AGENDA ITEM NO: 3

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
18 September 2013

From: Director of Resources

Subject: **STATUTORY AUDITOR – REPORT TO THE AUDIT COMMITTEE ON THE 2012/13 AUDIT**

All Wards

1.0 PURPOSE AND BACKGOUND:

1.1 The purpose of this report is to present the Statutory Auditor's report on the 2012/13 Audit. This report should be read alongside the Council's Financial Report which includes the Statement of Accounts for 2012/13 and the Annual Governance Statement which is presented for approval.

1.2 The Audit Commission's statutory code of practice for Local Government Bodies (The Code) requires a report to be issued to those charged with governance, summarising the conclusions reached from their audit work.

1.3 Each year the Council produces its Financial Report which is required to be approved by a statutory auditor appointed by the Audit Commission for this purpose. The auditor's report on the audit of the accounts is attached as Annex 1. A member of Deloitte's will be at the meeting to present the report.

1.4 As part of the annual Audit, the Council is required to write to the Audit Commission confirming the position regarding issues such as compliance with regulations and the accuracy of records etc. This letter, known as the management representation letter, is attached as Annex 2. It is appropriate that the management representation letter be discussed and agreed by those charged with governance and signed on their behalf by the Council's Director of Resources, acting in the capacity of S151 Officer.

1.5 Finally, attached as Annex 3 is the Financial Report for 2012/13. The Accounts and Audit Regulations 2011 now require either Full Council or a Committee to approve the Council's Annual Governance Statement and Statement of Accounts. At Hambleton it is the Audit and Governance Committee that is charged with this responsibility (along with receiving the Auditor's report). The Financial Report has been approved by the Council's Director of Resources and by the Council's statutory auditor, Deloitte.

2.0 RISK ANALYSIS:

2.1 There are no risks associated with approving this report.

3.0 RECOMMENDATIONS:

3.1 It is recommended that the Committee:-

1) accept the attached Report to the Audit and Governance Committee on the 2011/12 Audit, prepared by Deloitte's and attached at Annex 1;

2) approve the signing of the Management Representation Letter at Annex 2 by the Council's Director of Resources, acting in the capacity of S151 Officer; and

3) approve the audited Statement of Accounts for 2012/13 and the Annual Governance Statement at Annex 3.

JUSTIN IVES

Background papers: None

Author ref: JI

Contact: Justin Ives
Director of Resources
Direct Line No: 767022

180913 StatAuditortoAuditCttee re2012-13Audit

Deloitte.

Annex 1

Hambleton District Council

Report to the Audit and Governance Committee on the 2013 Audit

Final Report

September 2013

Deloitte LLP
1 City Square
Leeds LS1 2AL

Tel: +44 (0) 113 243 9021
Fax: +44 (0) 113 244 5580

Audit and Governance Committee
Hambleton District Council
Civic Centre
Stone Cross
Northallerton
North Yorkshire
DL6 2UU

Dear Sirs

We have pleasure in setting out in this document our report to the Audit and Governance Committee of Hambleton District Council ("the Council") for the year ended 31 March 2013, for discussion at the meeting scheduled for 18 September 2013. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2013.

In summary:

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

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

Deloitte LLP

Paul Thomson
Engagement Lead

Contents

Executive Summary

We have pleasure in setting out in this document our report to the Audit and Governance Committee of Hambleton District Council ("the Council") for the year ended 31 March 2013 for discussion at the meeting scheduled for 18 September 2013. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2013. The main audit visit took place during July and we are happy with the way that the audit has progressed. Working papers provided my management were of a good standard.

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

Completion of the audit

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

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

- Receipt of Letter of Representation;
- Receipt of report from Pension Scheme auditors to support the valuation of Pension Scheme Assets;
- Final review and close down procedures;
- Completion of review of disclosure notes;
- Completion of VFM review; and
- Completion of whole of government accounts.

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

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

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

Significant audit risks	Status
We discuss within Section 1 the results of our work in relation to audit risks which have been identified as significant to the financial statements. In summary these are:	
• valuation of non-current assets;	Y
• collection of debt and the adequacy of bad and doubtful debt provisioning;	O
• pension scheme assumptions;	Y
• presumed risk of revenue fraud; and	Y
• presumed risk of management override of controls	Y

Y	Risk appropriately addressed	O	Risk satisfactorily addressed but with unadjusted errors identified	N	Material unresolved matter

Risk management and internal control systems

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

Executive Summary (continued)

Value for money audit – Financial resilience and prioritisation of resources

Under the Audit Commission Code of Audit practice, as appointed auditors, we are required to draw a positive conclusion regarding the organisation's arrangements to secure economy, efficiency and effectiveness of its use of resources (the value for money (VFM) conclusion). We have considered the financial standing of the Council for 2012/13 in respect of our VFM conclusion. We have reviewed the current and on-going expenditure demands, expected grant income and the current cash position of the Council. We have also reviewed the risk assessments for the savings proposals in the 2013/14 budget and arrangements for the on-going management of those risks.

Whilst the Council has coped well with previous government funding cuts, the anticipated future reductions in funding from 2015/16 onwards will be a significant challenge involving difficult decisions around resource prioritisation.

Based on our work we expect to issue an unqualified VFM conclusion.

More details are given in Section 4.

Identified misstatements and disclosure misstatements

Audit materiality was £539,918 (2012: £610,676).

Some immaterial disclosure and presentational adjustments were implemented.

One uncorrected projected misstatement was identified. If adjusted, it would increase the deficit on provision of services and decrease the net asset position by £35,037. This was in relation to the bad debt provision, an area of judgement for management. Management has concluded that the total impact of the uncorrected misstatement is not material in the context of the financial statements taken as a whole.

Details of the uncorrected misstatement and audit adjustments are included in Appendix 2.

Scope of work and audit approach

We perform an assessment of risk which includes considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address the risk of material misstatement.

In respect of income of £557,000, expenditure of £397,000, assets of £726,000 and liabilities of £328,000 we determined that these classes of transactions did not require further audit procedures because our risk assessment taking into account qualitative factors, resulted in us assessing the risk of material misstatement as remote

Significant representations

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

1. Significant audit risks

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

Y Risk appropriately addressed **O** Risk satisfactorily addressed but with unadjusted errors identified **N** Material unresolved matter

Valuation of non-current assets

Y

Background

In the current climate the property market is still volatile and there is the potential for valuations of property and other assets to have fallen.

Deloitte response

We have obtained a copy of the latest third party valuation report and considered whether there is indication of any impairment from the third party valuations and whether any noted impairment should be applied more widely to other assets that have not been valued in the current year. The valuation resulted in a decrease in Property, Plant and Equipment of £3,774,000 and a decrease in investment property of £2,537,000. We reviewed the assumptions and basis of valuation used by the valuer and following our review and discussions with them, we do not consider there to be any wider revaluation issues with the remaining assets. We reviewed the accounting policies in respect of componentisation and heritage assets and consider that these continue to be appropriate.

