expected in July 2017.

Performance against the Local Code of Corporate Governance

The Council considers that its governance arrangements continue to be regarded as fit for purpose and comply with our Local Code of Corporate Governance which sets out the detail of the Council's Governance Framework.

In undertaking our review of effectiveness we have assessed our performance against the detailed arrangements set out in our Local Code.

The Council has assessed and confirms that arrangements detailed within the Local Code are in place and no significant weaknesses to our governance arrangements have been identified.

However, in doing so we have identified a number of areas for improvement to form part of our Governance Improvement Plan.

It is stressed that no system of control can provide absolute assurance against material mis-statement or loss. This statement is intended to provide reasonable assurance.

We have set on the following pages our assessment of compliance with the arrangements we have in place to meet the governance principles as set out in our Local Code, along with our Governance Improvement Plan.

Principle	
<p>Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <p>Supporting Principles</p> <ul style="list-style-type: none"> • Behaving with integrity • Demonstrating strong commitment to ethical values • Respecting the rule of the law 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some areas for continual improvement.
Commentary	<p>The Council's Constitution is subject to annual review and update. A light touch review is underway and will be presented to Council in August 2017.</p> <p>The Council's Member and Officer Code of Conduct explicitly follow the seven principles of work in public life (Nolan Principles) The Council's Core Values are linked to the same principles and the annual staff award programme also focus on demonstrating the Code Values.</p> <p>However, our review of effectiveness has identified that there is further work do to do develop and embed understanding of those linkages amongst Officers at all levels.</p>
Link to Improvement Actions	1 and 2

<p>Principle B - Ensuring openness and comprehensive stakeholder engagement</p> <p>Supporting Principles</p> <ul style="list-style-type: none"> • Openness • Engaging with individual citizens and service users effectively 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some minor areas of improvement required.
Commentary	<p>We have a range of processes and mechanisms in place to consult with stakeholders. We have had successes in with working with a number groups such as the Friends of Aireville Park in delivering a number of new facilities within Aireville Park, Skipton, through matched funding and fundraising efforts.</p> <p>The Council has signed up to the North Yorkshire Joint Principles for consultation and we have a range of processes and mechanisms in place to consult with stakeholders and citizens. However, we have identified that there is an opportunity to further develop understanding of and embed the North Yorkshire Joint Principles for Consultation across all services, through the work of our Senior Leadership Team.</p> <p>Whilst the Council engages with a number of outside bodies through representation from Craven District Council Members, we have identified an opportunity to improve understanding of this work amongst all Members and Senior Officers through developing Member reporting on this work to Council.</p> <p>The implementation of the new Council website later this year will bring an opportunity to enhance arrangements for members of the public to more easily contact their local Councillor through enhancements to the Contact Your Councillor section of our website.</p>
Link to Improvement Actions	3 and 4

<p>Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits</p> <p>Supporting Principles</p> <ul style="list-style-type: none"> • Defining outcomes • Sustainable economic, social and environmental benefits 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some minor areas of improvement required.
Commentary	<p>The Council's policy making and decision making processes take into account the financial, legal, risk and equality impact of decisions. However, we recognise the need for greater consideration of wider economic, social and environmental impacts in our decision making processes.</p> <p>Implementation of our Customer Access and Digital Strategy is a significant area of current improvement activity to ensure fair access to services. We are currently working to replace the Council's website which will help deliver an enhanced customer access experience and improve access to Council services; this will be relaunched towards the end of the 2017/18 financial year.</p>
Link to Improvement Actions	5 and 6

<p>Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Supporting Principles</p> <ul style="list-style-type: none"> • Determining interventions • Planning interventions • Optimising achievement of intended outcomes 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.
Commentary	<p>We have identified an opportunity to improve our approach to project management to ensure that the range of improvement projects implemented across Council services are done so effectively to maximise outcomes and make best use of resources. This will include a renewed focus on consultation and engagement and risk management, in project implementation</p> <p>We are reviewing and strengthening our approach to procurement to ensure arrangements continue to be fit for purpose, secure value for money, and contribute the achievement of added value (social value) within the community. An updated Procurement Strategy will be agreed during the 2017/18 financial year.</p> <p>The Council agreed a Value for Money Framework detailing the principles and actions for securing value for money in service delivery. This includes benchmarking and regular reviews of services to ensure they remain fit for purpose. The Framework and approach is scheduled for update and review in 2017/18.</p>
Link to Improvement Actions	7, 8 and 9

<p>Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> <p>Supporting Principles</p> <ul style="list-style-type: none"> • Developing the entity's capacity • Developing the capability of the entity's leadership and other individuals 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.
Commentary	<p>We have an agreed induction programme in place for officers, however, we have identified that these arrangements may not have been operating consistently across all services during the last year. We will be undertaking a review to identify gaps and make improvements to our induction process going forward as necessary.</p> <p>We have good arrangements in place through our Performance Development Review (PDR) system to manage the performance and effectiveness of Council officers and identify ongoing development needs. However, we intend to undertake a review of these arrangements to ensure they remain effective and fit for purpose.</p> <p>We have effective arrangements in place to identify and respond to training needs through our annual Training Plan and Member training programmes. However, we have identified training for new Members as an area for further improvement, which requires continual focus due to the Council undertaking elections in thirds.</p>
Link to Improvement Actions	10, 11 and 12

Principle F - Managing risks and performance through robust internal control and strong public financial management