We noted that in the current year management had completed an extensive review of the fixed asset register. From this review, an in year adjustment reclassifying £1,178,000 of unusable reserves between the revaluation reserve and capital adjustment account was identified. This adjustment did not impact the overall levels of unusable reserves.

The results of our testing were satisfactory.

Collection of debt and the adequacy of bad and doubtful debt provisioning

O

Background

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

Deloitte response

We have documented the processes the Council has in place for reviewing and providing against bad and doubtful debts owed to the Council at the balance sheet date.

Some accounts do not have a bad debt provision against them, such as Local Authority debtors, and Central Government debtors. The following provisions are included in the financial statements:

General Bad Debts	£350,000	50% of Debtors Control balance (2012: 27%)
Council Tax	£55,000	42% of Council Tax Debtors balance (2012: 44%)
Total	£405,000	

We have reviewed the calculation of the year-end provision and considered the adequacy of the provision in the light of available evidence including the aging profile of debtors at the year end and at the time of the audit, the history of bad debt exposure, recent changes in payment profile and post year-end cash receipts against year-end debtor balances.

1. Significant audit risks (continued)

Collection of debt and the adequacy of bad and doubtful debt provisioning (continued)

Deloitte response (continued)	During our testing of housing benefit debtors we found in all instances the debt was provided for in line with the Council's bad debt provisioning policy. However where no payment plan was currently in place and where no payments had been made to the accounts recently, there appeared to be exposure with regards to the unprovided element. The potential exposure identified from our testing was below our clearly trivial reporting threshold. When the error was projected across the housing benefit debtors population to identifiy the potential exposure across the balance, this equated to an immaterial projected underprovision of £35,037. No further issues were identified with the bad debt provisioning, therefore, we can conclude that the bad debt provision is reasonable and not materially understated.

Pension Scheme assumptions

Y

Background	The choice of pension inflation, discount and yield assumptions are both difficult and judgemental. Small and apparently insignificant changes to these key assumptions can have material consequences for the actuarial assessment of the liability included within the financial statements of the Council.
Deloitte response	The liability, as calculated under IAS19, is £24.7m compared to £20.0m in the prior year. The main assumptions changes driving the increase in liability are the increase in life expectancy, reduction in discount rate and reduction in expected return on assets. We have documented the processes the Council has put in place to determine the assumptions and used our in-house pension and actuarial department to review these assumptions for reasonableness based upon prevailing market factors. The assumptions were found to fall within an acceptable range. The results of our testing were satisfactory.

Presumed risk of revenue recognition fraud

Y

Background	International Standards on Auditing (UK and Ireland) 240 – "The auditor's responsibility to consider fraud in an audit of financial statements" requires the auditor to perform certain audit procedures related specifically to fraud risk, and requires a presumption that revenue recognition is a key audit risk. For the Council we consider that the specific revenue recognition risk relates to the non-recognition of cash receipts as income, or their recognition in the wrong accounting period
Deloitte response	We have performed testing by selecting a sample of cash receipts, both before and after the balance sheet date, and confirming that all income received was correctly recognised as income in the financial statements in the appropriate period. In addition, testing of grant income has been performed to ensure that the provisions of the Code of Practice on Local Authority Accounting based on IFRS have been correctly applied. The results of our testing were satisfactory.

1. Significant audit risks (continued)

Presumed risk of management override of controls	
Y	
Background	International Standards on Auditing (UK and Ireland) requires the auditor to perform certain audit procedures to respond to the risk of management's override of controls.
Deloitte response	We have performed the following: • understood and evaluated the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements, and tested the appropriateness of a sample of such entries and adjustments; • reviewed accounting estimates for biases that could result in material misstatement due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management; • retrospectively reviewed management's judgements and assumptions relating to significant estimates reflected in last year's financial statements; and • obtained an understanding of the business rationale of significant transactions that we became aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the organisation and its environmen Following the dissolution of Shared Services at the finance department, we identified that the finance staff from each Council (Richmondshire District Council and Hambleton District Council) were still able to post financial transactions to each other's accounting system, including up to the date of audit testing in August 2013. There is no longer any requirement for staff from either Council to have access to both Council's systems and continued dual access represents a risk of potential fraud or misstatement to both Councils. We informed management of our findings in respect of this and are pleased to report they took immediate action and amended access rights immediately to provide edit rights only to the Council at which the staff are employed. The results of our testing were satisfactory.

2. Risk management and internal control systems

Key controls over significant risks

Y	No issues noted	O	Satisfactory – minor observations only	M	Requires improvement	N	Significant improvement required

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

Presumed risk of revenue recognition fraud		2013	2012
Management Control	Deloitte Response	Y	Y
For each payment received, the council records details of the product/service that the payment relates to and uses this information to determine the period in which the payment should be recorded.	We reviewed the implementation of this control by performing cut-off testing at the year end, tracing receipts from the bank statement to the accounts system to confirm that they have been recorded in the correct period, and reviewing relevant grant agreements.		

Collection of debt and the adequacy of bad and doubtful debt provisioning		2013	2012
Management Control	Deloitte Response	O	Y
The Council calculates the bad debt provision based on the age of debt and hence its deemed recoverability.	We tested the implementation of this control by reviewing the bad debt calculation to ensure the policy had been appropriately implemented and assessed the recoverability of debtors to consider the reasonableness of the policy. Through the course of our testing we had one minor control point to note regarding this. Please see page 9 for further details.		

Pension Scheme assumptions		2013	2012
Management Control	Deloitte Response	Y	Y
Disclosures and key assumptions are prepared by the actuary employed by North Yorkshire Pension Fund and are factored into the Statement of Accounts	We reviewed the implementation of this control by obtaining the IAS 19 report and having our internal experts review the report to assess assumptions used are reasonable. Our internal experts confirmed that the assumptions used by the Actuary were reasonable.		

2. Risk management and internal control systems (continued)

Key controls over significant risks (continued)

Valuation of non-current assets		2013	2012
Management Control	Deloitte Response	Y	Y
The Council engage with an external valuer, Mouchel to perform a valuation on their assets. The assets are valued on a five year rolling basis and reports are provided to Management which then feed into the valuations recorded into the accounts.	We tested the implementation of this control by reviewing the valuation procedures and the work of the external valuer.		

Presumed risk of management override of controls		2013	2012
Management Control	Deloitte Response	Y	Y
All journals are prepared electronically. The journal is signed as authorised for input by the preparer. The journal number and batch number is generated from the system and written on the paper summary sheet. The paper summary sheet is signed as authorised by the reviewer.	We reviewed a sample of journals posted in the year to confirm that they were commercially reasonable, had adequate supporting documentation and were appropriately authorised.		

2. Risk management and internal control systems (continued)

Risk management and control observations

In addition to any recommendations provided in relation to significant audit risks, we also identified one control observation, which is detailed below.