Supporting Principles

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.	
Commentary	<p>We are currently reviewing our corporate approach to risk management to ensure arrangements are fully embedded within the culture of the organisation, are fit for purpose and identified risks effectively addressed. The outcome of the review will be reported to Audit and Governance in June 2017. We will continue to embed and develop this new approach during 2017/18.</p> <p>During 2016/17 Internal Audit undertook work to assess the Council's arrangements in place to protect against the risk of fraud and corruption based on the CIPFA Code of Practice, we are continuing to improve our approach to Anti-Fraud and Corruption through implementation of an action plan approved by Audit & Governance Committee in January 2017.</p> <p>The work of internal audit in local authorities is now governed by the Public Sector Internal Audit Standards (PSIAS). These took effect from April 2013 (revised 1st April 2017) and it is a legal requirement for local authorities to comply with them. The PSIAS state that at least once every five years, local authorities are required to commission a review to see how far their internal audit service meets the Standards. Craven commissioned its external auditors, Mazars LLP, to review its Internal Audit Services during March 2014.</p> <p>Whilst the overall conclusion of the review was that Internal Audit is "substantially compliant", with required standards, it identified a number of areas where there was scope for improvement, the overall governance and assurance arrangements within the Council and the role Internal Audit plays within those arrangements. All actions included in the improvement plan have now been implemented – except for developing an assurance map. Following the introduction of new Audit Software from 1st May 2017, the intention is to undertake this piece of work during 2017/2018.</p>	
Link to Improvement Actions	13, 14, 15 and 16	

Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Supporting Principles

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.
Commentary	<p>The Council is currently developing a number of new partnership to deliver a range of projects. We need to instigate appropriate governance arrangements for these new partnership arrangements; which include the Great Places Partnership with South Lakeland District Council and the Council's Joint Venture Regeneration Partnership, and ensure we embed review of partnership performance within the Council's performance review and monitoring arrangements.</p> <p>We remain committed to publishing a range of data under the Data Transparency Guidelines, however to ensure we continue to meet requirements, we have identified the need to raise awareness of requirements and improve ownership within a number of services impacted upon by staff changes within the last year. There are also opportunities for improvement arising from the implementation of the new website.</p> <p>The Council actively participates in external reviews of its performance and will be participating in a further Peer Review, undertaken by the Local Government Association in September 2017.</p>
Link to Improvement Actions	17, 18 and 19

Governance Improvement Plan

Ref	Action to Improve Governance Arrangements	Link to Principle	CLT Lead/ Lead Officer(s)	Expected Completion
1.	Constitution - Undertake a light touch review of the Constitution	A	Solicitor to the Council and Monitoring Officer	August 2017
2.	Nolan principles - Further develop and embed understanding of the Nolan Principles and the linkages between them and the Council's Officer Code of Conduct and Core Values amongst Officers at all levels throughout the Council	A	Solicitor to the Council and Monitoring Officer /Senior Leadership Team (SLT)	December 2017
3.	Consultation and Engagement – Work to further develop understanding of and embed the North Yorkshire Joint Principles for Consultation across all services	B	Director of Services/ Senior Leadership Team (SLT)	March 2018
4.	Member Engagement - Enhance approaches to Member engagement through improvements to the Contact Your Councillor section of the Council's website and Member reporting on their work with Outside Bodies	B	Solicitor to the Council and Monitoring Officer /Member Services Manager	December 2017
5.	Economic, Social and Environmental Impacts – Improve our approach to ensure greater consideration of wider economic, social and environmental impacts of policy decisions in our decision making processes	C	Corporate Leadership Team (CLT)/ Senior Leadership Team (SLT)	March 2018
6.	Website Engagement - Implement the Council's new website	C	Director of Services/ Chief Information Officer	December 2017
7.	Project management - Improve our approach to project management to ensure that the range of improvement projects implemented across Council services are done so effectively to maximise outcomes and make best use of resources. This will include a renewed focus on consultation and engagement and risk management, in project implementation.	D	Corporate Leadership Team (CLT)/ Senior Leadership Team (SLT)	March 2018
8.	Procurement - Review the procurement to ensure arrangements continue to be fit for purpose, secure value for money, and contribute the achievement of added value (social value) within the community .including publication of an updated Procurement Strategy, improved use of E Tendering, staff training and development, and improved supplier engagement and contract management	D	Strategic Manager Finance/VFM and Improvement Manager	March 2018
9.	Arrangements to secure value for money - Review and update of the Council's Value for Money Framework	D	Strategic Manager Finance / VFM and improvement Manager	March 2018
10.	Officer induction - Review and improve the effectiveness of the Council's approach to Officer Induction	E	Chief Executive/ Senior HR Manager	March 2018