Bad debt provisioning	
Description	It was noted from our bad debt provisioning some instances of underprovision at year end in respect of housing benefit debtors. The housing debtors reviewed were provided for in line with the council's bad debt provisioning policy, however in some instances, as no payments had been made for a significant period of time to these accounts and no payment plan is currently in place, there remained an element of exposure.
Recommendation	We recognise that the recovery of such debts can be a lengthy process, however in order to ensure that the provision is as accurate as possible, we recommend that management undertake a review to identify any signifcantly aged debtor accounts where no payment plan is in place and no payments have been made to the accounts recently. Management should consider the adequacy of the provision in place for these accounts.
Management response	Management recognise that the provision for bad debt is based on judgement and due to the underprovision amount identified in the current year not being material, and therefore will not detract from the reader's understanding of the accounts, no adjustment has been made. A review will be undertaken during 2013/14 to ensure that the provision included in the accounts is adequate.

3. Other matters for communication

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

Independence

We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and the objectivity of the audit engagement partner and audit staff is not compromised.

If the Audit and Governance Committee wishes to discuss matters relating to our independence, we would be happy to arrange this.

Non-audit services

We are not aware of any inconsistencies between APB Ethical Standards and the Council's policy for the supply of non-audit services or of any apparent breach of that policy.

No non-adit servoces were noted in the current of the prior year.

Audit fees

The external audit fees in relation to audit services provided on behalf of the Audit Commission in the period from 1 April 2012 to 31 March 2013 are as follows:

Fees payable for the audit of the annual accounts (excluding Audit Commission rebate and VAT)	£53,438

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

The fees for certification of claims and returns are set at £15,500 and will be monitored closely as the work progresses.

Liaison with Internal Audit

The audit team, following an assessment of the independence and competence of the Internal Audit department, reviewed the findings of Internal Audit to inform the risk assessment and consider the impact on our audit approach as deemed appropriate.

Written representations

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

4. Value for money (VFM) conclusion

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

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

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

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

Delivery of financial targets and the management of reduction in financial resources	
Risk & Response	Following the Government's Comprehensive Spending Review in 2010 and subsequent local government finance settlements each year, the Council is facing financial pressures over the next few years. In addition, the changes encompassed in the suite of new Acts – the Localism Act 2011, the Welfare Reform Act 2012 and the Local Government Finance Act 2012 - will put further strains on the planning and budgeting processes. We have reviewed details of the savings proposals in the 2013/14 budget and arrangements for the on-going management of those risks. We are currently reviewing the documentation in respect of the 2014/15 budget and will consider any issues arising that are relevant to our VFM conclusion. Whilst the Council has coped well with previous government funding cuts, the anticipated future reductions in funding from 2015/16 onwards will be a significant challenge involving difficult decisions around resource prioritisation. We are in the process of considering the effectiveness of arrangements to assess the implications of savings measures and to manage their impact on the delivery of strategic priorities.

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

The VFM conclusion

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

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

For 2012/13, as at the time of writing this report, we are in the process of assessing that the Council for both the financial resilience and the economy, efficiency and effectiveness criteria as having proper arrangements in place. We will update on this verbally at our meeting on 18 September and confirm whether we will be issuing an unqualified conclusion, as is currently anticipated.

5. Annual Governance Statement (AGS)

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

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

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

Our review is directed at:

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

Conclusion

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

6. Responsibility statement

The Audit Commission published a ‘Statement of responsibilities of auditors and of audited bodies’ alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audit bodies by summarising, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do. Responsibility for the adequacy and appropriateness of these methodologies and data rests with the Audit Commission.

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

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

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

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

Deloitte LLP

Chartered Accountants
Leeds
6 September 2013

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

Appendix 1: Briefing on audit matters

Published for those charged with governance

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

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

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

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

Approach and scope of the audit

Primary audit objectives

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

- to express an opinion in true and fair view terms to the members on the financial statements;
- to express an opinion as to whether the accounts have been properly prepared in accordance with the relevant financial reporting framework;
- to express an opinion as to whether the accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 based on International Financial Reporting Standards;
- to form an opinion on whether adequate accounting records have been kept by the Council; and
- to express an opinion as to whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Other reporting objectives

Our reporting objectives are to:

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

Appendix 1: Briefing on audit matters (continued)

Materiality

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

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

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

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

We determine materiality to:

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

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

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

Uncorrected misstatements

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

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

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

Appendix 1: Briefing on audit matters (continued)

Audit methodology

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

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

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

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

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

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

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

Appendix 1: Briefing on audit matters (continued)

Independence policies and procedures

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

Safeguards and procedures

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

Appendix 1: Briefing on audit matters (continued)

Independence policies

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

Amongst other things, these policies:

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

Remuneration and evaluation policies

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

APB Revised Ethical Standards

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

The five standards cover:

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

Our policies and procedures comply with these standards.

Appendix 2: Audit adjustments and uncorrected misstatements

Recorded audit adjustments – corrected misstatments

We report all identified recorded audit adjustments in excess of £26,996. No audit adjustments were identified.

One adjustment was identified by management involving a reclassification between cash and investments. This is detailed within the accounts at Note 45.

A number of other immaterial presentational and disclosure amendments have been made to the financial statements.

Uncorrected misstatement

The following uncorrected misstatement was identified during the course of our audit. We will obtain written representations from the Audit and Governance Committee confirming that after considering this uncorrected item in the context of the financial statements taken as a whole, no adjustments are required.

	Comprehensive income and expenditure statement		Balance sheet
	(Credit)/ charge to deficit on provision of services £	(Credit)/ charge to other comprehensive income £	Increase/ (decrease) in net assets £
Projected misstatements			
Under provision of bad debt provision (projected)	35,037	-	(35,037)
Total uncorrected misstatements relating to current year items	**35,037**	**-**	**(35,037)**

No significant disclosure deficiencies were noted.

Appendix 3: Draft Management Representation letter

We ask that the Committee notes the format of the letter below, and recommends that the s151 Officer can sign the letter on behalf of the Council.

Hambleton District Council – Audit of the annual accounts for the year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Hambleton District Council ("the Council") for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as of 31 March 2013 and the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework.

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

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

Financial statements

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

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

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

4. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in Appendix 2 to the Report to the Audit and Standards Committee on the 2013 Audit.

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

6. The financial statements are free from material misstatement.

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

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

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

Appendix 3: Draft Management Representation letter (continued)

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

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

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

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

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

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

16. No claims in connection with litigation have been or are expected to be received that have not been reflected in the financial statements.

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

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

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

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

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

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

Appendix 3: Draft Management Representation letter (continued)

23. We confirm that:

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

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

25. Our explanatory foreword is consistent with the financial statements as audited.

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

Yours faithfully

____

S151 Officer, signed on behalf of Hambleton District Council

Date __________________________

Annex 2

Deloitte LLP
1 City Square
LEEDS
LS1 2AL

Your Ref:
My Ref: JI/JP
Dealt with by: Dr Justin Ives
Typetalk: 18001 0845 1211 555
18 September 2013

Dear Sirs

Hambleton District Council – Audit of the annual accounts for the year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Hambleton District Council ("the Council") for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as of 31 March 2013 and the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework.