Ref	Action to Improve Governance Arrangements	Link to Principle	CLT Lead/ Lead Officer(s)	Expected Completion
11.	PDR Process - Review and improve the effectiveness of the Council's staff Performance Development Review (PDR) process	E	Chief Executive/Senior HR Manager	March 2018
12.	Member training - Review and improve the Council's approach to training for new Members	E	Chief Executive/ Member Services Manager	March 2018
13.	Risk Management – Implement the revised corporate approach to risk management to ensure arrangements are fully embedded within the culture of the organisation, are fit for purpose and identified risks effectively addressed.	F	Strategic Manager Finance/ Senior Leadership Team (SLT)	March 2018
14.	Counter Fraud and Corruption - Further strengthen Counter Fraud and Corruption Arrangements to drive a strong anti-fraud and corruption culture from a corporate to operational level	F	Strategic Manager Finance/ Senior Leadership Team (SLT)	March 2018
15.	Internal Audit - Undertake an assurance mapping exercise to further integrate the role of Internal Audit within the Council's 'assurance framework '	F	Strategic Manager Finance / Internal Audit Services Manager	August 2017
16.	Data Protection - Implement our action plan to ensure compliance with the requirements of the new General Data Protection Regulations	F	Director of Services/ Chief Information Officer	June 2018
17.	Partnership Governance - Ensure appropriate governance arrangements are instigated for and effectively embedded in Council performance review and monitoring arrangements existing and new partnership arrangements, including the Great Places Partnership with South Lakeland District Council and the Council's Joint Venture Regeneration Scheme	G	Corporate Leadership Team (CLT)/ Senior Leadership Team (SLT)	March 2018
18.	Data Transparency - raise awareness of requirements for data publication under Data Transparency Guidelines, improve ownership across services of services and look to opportunities for improvement to data publication arising from the implementation of the new website.	G	Director of Services/ Chief Information Officer	March 2018
19.	Effective Accountability - Participate in Local Government Association led Peer Review and develop an action plan to respond to improvement recommendations	G	Corporate Leadership Team (CLT)/ Senior Leadership Team (SLT)	Review scheduled- September 2017

We will address the issues identified above to further enhancing our governance arrangements. We are satisfied that these steps will address the need for improvements identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

<p>Signed</p> <p>Councillor C Harbron Chairman of the Audit & Governance Committee</p>	<p>Signed</p> <p>Paul Shevlin Chief Executive</p>
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Statement of Accounts 2016 /17– Explanatory Notes

1. Introduction

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit and Governance Committee for approval. It provides explanations and commentary on the main issues within the accounts to facilitate robust scrutiny and challenge of the accounts prior to approval.
- 1.2 The purpose of the Statement of Accounts is to give the public, councillors, employees, other stakeholders and interested parties clear information about the Council's finances. In summary the accounts should show:
- The cost of the services provided by the Council over the year
 - Where the money came from to pay for these services
 - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2016/17: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4 There are no changes to the accounts as a result of changes in accounting standards introduced in the year.

2. Explanatory Foreword

- 2.1 The purpose of the Explanatory Foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
- The statements included in the accounts.
 - A summary of the Councils revenue income and expenditure for the year and variances against the previous year's figures.
 - A summary of capital expenditure and how this was financed.
 - Changes to accounting policies and practice.
 - Any other significant matters.

3. Statement of Responsibilities for the Statement of Accounts

- 3.1 This statement sets out the various responsibilities for the accounts:
- The Council's responsibilities under local government legislation.
 - The Chief Finance Officer legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Chief Finance Officer (s151).

4. Movement In Reserves Statement

- 4.1 This statement shows the movement in the year on the different reserves held by the Council analysed into “usable reserves” (those that can be applied to fund expenditure or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance for council tax setting purposes.

Description	2015/16 £000's	2016/17 £000's	Variance £000's	Comment
(Surplus) / Deficit on Provision of Services	(189)	(859)	(670)	Net Cost of Service increased by £339k. Offset by £946k increase in Taxation and Non-Specific Grant Income.
Other Comprehensive (Income) & Expenditure	(5,717)	(150)	(5,567)	£3m loss on Remeasurement of Net Defined Benefit/ Liability (Pension liability) due to changes in Actuarial assumptions. £2.5m loss on revaluations of non-current assets.
Balance on Reserves at 31 March	14,031	15,040	1,009	Earmarked reserves increased by £810k, Capital Receipts Reserve increased by £175k. Unusable Reserves increased by £90k due to a £0.5m increase in Pensions Reserve liability, £0.1m decrease in the Revaluation Reserve and a £0.3m reduction in the Collection Fund Adjustment Account.

5. Comprehensive Income and Expenditure Statement

- 5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show 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 (council tax).

- Expenditure and income directly related to the services provided by the Council (Net total £4,924k).
- Expenditure and income not directly attributable to services but to the Council as a whole (When added to the Net Cost of Services above this totals £8,256k).
- Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to (£859k).
- Surplus or deficit on revaluation of Non-Current Assets £661k. (Bringing the overall total of Comprehensive Income and Expenditure to £1,009k).

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year

5.2 When considering this statement Councillors should note the following major variances between 2015/16 and 2016/17:

Description	2015/16 £000's	2016/17 £000's	Variance £000's	Comment
Chief Executive/ Director of Services	1,634	1,823	189	£150k net expenditure on the Tour de Yorkshire and £85k increase in CLT net expenditure offset by a £40k reduction in Communications and Partnerships net expenditure.
Community Department	2,095	2,237	142	£250k increase in Local Development Framework net costs, £450k increase in Recycling net costs offset by reductions in net expenditure on Housing Enabling £200k, New Homes Bonus projects of £170k and Skipton Town Hall of £90k and an increase in net income from Garden Waste of £80k.
Financing and Investment Income & Expenditure	455	873	418	£470k decrease in net income from changes in fair value of Investment Properties, £30k reduction in pension interest costs.
(Surplus) or Deficit on revaluation of	(2,759)	(190)	(2,569)	Reduced levels of upward revaluation of

non-current assets				non-current assets in 2016/17.
Remeasurement of net defined benefit/ liability.	(2,958)	40	(2,998)	Movement in the pension benefit/ liability, due to changes in Actuarial assumptions.