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

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

Financial statements

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

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

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

4. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in Appendix 2 to the Report to the Audit and Standards Committee on the 2013 Audit.

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

cont'd….2

6. The financial statements are free from material misstatement.

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

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

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

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

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

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

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

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

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

16. No claims in connection with litigation have been or are expected to be received that have not been reflected in the financial statements.

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

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

cont'd….3

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

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

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

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

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

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

24. Our explanatory foreword is consistent with the financial statements as audited.

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

Yours faithfully

Dr Justin Ives BA, MA, DBA, FCCA
Director of Resources
Hambleton District Council
justin.ives@hambleton.gov.uk

ANNEX 3

Hambleton District Council

Annual Financial Report

2012/2013

Contents

Page

DRAFT Statement of Accounts

Explanatory Foreword

1. Introduction

The Statement of Accounts shows the Council's financial position as at 31st March 2013. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2012/13', which is based upon International Financial Reporting Standards (IFRS). The 'Code' constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2011 and the Local Government and Housing Act 1989.

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts, and an explanation in overall terms of the Council's financial position. The foreword also includes an explanation of the purpose of each statement and the relationships between each of these statements.

2. Financial Statements

Certain financial statements and accompanying disclosures are required to be prepared under the 'Code' which is set out at pages 1 to 92. They consist of:-

Statement of Responsibilities for the Statement of Accounts
This explains both the Council's and Chief Finance Officer's responsibilities in respect of the Statement of Accounts.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

Comprehensive Income & Expenditure Statement
This statement shows the accounting costs in the year of providing services in accordance with the relevant accounting standards, rather than the cost to be funded from taxation which is shown in the Movement in Reserves Statement.

Balance Sheet
This sets out the financial position of the Council on 31st March 2013. It shows the balances and reserves at the Council's disposal, its long-term indebtedness, the non-current and net current assets employed in its operations and summarised information on the non-current assets held. The net assets held by the Council at the balance sheet date are matched by reserves.

Cash Flow Statement
This summarises the total movement in cash and cash equivalents held by the council during the reporting period.

Notes to the Core Financial Statements
The Notes to the Core Financial Statements have three significant roles, they:

- Present information about the basis of preparation of the Core Financial Statements and the specific accounting policies used.
- Disclose information that is required by the 'Code' that is not presented elsewhere in the Statement of Accounts.
- Disclose information that is not presented elsewhere in the Statement of Accounts but is relevant to the users understanding.

Collection Fund
The Collection Fund is an agent's statement and reflects the Council's responsibility to collect Council Tax and National Non-Domestic Rates on behalf of others. This shows income.

Glossary of Terms
Explaining the meaning of the terms used in the Statement of Accounts.

3. Revenue Expenditure for the Financial Year 2012/2013

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

Revenue Expenditure is generally spent on items which are consumed within the year and is financed from Council Tax, Business Rates, Government Grants, rents and other income. Revenue Expenditure for 2012/2013 is summarised in the Comprehensive Income and Expenditure Statement. This shows the costs of all the Council's services and how the expenditure has been funded.

The Comprehensive Income and Expenditure Statement on page 19 shows gross expenditure on all of the Council's services for 2012/13 is £42,384,569. The following chart shows what the Council's money is spent on.

Chart 2 - What the money is spent on - £42.4m

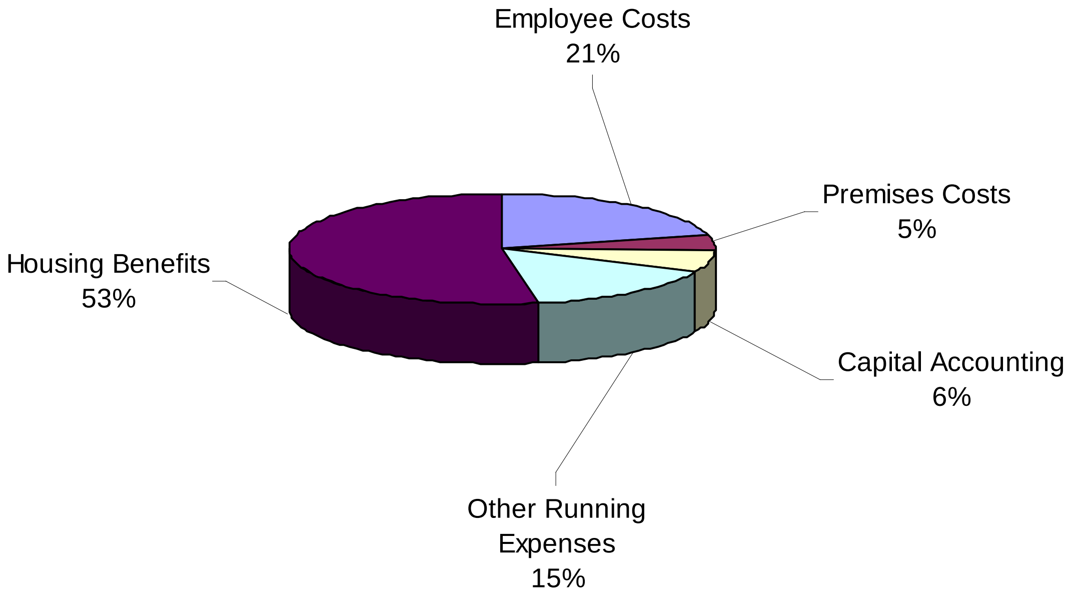


Chart 1 shows that 52.84% (£22.4m) of the Council's expenditure is on Housing and Council Tax Benefit payments and 20.85% (£8.84m) is spent on Employee costs. The remaining spend is made up of 15.23% (£6.46m) on Other Running expenses which include the costs of operating vehicles and purchasing various external supplies and services, 6.36% (£2.7m) relates to capital charges for depreciation of the Council's assets and 4.71% (2.0 m) is spent on maintaining the Council's buildings and leisure facilities.

Revenue Expenditure in 2012/13 Compared to the Agreed Budget

The main components of the 2012/13 budget and how these compare with actual income and expenditure are set out below. The latest approved budget reflects changes made to the Council's budget during the financial year.

	Latest Approved Budget £	Actual £	Difference £
Net Expenditure by Business Theme:			
Corporate Services	1,186,040	1,349,642	163,602
Customer Services	630,270	417,673	(212,597)
Housing & Planning	3,650,080	3,130,868	(519,212)
Leisure & Health	1,095,220	1,220,312	125,092
Resources	904,200	661,809	(242,391)
Internal Drainage Boards	74,620	74,543	(77)
Net Expenditure	**7,540,430**	**6,854,847**	**(685,583)**
Financed by:			
Revenue Support Grant	(164,362)	(161,441)	2,921
Business Rates	(4,150,243)	(4,150,243)	-
Council Tax	(3,254,397)	(3,254,397)	-
	(7,569,002)	**(7,566,081)**	2,921
Funding Surplus Transferred to Reserves	**(28,572)**	**(711,234)**	**(682,662)**

The Business Theme expenditure headings and figures reported above reflect the Council's organisational and management structure. These are not consistent with the Service headings reported within the Comprehensive Income and Expenditure Statement on page 19, which conform to the Service Reporting Code of Practice (SerCOP) requirements.