5.3 Councillors will note that the Comprehensive Income and Expenditure of the Council has moved from a surplus of £5.906m at the end of 2015/16 to a surplus of £1.009m at the end of 2016/17 – the variances identified above make up the majority of this movement.

6. **Balance Sheet**

6.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.

6.2 Councillors may wish to note the following explanations for key variances when comparing 2016/17 with 15/16

Description	2015/16 £000's	2016/17 £000's	Variance £000's	Comment
Property Plant & Equipment.	29,300	29,084	(116)	£0.8m expenditure on additions less £0.8m depreciation charge and £0.1m disposals
Short Term Debtors	1,621	1,320	(301)	£0.1m decrease in Central Government Bodies debtors (mostly Business Rates Collection Fund balances) and £0.2m decrease in Other Debtors
Cash and Cash Equivalents	2,082	4,481	2,399	£2.3m increase in short-term deposits. £0.9m increase in Bank Current a/c position.
Short Term Creditors	3,486	4,364	878	£0.2m increase in Central Government Bodies debtors (mostly Business Rates Collection Fund balances), £0.8m increase in Public Sector debtors and £0.1m decrease in Other Debtors

Other Long Term Liabilities	23,439	23,871	432	£0.4m increase in pension's liability (scheme liabilities increased by £7.7m offset by scheme assets increasing by £7.3m).
Usable Reserves	9,731	10,650	919	£810k increase in Earmarked reserves, £175k increase in Capital Receipts Reserve. £66k reduction in the Capital Grants Unapplied Reserve
Unusable Reserves	4,300	4,390	90	£0.5m increase in Pensions Reserve liability, £0.1m decrease in the Revaluation Reserve and a £0.3m reduction in the Collection Fund Adjustment Account.

7. Cash Flow Statement

- 7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.
- 7.2 Councillors may wish to note the following explanations for key variances when comparing 2016/17 with 15/16.

Description	2015/16 £000's	2016/17 £000's	Variance £000's	Comment
Net surplus or (deficit) on the provision of services	189	859	670	See MIRS comment (above)
Investing Activities	(6,333)	(934)	(5,399)	£120k increase in proceeds from sale of PPE. £220k increase in PPE expenditure. £5.5m decrease in short term Investments.

Cash & cash equivalents	2,082	4,481	2,399	See Balance Sheet comments for Cash and Bank Overdraft
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8. Statement of Accounting Policies

8.1 The purpose of the Statement of Accounting Policies is to explain the concepts or rules that have been used in preparing the accounts. The various policies have been chosen by the S151 Officer and Councillors need to satisfy themselves that these policies are reasonable – for example the frequency of asset re-valuations.

9. Explanatory Notes to the Statement of Accounts

9.1 The purpose of these notes, are to provide the reader of the accounts with more information on certain aspects. Accounting guidance determines what the notes are to contain although the Council is free to add additional information if it is felt that this will help interpretation.

Audit & Governance Committee 26th September 2017

Statement of Accounts 2016/17



Report of the Chief Finance Officer (s151 Officer)

Ward(s) affected: All

1. Purpose of Report

1.1 To present the 2016/17 Statement of Accounts.

2. Recommendations

2.1 Members are recommended to receive and approve the Statement of Accounts for 2016/17 (attached at Appendix A).

3. Background Information

3.1 The Accounts and Audit Regulations 2015 require Members approve the Council's audited statutory accounts by 30 September following the financial year-end.

3.2 With effect from 1 April 2015 the draft Statement of Accounts submitted to the auditor only needs to be signed by the Council's Chief Financial Officer by 30 June. For 2016/17 they were signed by the Strategic Manager - Financial Services (s151 Officer).

3.3 The 2016-17 accounts have been produced under the requirements of International Financial Reporting Standards (IFRS) basis.

4. The Report

4.1 In line with changes implemented in the 2015 Accounts and Audit Regulations, the 2016/17 Unaudited Statement of Accounts was approved on the 5th June 2017 by the Strategic Manager - Financial Services (s151 Officer). The Audit and Governance Committee are now recommended to approve the final version as the Auditors - Mazars have completed their audit work.

4.2 The Statement of Accounts represents the culmination of the formal financial

reporting obligation placed upon the Council and the content of the Accounts as presented is largely prescribed by statutory and professional guidance.

- 4.3 The following points highlight the major movements in the Statement of Accounts for 2016/17, compared with 2015/16:
- Net Cost of Services has increased by £0.339m to £4.924m (2015/16: £4.585m restated).
 - There is a Surplus on the Provision of Services of £0.859m (2015/16: £0.189m).
 - Total Reserves have increased by £1.009m to £15.040m (2015/16: £14.031m).
 - The General Fund balance has remained at £995k.
 - Earmarked reserves have increased by £0.81m to £6.596m (2015/16: £5.786m).
- 4.4 It is important that the Council has sound financial, governance and resources management arrangements in place to ensure that resources are available and used to support the Council's priorities, improve services and secure value for money for our tax payers.
- 4.5 Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny".
- 4.6 To assist councillors in this regard, an explanatory paper is attached at Appendix B. The Statement of Accounts also contains an explanatory foreword, which highlights the key issues arising from the financial year 2016/17, and considers these in the context of the council's future financial prospects. Councillors are asked to consider the Statement of Accounts in detail along with the supporting notes, and either raise issues with the Strategic Manager - Financial Services (s151 Officer) prior to the meeting so that a response can be prepared or discuss any such matters as necessary and appropriate at the meeting of the Committee.
- 4.7 The accounts were made available for public inspection from 30th June until 10th August and the auditor was available from 30th June until 10th August to answer queries regarding the accounts. No queries were received by the Council.
- 4.8 The Audit and Governance Committee are now recommended to approve the final version as the Audit Commission have completed their audit work.
- 4.9 The Annual Governance Statement (the draft copy of which was approved by this Committee at its meeting on 20th June 2017) will be added to the published version of the audited statement of accounts.