The original estimated net revenue expenditure budget for 2012/13 which was approved by Council in December 2011 was £7,995,790. Comprehensive and detailed budget monitoring is undertaken throughout the year and is supplemented by quarterly formal budget monitoring reports to the Council's Cabinet. The Quarter 3 budget monitoring report that was presented to Cabinet in March 2013 reduced the net revenue expenditure budget to £7,540,430. The final net revenue expenditure of £6,854,847 represents significant underspend of £682,662 against this revised budget.

The spending, financing and surplus figures reported in the table above are also not the same as those reported in the Comprehensive Income & Expenditure Statement. This is because a number of accounting adjustments that are required to be reflected in the Comprehensive Income & Expenditure Statement. A brief reconciliation of the two sets of figures is as follows:-

	Expenditure £
Expenditure per Council's Accounts (as above)	**6,854,847**
Other required accounting entries reflected in the Comprehensive Income & Expenditure Statement	
- Capital Accounting	4,476,781
- Council Tax Collection Fund Accounting	28,572
- Pensions Accounting	710,000
Less Funding (as above)	(7,566,081)
Deficit on Provision of Services per Comprehensive Income & Expenditure Statement	**4,504,119**

4. Capital Expenditure for the Financial Year 2012/2013

Capital Expenditure is spent on items which have value to the Council or the Community for more than one year and can be financed from borrowing, income realised from the sale of capital assets and revenue contributions or internal funds/reserves.

In 2012/13 the Council spent £1,128,686 (2011/12 £983,471) on capital schemes. An analysis of where the money was spent and the sources of funding is shown in the tables below:-

2011/2012 %	2011/2012 £000's	Capital Expenditure	2012/13 %	2012/13 £000's
25	247	Corporate Services	9	108
23	230	Customer Services	20	222
38	369	Housing and Planning	22	248
14	137	Leisure and Planning	36	404
0	0	Resources	13	147
100	**983**	**Total Capital Expenditure**	**100**	**1,129**

2011/2012 %	2011/2012 £000's	Where the Money Came From	2012/13 %	2012/13 £000's
79	780	Grants & Contributions	34	386
21	203	Capital Receipts	66	743
100	**983**	**Total Capital Expenditure**	**100**	**1,129**

The major schemes over £50,000 where the Council's capital expenditure in 2012/13 occurred were:

- Public lighting replacment
- CCTV control room upgrade
- Northallerton Thurston Road adoption works
- Housing renovations
- Pool tank tiles at Stokesley, Bedale and Thirsk Lesiure Centres
- Combined heat & light power units at Stokesley, Bedale and Thirsk Lesiure Centres
- IT desktops

5. Borrowing

The Council's ability to borrow is governed by the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is able to determine its own programme for capital investment in fixed assets that will assist in the delivery of its services to the people of the Hambleton District subject to that programme being affordable, prudent and sustainable. Throughout 2012/13 the Council remained debt free with no requirement for external borrowing.

6. Employee Benefits and Pension Liabilities

The Council is a member of the North Yorkshire Pension Fund, which is part of the Local Government Pension Scheme. This is a scheme which provides defined benefits based on members' final pensionable salary. In the Council's accounts, a liability for future pension costs is recognised on the Balance Sheet, and pension contributions are shown in the Comprehensive Income and Expenditure Statement. The figures presented in the annual accounts are prepared in accordance with International Accounting Standard 19 (IAS 19) for Employee Benefits. Under IAS 19 the Council is required to disclose the total value of all pension payments that have accumulated (including deferred pensions) at the 31 March each year. This value is made up of:

- The total cost of pensions that are being paid out to former employees who have retired.

- The total sum of the pension entitlements earned to date for current employees.

The standard also requires all investments (assets) of the Pension Fund to be shown at their market value at 31 March each year. In reality, the value of such investments fluctuates on a day-to-day basis but this is ignored for the purpose of the accounting standard. Comparing the value of all future pension payments and the value of investments, as at 31 March, results in either an overall surplus or deficit for the Pension Fund. This is called the IAS 19 surplus or deficit.

The Balance Sheet includes a Pensions Reserve, which shows a net liability to the Pension Fund of £24,656,000 as at 31 March 2013. This effectively means that the Council has historically underpaid contributions relative to the future benefits earned to date by its employees. The net liability increased by £4,622,000 (23.07%) in 2012/2013.

Further information in respect of retirement benefits is disclosed in Note 41 to the Statement of Accounts.

7. Changes to the Accounting Practice

During the 2012/2013 financial year there have been some further changes to the way Local Government accounts are presented. These are to ensure that Local Authorities are presenting their statements in accordance with International Financial Reporting Standards (IFRS). Prior to 1 April 2010, Local Authorities presented their financial statements in accordance with UK GAAP.

8. Changes to Accounting Policies

There have been no changes to Accounting Policies as a result of the implementation of the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom.

9. Review of the Council's Current Financial Position

The Council works within a 10 year financial strategy which sets a level of affordability for the operational budget for annual General Fund revenue expenditure (expenditure funded from Council Tax) and for a 10 year programme of capital expenditure. The financial strategy, revenue budget and capital programme are all reviewed annually. The financial strategy aims to deliver the revenue and capital programmes whilst maintaining and, where possible, increasing the level of the Council's reserves.

At the start of the financial year, 1 April 2012, the Council's revenue reserves stood at £17.411m. By the end of the financial year, 31 March 2013, balances on revenue reserves totalled £17.818m.

The balance sheet position as at 31 March 2013 shows a reduction in the Council's net worth of £11.515m. This is largely due to the changes in the value of the Council's assets and an increase in the pension liability.

10. Shared Services

In early 2012 the Council initiated a review of the shared service arrangements with Richmondshire District Council. This has resulted in the Council appointing its own senior management team. The review process is now complete and all services are either repatriated or operated under a 'service level agreement' with one council providing the service for the other. All shared service arrangements ceased on 31 March 2013.

11. Other Sources of Information

This Statement of Accounts forms one element of the Council's financial reporting to local taxpayers, employees and other interested parties. Further performance information can be found on the Council's website www.hambleton.gov.uk.

12. Inspection and Audit of Accounts

Under the Audit Commission Act 1998 members of the public have the right to inspect the Council's accounts and supporting documents and to question the auditor about, or make objections to, the matters contained in them. The times at which the accounts are deposited for inspection are advertised in the local press. The Council's external auditors are:

Deloitte LLP
1 City Square
Leeds
LS1 2AL

13. Further Information

Further information about the accounts is available from the Director of Resources, Civic Centre, Stone Cross, Northallerton, North Yorkshire, DL6 2UU and on our website www.hambleton.gov.uk.