5. Implications

- 5.1 Financial and Value for Money Implications
None

5.2 Legal implications

It is a statutory requirement for the Council to produce its annual statement of accounts for approval by a relevant committee which for this council is Audit & Governance.

5.3 Contribution to Council Priorities

Financial resilience through appropriate procedures and practices

5.4 Risk Management

None

5.5 Equality Impact Assessment

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

6. Consultations with Others

None

7. Access to Information : Background Documents

Annual statement of accounts 2016/17

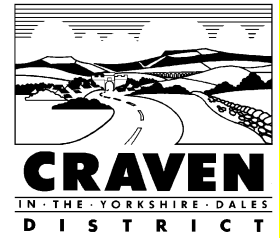
8. Author of the Report

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9. Appendices

Appendix A – 2016/17 Statement of Accounts
Appendix B – Explanatory paper to support the accounts.

Audit and Governance Committee 26 September 2017



Internal Audit – Implementation of Recommendations

Report of the Chief Finance Officer

Ward(s) affected: All

- 1 **Purpose of Report** – To update committee members on Priority 1 internal audit recommendations outstanding and all those completed in the monitoring period.
- 2 **Recommendations** – Members are recommended to:
 - 2.1 Note the contents of Appendix A – Outstanding Priority One Internal Audit Recommendations and consider inviting responsible officers to the next meeting where appropriate.
 - 2.2 Note the contents of Appendix B – Audit Recommendations Completed in the Period and approve the contents of that Appendix. Recommendations will not be archived before this approval is received together with that of the Audit Services Manager, Shared Audit Service.
- 3 **Implications**
 - 3.1 **Financial and Value for Money (vfm) Implications** – as highlighted for individual recommendations in Internal Audit Reports
 - 3.2 **Legal Implications** - none
 - 3.3 **Contribution to Council Priorities** – not applicable
 - 3.4 **Risk Management** – as highlighted for individual recommendations in Internal Audit Reports
 - 3.5 **Equality Analysis** – not applicable
- 4 **Consultations with Others**

Senior Managers/Action Owners
- 5 **Access to Information: Background Documents**

None
- 6 **Author of the Report**

Rebecca Steel, Performance Management Officer
Telephone: 01756 706215
e-mail: rsteel@cravenc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.
- 8 **Appendices** –

Appendix A – Outstanding Priority 1 Internal Audit Recommendations
Appendix B – Audit Recommendations Completed in the Period

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Appendix A – Outstanding Priority 1 Internal Audit Recommendations

Priority 1 Recommendations relate to significant gaps in the Internal Control Framework. Recommendations are included where the original completion date was prior to September 2017.

Source Report	Recommendation Name	Original Target Date	Service Area	Status		Latest Update	Updated by	Date
C6 04 - Bereavement Services - Priority 1	IA 17/18 245 Access levels should be set up on the BACAS system	C6 04 - Jan 2016	Bereavement Services	Green		Proper BACAS access levels are in place following the new Business Development Manager's work with Internal Audit and the VMF & Improvement Manager	HS	14/09/17
C6 08 - Physical Security of ICT Equipment and Data - Priority 1	IA 17/18 263 The security and condition of the Engine Shed Lane archive store should be assessed in terms of its adequacy for data storage and appropriate action taken	C6 08 - Mar 2016	ICT	Amber		Following the report by the Internal Auditor, which questioned the suitability of the Engine Shed Lane storage facility for the Council's archives, a review was conducted which looked at the broader issue of storage of archived documents at the three sites being utilised across the District, including at Engine Shed Lane. The preferred solution is to convert all the documents into digital format, however, following receipt of quotations, to digitise all the documents involved (around 2,000 archive boxes in total), will be expensive. A Business Case has been prepared, looking at the alternatives available - including offsite storage - and which aims to keep costs within current expenditure, and further consultation with managers will be necessary before a solution is recommended. The delay has arisen due to the broadening of the scope to cover all external storage . The chosen solution will be fully in place by the end of this financial year.	DRN	14/09/17

C5 03 - Counter Fraud & Corruption Arrangements - Priority 1	IA 17/18 285 The actions identified in the assessment should be used to form an agreed action plan to address the gaps in current counter fraud and corruption arrangements and drive a strong anti-fraud and corruption culture from a corporate to operational level.	C5 03 - Aug 2016	Financial Management	Green		Action plan agreed. Assessment of progress against the action plan due March 2018. Refreshed Anti-Fraud and Corruption Strategy approved by Audit & Governance Committee June 2017.	NC	06/07/17
C7 02 - Garden Waste Collection - Priority 1	IA 17/18 293 Management should obtain costs for the use of microchip technology to record garden waste collections made per property, for reconciliation to the licence database	C7 02 - Jun 2017	Waste Management	Green		A similar project investigating the costs of chipping commercial waste bins has been undertaken and it was established that this was not currently viable and was unlikely to be so in the near future, even for a much smaller number of bins. When the green waste collection fleet is reviewed this suggestion will be revisited.	WA	13/09/17
C7 01 - Payroll including use of iTrent - Priority 1	IA 17/18 295 Payroll should establish with HR and the service whether an overpayment has been made to employee reference 00850, and investigate the reason why and how this occurred. If the overpayment is valid, the figure should be calculated and recovery promptly initiated with the employee. An audit trail should be present to evidence incremental changes made.	C7 01 - Mar 2017	Financial Management	Red		Overpayment now established and discussed with HR/Service Manager. Final recovery decision to be made by HR and Service Manager. Payroll will then calculate value of overpayment and pursue recovery as directed. Delay in establishing overpayment due to structural changes and agreement between management /discussion with staff member concerned to pursue recovery	CH	12/07/17
C7 01 - Payroll including use of iTrent - Priority 1	IA 17/18 297 The payment error to employee number 230 should be investigated by Payroll with the service to determine whether it is a valid overpayment, and if confirmed then corrected on iTrent.	C7 01 - Mar 2017	Financial Management	Green		Error investigated, corrected and overpayment recovered via payroll	CH	12/07/17

Version No	AGENDA ITEM 8
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C7 08 - National Fraud Initiative (NFI) - Priority 1	IA 17/18 316 Update the fair processing notices on all forms and correspondence on all key systems.	C7 08 - Jul 2017	Financial Management	Amber		Project underway. Work on the Statement of Accounts and 2018/19 budgets has taken priority. Recommendation should now be implemented by the end of October.	JH	14/09/17
C7 04 - Licensing 2016/17 - Priority 1	IA 17/18 321 A Managerial sample check of licences should be implemented	C7 04 - Jul 2017	Licensing	Amber		Temporary event notices are being signed off. A process will be put in place for other licenses when Idox Uniform is in place. Delay is due to late implementation of the new software. New applications will follow the new process from October.	DB	12/09/17
C7 04 - Licensing 2016/17 - Priority 1	IA 17/18 322 Hard copy files containing personal and sensitive information should be appropriately secured	C7 04 - Jul 2017	Licensing	Green		All files are now stored in locked cabinets.	DB	12/09/17
C7 04 - Licensing 2016/17 - Priority 1	IA 17/18 323 Files should be reviewed and any personal and / or sensitive information removed from any historic files no longer required	C7 04 - Jul 2017	Licensing	Amber		Files are being reviewed during transfer onto Uniform. Driver information potentially required in the future will be scanned in and source documents destroyed. This should be completed by the end of January.	DB	12/09/17
C7 04 - Licensing 2016/17 - Priority 1	IA 17/18 333 A reconciliation should be undertaken between the Flare system and Agresso to compare the expected number and value of premises licences annual fees invoiced . The reconciliation should be carried out by an officer independent of the invoicing process.	C7 04 - Jul 2017	Licensing	Green		No licences are issued without proof of payment. Annual fee invoices raised by finance are checked to expected charges from Flare and this exercise will continue once Uniform is implemented.	DB	12/09/17
C7 06 - Pool Income 2016/17 - Priority 1	IA 17/18 337 A reconciliation expected membership payments should be completed by the Pool	C7 06 - Jul 2017	Leisure Services	Amber		DFC inform us of any DD's that have been missed. We are in the process of putting together a reconciliation form for checking against Members listed on Legend.	HS	14/09/17
C7 06 - Pool Income 2016/17 - Priority 1	IA 17/18 338 The Leisure Services Manager should notify Finance of the expected Direct Debit income figure to ensure that it can be reconciled to the bank statement.	C7 06 - Jun 2017	Leisure Services	Red		Once the above is in place this action can be implemented	HS	14/09/17

Appendix B – Audit Recommendations Completed in the Period

Source Report	Recommendation Name	Original Target Date	Service Area	Status		Latest Update	Updated by	Date
C6 04 - Bereavement Services - Priority 3	IA 17/18 236 The business continuity plan should be reviewed, updated and recirculated to staff at the Crematorium	C6 04 - Jun 2016	Bereavement Services	Green		Business Continuity Plan is now complete.	HS	24/07/17
C6 04 - Bereavement Services - Priority 2	IA 17/18 243 The security and condition of the outbuilding should be assessed to determine whether it is adequate to store sensitive cremation forms, and recommendations made for improvement. The assessment should be undertaken with the assistance of the Information Governance Officer.	C6 04 - Jun 2016	Bereavement Services	Green		The new Business Development Officer has been working with the Information Governance Officer and it has been determined that the outbuilding is not suitable for the storage of data. The cost to make the building suitable is unviable and not cost effective against the alternative. There are a number of boxes of data that require a suitable storage solution and these have now formed part of the Information Governance Officer's Council wide project for a data storage solution as the alternative.	HS	24/07/17
C6 04 - Bereavement Services - Priority 1	IA 17/18 245 Access levels should be set up on the BACAS system	C6 04 - Jan 2016	Bereavement Services	Green		Proper BACAS access levels are in place following the new Business Development Manager's work with Internal Audit and the VMF & Improvement Manager	HS	14/09/17