Dr Justin Ives BA MA DBA FCCA
Director of Resources

Independent Auditor's Report to Members of Hambleton District Council

Opinion on the Authority accounting statements

We have audited the accounting statements and related notes of Hambleton District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Explanatory Notes 1 to 45 to the Core Financial Statements, the Collection Fund Statement and Notes 1 to 4 of the Collection Fund Account. 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 2012/13.

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

<u>Respective responsibilities of the Director of Resources (s151) and auditor</u>

As explained more fully in the Statement of the Director of Resources (s151) Responsibilities, the Director of Resources (s151) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Our responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

<u>Scope of the audit of the financial statements</u>

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

Opinion on accounting statements

In our opinion the accounting statements:

- o give a true and fair view of the state of Hambleton District Council's affairs as at 31 March 2013 and of its expenditure and income for the year then ended; and
- o have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Hambleton District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

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

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

Hambleton District Council
ANNUAL GOVERNANCE STATEMENT 2012 – 2013

Scope of Responsibility

Hambleton 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. Hambleton District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Hambleton District Council has approved and adopted a code of corporate governance. The code has been updated to embrace the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the existing code is on our website at www.hambleton.gov.uk or can be obtained from Customer Services on 0845 1211 555 or by email from customer.services@hambleton.gov.uk. This statement explains how Hambleton District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on its governance and internal control arrangements.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to 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 ongoing process designed to identify and prioritise the risks to the achievement of Hambleton District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Hambleton District Council for the year ended 31 March 2013 and up to the date of the approval of the Statement of Accounts.

Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users:

Hambleton District Council has updated its new Council Plan. In setting the priorities, national, regional and the public's priorities were also taken into account. To cascade this down, performance indicators are arranged under priorities in service plans. From the whole suite of performance indicators, key indicators have been selected as those that best measure achievement of the priorities set in the Council Plan. These key, high level, indicators are monitored by the Chief Officers, through Performance Boards, Service Reviews, and reported to Cabinet on a regular basis.

Senior Management is able to use this information to vire money/resources between service areas to provide additional resources were performance is below an acceptable level. The

Council also uses benchmarking information to compare unit costs; however this information is limited and does not cover all service areas.

The Constitution includes sections defining and documenting the roles and responsibilities of the executive, scrutiny and officer functions with clear delegation arrangements.

The Constitution includes the Code of Member Conduct, a Code for Planning Conduct and an Officer and Member Protocol.

The Audit and Governance Committee considers amendments to the Constitution.

Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities:

The Audit, Governance and Standards Committee's Terms of Reference are reviewed annually to align with those suggested by CIPFA. The Terms of Reference cover a number of areas that include:-

- All aspects of Internal Audit;
- All aspects of External Audit;
- Overseeing the development of risk management;
- Overseeing the production of the Annual Governance Statement;
- Consideration of the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:-

Hambleton District Council achieves this through a number of mechanisms:-

- The Director of Corporate Services has access to all draft Cabinet and Council reports and approves the minutes;
- The Legal Section monitors legal developments and notifies relevant senior officers;
- A protocol for the Monitoring Officer is in place;
- Senior Officers and Members are aware of the availability of the advice on propriety which is available from both the Monitoring Officer and Veritau North Yorkshire Limited (who provided internal audit services in 2012/13);
- The Monitoring Officer, Legal Section, the S151 Officer and Veritau North Yorkshire Limited have good working relations and often cross-refer matters;
- The CIPFA Statement on the role of the Chief Finance Officer (CFO) recommends that the CFO should report directly to the Chief Executive and be a member of the 'Leadership' Team. Furthermore that the AGS should assess the position of the CFO against these criteria and report on a 'comply or explain' basis. The Director of Resources is the Council's designated S151 Officer, is a member of the Senior Management Team and reports directly to the Chief Executive;
- The CFO has unfettered access to information, to the Chief Executive and to Members of the Council. Therefore we consider that there are the processes and procedures in place which provide assurance that the role of the CFO (Director of Resources) in Hambleton District Council meets the Statement's expectations;
- All Directors have completed an Assurance Statement for the 12 months to 31 March 2013; and
- The Chairman of the Council, Leader of the Council (as Chairman of Cabinet) and the Chairmen of the Council's main Committees have each completed an Assurance Statement for the 12 months to 31 March 2013.

This gives assurance as to the soundness of the system of internal controls that is in place.

Training is offered to Members on probity and governance issues. Briefings are given on strategic issues from time to time.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council has developed and adopted a community engagement strategy with other Councils and agencies, which reflects the work of the theme groups and picks up on existing strategies such as the young and older person workstreams.

Embedding risk management in the activity of the Council, giving leadership to the risk management process, and training or equipping of staff to manage risk in a way appropriate to their authority and duties:

Hambleton District Council has a risk management strategy. The Audit, Governance and Standards Committee has assumed responsibility overseeing the Risk Management Strategy and Scrutiny oversee the operational and strategic risk registers.

Members of the Cabinet and the Audit, Governance and Standards Committee, Members, Risk Owners and other selected staff have received specialist training. The Risk Management Guidance Manual is revised annually and the revised version has been issued to Risk Owners.

Risk Management is a standard element of all officer reports to Cabinet and other Member Committees etc. All senior officers are required to implement the Strategy and to further embed risk management within the Council.

A Risk Register has been created, incorporating risks associated with delivery of the Council's Corporate Objectives under each priority Board.

Additionally, the corporate risks are identified and reviewed by the priority theme Performance Boards who in turn report to Cabinet on a quarterly basis.

A Partnership Risk Register was introduced during 2009/10 recognising the growing increase and importance of service delivery through the use of partnership arrangements. Again, risks in this area are reviewed through the Performance Boards.

With the measures mentioned above in place the Council is able to identify, assess and manage the risks to the Council's corporate objectives.

The Council recognises the need to ensure that good governance arrangements and robust controls exist within all partners and other group working. It also recognises the need for comprehensive agreements to be in place for all significant partnerships and that these agreements should clearly identify how the risks of the partnership or working group arrangements will be managed.

Review of Effectiveness

Hambleton District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior officers and managers within the Council who have responsibility for the development and maintenance of the governance environment, Veritau North Yorkshire Limited's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Cabinet and Council:

There is a hierarchy of decision making at Hambleton District Council. Any new draft policies or strategies are developed and then submitted to the Senior Management Team. Once any amendments have been made, the policy/strategy moves on to Cabinet and then on to the full Council.

The Audit, Governance and Standards Committee:

The Audit, Governance and Standards Committee has specific responsibility for monitoring the effectiveness of the Council's Code of Corporate Governance and to ensure that the Council undertakes its duties in an appropriate manner and maintains a high standard of Corporate Governance.

Scrutiny Committees:

The Council has two Scrutiny Committees. Part of their function is to scrutinise Council policies. They do not have a specific role in dealing with Governance.