C5 03 - Counter Fraud & Corruption Arrangements - Priority 1	IA 17/18 285 The actions identified in the assessment should be used to form an agreed action plan to address the gaps in current counter fraud and corruption arrangements and drive a strong anti-fraud and corruption culture from a corporate to operational level.	C5 03 - Aug 2016	Financial Management	Green		Action plan agreed. Assessment of progress against the action plan due March 2018. Refreshed Anti-Fraud and Corruption Strategy approved by Audit & Governance Committee June 2017.	NC	06/07/17
C7 03 - Disabled Facilities Grants - Priority 2	IA 17/18 286 Workflow should be amended so that it is the Environmental Services & Housing Manager who authorises invoices on Agresso	C7 03 - Jun 2017	Housing	Green		Completed. Arrangements have been made that the Environmental Health Team Leader within the Agresso workflow authorises invoices for DFG payments	WA	18/07/17
C7 02 - Garden Waste Collection - Priority 1	IA 17/18 293 Management should obtain costs for the use of microchip technology to record garden waste collections made per property, for reconciliation to the licence database	C7 02 - Jun 2017	Waste Management	Green		A similar project investigating the costs of chipping commercial waste bins has been undertaken and it was established that this was not currently viable and was unlikely to be so in the near future, even for a much smaller number of bins. When the green waste collection fleet is reviewed this suggestion will be revisited.	WA	13/09/17

C7 02 - Garden Waste Collection - Priority 2	IA 17/18 294 The effectiveness of the supervision of waste operatives undertaking garden waste collections should be monitored and recorded	C7 02 - Jun 2017	Waste Management	Green		Monitoring and recording of the Garden Waste is being undertaken regularly by the Waste Operations Manager	WA	20/07/17
C7 01 - Payroll including use of iTrent - Priority 1	IA 17/18 297 The payment error to employee number 230 should be investigated by Payroll with the service to determine whether it is a valid overpayment, and if confirmed then corrected on iTrent.	C7 01 - Mar 2017	Financial Management	Green		Error investigated, corrected and overpayment recovered via payroll	CH	12/07/17
C7 05 - Cybercrime - Priority 3	IA 17/18 312 Addresses for the reporting of cyber security incidents and online fraud should be updated in the reporting guidance to take into account the new organisation National Cyber Security Centre and Action Fraud respectively	C7 05 - Aug 2017	ICT	Green		Completed.	DRN	25/07/17
C7 04 - Licensing 2016/17 - Priority 1	IA 17/18 322 Hard copy files containing personal and sensitive information should be appropriately secured	C7 04 - Jul 2017	Licensing	Green		All files are now stored in locked cabinets.	DB	12/09/17

Version No

AGENDA ITEM 8

C7 04 - Licensing 2016/17 - Priority 2	IA 17/18 327 Incomplete system data. Inconsistencies in record keeping	C7 04 - Dec 2017	Licensing	Green		All payment receipts are now scanned into Flare and this will continue following transfer to Uniform.	DB	12/09/17
C7 04 - Licensing 2016/17 - Priority 2	IA 17/18 328 The RV stated on a premises licence application form should be verified with either the Council's Business Rates team or by reference to the Valuation Office Agency's (VOA) website	C7 04 - Dec 2017	Licensing	Green		This has now been fully implemented.	DB	12/09/17
C7 04 - Licensing 2016/17 - Priority 2	IA 17/18 329 Prior to the annual fee invoicing of premises licences, checks should be made with either the Council's Business Rates team or by reference to the Valuation Office Agency's (VOA) website, to ensure that system recorded RVs are correct.	C7 04 - Dec 2017	Licensing	Green		This is now being done.	DB	12/09/17

C7 04 - Licensing 2016/17 - Priority 1	IA 17/18 333 A reconciliation should be undertaken between the Flare system and Agresso to compare the expected number and value of premises licences annual fees invoiced . The reconciliation should be carried out by an officer independent of the invoicing process.	C7 04 - Jul 2017	Licensing	Green		No licences are issued without proof of payment. Annual fee invoices raised by finance are checked to expected charges from Flare and this exercise will continue once Uniform is implemented.	DB	12/09/17
C7 06 - Pool Income 2016/17 - Priority 2	IA 17/18 336 Variances between income expected and received should be reported to Senior Officers in Finance for further investigation.	C7 06 - Jun 2017	Financial Management	Green		The cumulative total at the end of June 2017 was £20. Future discrepancies will be reported if significant, but due to the small amount at the end of the first quarter it is suggested that this recommendation is treated as implemented.	JA	03/08/17

Audit & Governance Committee 26th September 2017

Internal Audit Service: Future Delivery



Report of the Chief Finance Officer

Ward(s) affected: All

1. Purpose of Report

- 1.1 To inform members of the Audit and Governance Committee of the options available to the Council for the delivery of its Internal Audit function from April 2018.

2. Recommendation

- 2.1 That members recommend to Council that; The internal audit shared service provision with the current provider (Harrogate Borough Council) is continued for a further three years from April 2018, with the option to extend for a further two years.

3. Background

- 3.1 It is a statutory requirement for Local Authorities to have an internal audit function. This responsibility lies with the Chief Finance Officer as s151 Officer.
- 3.2 The service is designed to support the Chief Finance Officer and the Audit and Governance Committee to help demonstrate the highest standards of corporate governance, public accountability and transparency in the Council's business.
- 3.3 The current Internal Audit Service has been provided by Harrogate Borough Council since 2012 and it has worked well. The service is provided under a three year shared service/joint working contract arrangement which is due to end on 31 March 2018.
- 3.4 The costs of the current contract are a fixed fee of for 250 days per annum plus expenses. The Council's 2017/18 budget provision is £60,900.
- 3.5 Under the Council's procurement rules, the contract cannot be extended, because this option was not agreed at the time.
- 3.6 The Council must now decide which option it wishes to pursue in order to

ensure that the Council has an internal audit function in place from 1 April 2018. The Council also needs to decide if it wishes for the new contract to be over a 3 year term or include an opportunity for a two year extension.

3.7 Mazars have been the Council's external auditor since 2010, and that contract is due for renewal from April 2018 with assistance from PSAA. The Council has a positive relationship with external audit; a respected internal audit service plays an important part in this.

3.8 Professionally, all audit work must be in accordance with the United Kingdom Public Sector Internal Audit Standards (PSIAS) 2013. The PSIAS apply to all public sector internal audit service providers, whether in-house, shared services or outsourced.

3.9 In addition the Accounts and Audit (England) Regulations 2011 require the Council to maintain an adequate and effective Internal Audit of its records and control systems.

4. **Options**

4.1 The options for procuring the Internal Audit Service are outlined in the table below.

	Option	Positives	Negatives
1	Do nothing		<ul style="list-style-type: none"> • Not an option. The contract expires on 31/03/18 and in line with contract procedure rules a decision needs to be made.
2	Seek to continue to receive an internal audit service from HBC under a shared service / collaboration agreement.	<ul style="list-style-type: none"> • Continuity • Offers a clear audit trail of improved performance in internal control • Good working relationships already established with the Harrogate internal audit team • Flexibility • Continued sharing of knowledge about processes and procedures (both authorities use the same Financial Management System - Agresso Financials) • Resilience • Established understanding of Craven District Council • Aligns with corporate concordat initiative • No requirement to set up new governance arrangements • Positive PSIAS report • Aligns with the general shared services agenda 	<ul style="list-style-type: none"> • Missed opportunity to test the market • External Challenge

	Option	Positives	Negatives
3	Seek other shared service arrangements	<ul style="list-style-type: none"> Aligns with general shared services agenda Opportunity to “test the market” Opportunity for working outside the North Yorkshire area. 	<ul style="list-style-type: none"> Requirement to set up new governance arrangements (see further considerations below) Limited opportunities within North Yorkshire Lack of continuity There would need to be an SLA drawn up and agreed.
4	In house solution	<ul style="list-style-type: none"> Staff dedicated to Craven DC audit work 	<ul style="list-style-type: none"> No in house expertise Difficulty recruiting staff Difficult to fully utilise specialist staff within a small team Possible additional costs
5	Undertake a full tender exercise	<ul style="list-style-type: none"> Enables full test of the potential market 	<ul style="list-style-type: none"> Costs incurred in the procurement exercise - Small volume of service, won't attract economies of scale Lack of continuity

5. Further Considerations

- 5.1 Mazar's Annual Governance Report for 2015/16 indicated that with the comprehensive and detailed, rather than a light touch approach of the work done by the Harrogate Internal Audit Service its systems and processes for internal control are working.
- 5.2 The PSIAS requires that with effect from 1 April 2013 it is a requirement that public sector internal audit is externally assessed every five years. Prior to the current contract this review was undertaken in 2014. The review was comprehensive and the overall conclusion was “*We conclude that the IAS is **substantially compliant** with the requirements of the PSIAS and the CIPFA Application Note*”. Areas for improvement were also identified.
- 5.3 Prior to transferring the service to Harrogate Borough Council in April 2010, the Council used the services of an external provider. The arrangement of a shared service through another local authority appears to have been more appropriate for the council.
- 5.4 Under procurement regulations, if the new contract period for an internal audit service was to span three years, the aggregate cost would be over the EU procurement threshold. Typically EU tenders take at least 6 months to complete.

- 5.5 A shared service / collaboration agreement with another authority such as the one that the Council currently has with Harrogate BC (option (a) below), or option (b) would entail one of the following governance arrangements:
- a) One authority provides a service to another (joint services arrangement) but each authority would be represented on a joint management board. This has worked well. It is advised that such joint management boards fall outside public procurement, but that a Voluntary Transparency Notice would need to be published in the EU journal to publish the proposed arrangements for third parties to lodge objections on the basis that a public tender is necessary. The timescale for objections is short (10 days) and if no objection was lodged within that time, the arrangement cannot be declared invalid.
 - b) Joint Committee Arrangement. Authorities delegate decisions to a joint committee. There is no requirement for public procurement. A Constitution would have to be agreed. There would need to be separate accounts kept. The joint committee would in effect become the joint audit committee of the two authorities - or at least the powers and authority of the joint committee relative to the two audit committees would need to be clear.
- 5.6 In light of the information provided by the PSIAS report from Mazars and the costs involved for procuring a small service, it would appear that the most cost effective solution is to continue with the current method of service delivery from the Council's existing partner – Harrogate BC.
- 5.7 Currently Harrogate are contracted to provide 250 audit days a year. With the improvements to services throughout the current and previous contract it is now felt that the Council is in a position to reduce the number of days for any new contract to 200 days.

6. **Implications**

6.1 **Financial and Value for Money Implications**

Saving in the audit fee due to reduction in days. This cannot be quantified at this stage as costings are currently being reviewed.

6.2 **Legal implications**

The council has a statutory requirement to have an internal audit function.

6.3 **Contribution to Council Priorities**

The Internal Audit Function assists in the delivery of the Council's priorities.

6.4 **Risk Management**

The council has a statutory requirement to have an internal audit function. Reviews assist the Council in managing and mitigating its risks associated with service delivery.

6.5 **Equality Impact Assessment**

The Council's Equality Impact Assessment Procedure **has been** followed. An

Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

7. **Consultations with Others**

None

8. **Access to Information : Background Documents**

None

9. **Author of the Report**

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