Internal Audit:

During the year April 2012 to March 2013 the Council's internal audit service was provided by the Veritau North Yorkshire Limited (VNY), which is part of the Veritau group. It operates in accordance with the statements, standards and guidelines published by CIPFA (particularly the 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom) and the Chartered Institute of Internal Auditors.
The Company provides an independent review service, and the work of internal audit is determined using a risk assessment model from which a Strategic Plan and a detailed Annual Internal Audit Plan are developed. The Audit, Governance and Standards Committee considers and approves both the strategic and annual plans and receives regular updates of actual performance against the plan and an Annual Internal Audit report at the year end which will contain an opinion or assurance statement from Internal Audit on the operation of the overall Governance Framework, incorporating the system of internal control.

A requirement under the Accounts and Audit Regulations 2011 is that every local authority undertakes a review of the effectiveness of its system of internal audit annually. Veritau North Yorkshire Limited undertook this review, and presented their report to the Audit, Governance and Standards Committee in March 2013.

Other explicit review/assurance mechanisms:

The Council is also subject to external review. The External Auditor is required to review, and where appropriate, report on the Council's corporate governance arrangements as they relate to:-

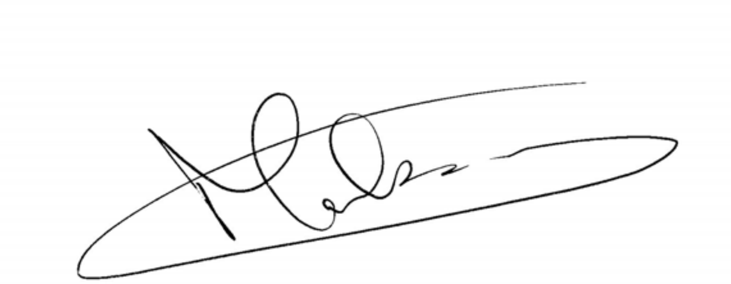
- legality of transactions that might have significant financial consequences;
- financial standing;
- internal financial control, and;
- standards of financial conduct and the prevention and detection of fraud and corruption.

The Chair of the Council, Leader of the Council (as Chair of Cabinet) and the Chairs of the main Committees sign a statement giving an assurance as to the conduct of Council/Committee business being both lawful and in a manner prescribed by the Council's Constitution.

Every Director signs a statement which gives an assurance as to the soundness of the system of internal controls that are in place within their respective areas.

Governance Issues

In 2012 the Council initiated a review of the shared service arrangements with Richmondshire District Council. This has resulted in the Council appointing its own senior management team. This process was concluded in September 2012. During this period the Council took steps to ensure effective governance was maintained.



Signed: --
Councillor Mark Robson
Leader of the Council

Signed: --
Phillip Morton CPFA
Chief Executive

Signed: --
Dr Justin Ives BA MA DBA FCCA
Director of Resources

Statement of Responsibilities for the Statement of Accounts

The Chief Financial Officer's Responsibilities

The Chief Financial 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 of Practice')*

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

Statement by the Chief Financial Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of Hambleton District Council at 31 March 2013 and its income and expenditure for the year then ended.

…………………………………………………………………

Dr Justin Ives BA MA DBA FCCA
Chief Financial Officer
Date: 28 June 2013

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Council, the officer is the Chief Financial Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

I confirm that the Audit and Governance Committee of Hambleton District Council approved the Statement of Accounts at the meeting held on 18 September 2013.

…………………………………………………………………

Chair of Audit and Governance Committee
Date: 18 September 2013

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, 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 Council’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. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2012/2013

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£	£	£	£	£	£	£
Balance at 31 March 2012	**(2,000,000)**	**(15,411,457)**	**(5,190,126)**	**(76,586)**	**(22,678,169)**	**(17,497,194)**	**(40,175,363)**
(Deficit)/Surplus on the provision of services	4,504,119	-	-	-	4,504,119	**-**	**4,504,119**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	7,010,594	**7,010,594**
Total Comprehensive Income and Expenditure	**4,504,119**	**-**	**-**	**-**	**4,504,119**	**7,010,594**	**11,514,713**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(4,910,939)		622,820	-	(4,288,119)	4,288,119	**-**
Net Increase/(decrease) before Transfers to Earmarked Reserves	**(406,820)**		**622,820**	-	**216,000**	**11,298,713**	**11,514,713**
Transfers (to)/from Earmarked Reserves (Note 8)	406,820	(406,820)	-	-	**-**	-	**-**
Increase/(Decrease) in 2012/13	-	**(406,280)**	**622,820**	-	**216,000**	**11,298,713**	**11,514,713**
Balance at 31 March 2013 carried forward	**(2,000,000)**	**(15,818,277)**	**(4,567,306)**	**(76,586)**	**(22,462,169)**	**(6,198,481)**	**(28,660,650)**

2011/2012 Comparative Figures

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£	£	£	£	£	£	£
Balance at 31 March 2011	**(2,000,000)**	**(15,118,359)**	**(5,034,647)**	**(301,651)**	**(22,454,657)**	**(26,308,371)**	**(48,763,028)**
(Deficit)/Surplus on the provision of services	4,993,958	-	-	-	**4,993,958**	-	**4,993,958**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	3,593,707	**3,593,707**
Total Comprehensive Income and Expenditure	**4,993,958**	**-**	**-**	**-**	**4,993,958**	**3,593,707**	**8,587,665**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(5,287,056)	-	(155,479)	225,065	(5,217,470)	5,217,470	**-**
Net Increase/(decrease) before Transfers to Earmarked Reserves	**(293,098)**	**-**	**(155,479)**	**225,065**	**(223,512)**	**8,811,177**	**8,587,665**
Transfers (to)/from Earmarked Reserves (Note 8)	293,098	(293,098)	-	-	**-**	-	**-**
Increase/(Decrease) in 2011/12	**-**	**(293,098)**	**(155,479)**	**225,065**	**(223,512)**	**8,811,177**	**8,587,665**
Balance at 31 March 2012 carried forward	**(2,000,000)**	**(15,411,457)**	**(5,190,126)**	**(76,586)**	**(22,678,169)**	**(17,497,194)**	**(40,175,363)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Council's 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.

2011/2012				2012/2013		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
8,135,364	(6,335,432)	1,799,932	Central Services to the Public	7,342,218	(6,145,271)	1,196,947
4,657,200	(3,225,370)	1,431,830	Cultural and Related Services	6,024,521	(2,984,389)	3,040,132
6,365,871	(1,767,196)	4,598,675	Environmental & Regulatory Services	4,735,849	(1,843,161)	2,892,688
1,882,063	(1,916,397)	(34,334)	Planning Services	2,658,670	(1,771,022)	887,648
1,000,771	(527,204)	473,567	Highways and Transport Services	443,640	(518,248)	(74,608)
17,965,194	(17,703,768)	261,426	Other Housing Services	19,661,478	(18,987,631)	673,847
1,400,042	(2,361)	1,397,681	Corporate and Democratic core	1,585,417	(2,911)	1,582,506
83,588	(3,205)	80,383	Non Distributed Costs	(67,224)	(6,865)	(74,089)
41,490,093	**(31,480,933)**	**10,009,160**	**Net Cost Of Services**	**42,384,569**	**(32,259,498)**	**10,125,071**
1,628,123	(92,936)	1,535,187	Other Operating Expenditure (Note 9)	1,489,851	(214,702)	1,275,149
7,021,751	(4,408073)	2,613,678	Net Financing and Investment Expenditure/(Income) (Note 10)	3,318,290	(452,845)	2,865,445
-	(9,164,067)	(9,164,067)	Taxation and Non-Specific Grant Income (Note 11)	-	(9,761,546)	(9,761,546)
50,139,967	**(45,146,009)**	**4,993,958**	**(Surplus) or Deficit on Provision of Services**	**47,192,710**	**(42,688,591)**	**4,504,119**
		(232,293)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment (Note 25)			3,098,594
		3,826,000	Actuarial (Gains)/Losses on Pension Assets / Liabilities (Note 41)			3,912,000
		3,593,707	**Other Comprehensive Income and Expenditure**			**7,010,594**
		8,587,665	**Total Comprehensive Income and Expenditure**			**11,514,713**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council 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 Council 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'.

31 March 2011 RESTATED (NOTE 45)	31 March 2012 RESTATED (NOTE 45)		Notes	31 March 2013
£	**£**			**£**
26,568,614	24,963,222	Property, Plant & Equipment	12	20,598,239
15,260,145	12,420,092	Investment Property	14	9,900,090
761,997	522,078	Intangible Assets	15	260,670
4,740	5,653	Long Term Investments	36	7,682
63,684	42,093	Long Term Debtors		23,653
42,659,180	**37,953,138**	**Long Term Assets**		**30,790,334**
18,600,000	19,000,000	Short Term Investments	16	17,637,339
62,001	65,488	Inventories	17	50,739
2,061,330	4,038,516	Short Term Debtors	19	3,051,081
3,828,068	3,366,181	Cash and Cash Equivalents	20	5,136,086
480,388	133,899	Assets Held for Sale	21	358,138
25,031,787	**26,604,084**	**Current Assets**		**26,233,383**
(2,568,529)	(4,167,883)	Short Term Creditors	22	(3,582,430)
(471,434)	(179,976)	Other Short Term Liabilities		(119,199)
(3,039,963)	**(4,347,859)**	**Current Liabilities**		**(3,701,629)**
-	-	Long Term Borrowing	16	-
(83,976)	-	Other Long Term Liabilities		(5,438)
(15,804,000)	(20,034,000)	Pension Liability	41	(24,656,000)
(15,887,976)	**(20,034,000)**	**Long Term Liabilities**		**(24,661,438)**
48,763,028	**40,175,363**	**Net Assets**		**28,660,650**
(22,454,657)	(22,678,169)	Usable Reserves	24	(22,462,169)
(26,308,371)	(17,497,194)	Unusable Reserves	25	(6,198,481)
(48,763,028)	**(40,175,363)**	**Total Reserves**		**(28,660,650)**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

2011/2012 RESTATED £		**2012/2013 £**
4,993,958	Net (surplus)/deficit on the provision of services	4,504,119
(4,842,215)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements (Note 26)	(5,198,814)
416,636	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities (Note 27)	505,865
568,379	Net cash (inflows)/outflows from Operating Activities	(188,830)
(81,164)	Investing Activities (Note 28)	(1,351,857)
(25,328)	Financing Activities (Note 29)	(229,218)
461,887	Net (increase)/decrease in cash and cash equivalents	(1,769,905)
(3,828,068)	Cash and cash equivalents at the beginning of the year	(3,366,181)
(3,366,181)	**Cash and cash equivalents at the end of the year (Note 20)**	**(5,136,086)**

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

i) General Principles

The Council is required to prepare an annual Statement of Accounts by the *Account and Audit (England) Regulations 2011,* which those Regulations require to be prepared in accordance with proper accounting practices.

The Statement of Accounts summarise the Council's transactions for the 2012/2013 financial year and its position at the year ending 31 March 2013. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of tangible non-current assets.

ii) Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction
- 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than 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 written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account in the Comprehensive Income and Expenditure Statement, unless they represent capital receipts or capital expenditure.

iii) Cash and Cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv) Exceptional Items

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

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

Prior period adjustments may arise as a result of change in accounting policy 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 has always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi) Charges to the Comprehensive Income and Expenditure Statement for Non-current Assets

Service revenue accounts, support services and trading accounts are debited in the Comprehensive Income and Expenditure Statement 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 the losses 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 amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation therefore replaced by the 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.

vii) Employee Benefits

Benefits Payable During Employment
Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and as far as practicable will be recognised in the year in which the service is rendered by the employees to the Council. An accrual is made for the cost of holiday entitlements (or any

form of leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary and wages rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination Benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accrual basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefit

Employees of the Council are members of the Local Government Pension scheme, administered by North Yorkshire County Council.

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

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 4.2% (based on the indicative rate of return on high quality corporate bond [iBoxx Sterling AA corporate bond]).
- The assets of the North Yorkshire Pension Fund attributable to the Council are included in the balance sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value
- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Other Comprehensive Income and Expenditure.
- Contribution paid to the North Yorkshire Local Government pension fund – cash paid as employer's contributions to the pension fund, 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 in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations between the General Fund and 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 any amounts payable to the fund 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 Scheme.

viii) Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the Balance Sheet date this will be classed as an adjusting event and the Statement of Accounts will be amended to reflect this event. A disclosure will also be made in the Events After Balance Sheet date (note 6).

- 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, a disclosure will be made in the Events After the Balance Sheet Date (note 6) giving the nature of the event and an estimate of the financial effect or statement that an estimate cannot be reliably made.

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

ix) 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 Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate 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 (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement 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 line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where 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 retrospectively deducted from or added to the amortised cost of the new modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

Financial Assets
Financial assets are classified into two types:

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

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

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 Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and

interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to Parish Councils at less than market rates (soft loans). Where material, statutory provisions are required to be made in the accounts. The loans made by Hambleton District Council are not material.

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 Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the 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 Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- instruments with quoted market prices - the market price

- other instruments with fixed and determinable payments - discounted cash flow analysis

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised within the Surplus or Deficit on 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 Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

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 (fixed or determinable payments) 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 Comprehensive Income and Expenditure Statement. 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 the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

Income and Expenditure Statement, 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 (less any impairment losses).

x) Government Grants and Contributions

Whether paid on account, by instalments 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 Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset 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 (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

xi) Community Infrastructure Levy

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

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

The Council’s CIL scheme will not be operational until next financial year and therefore does not impact on these statements.

xii) Heritage Assets

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council’s general policies. When Heritage Assets are disposed of the proceeds of such items are accounted for in accordance with the Council’s general provisions relating to the disposal of property, plant and equipment.

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

xiii) Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset 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 line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have 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 £6,000) the Capital Receipts Reserve.

xiv) Interests in Companies and Other Entities

In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and there is no requirement to prepare group accounts.

xv) Inventories and Long–term Contracts

Stocks, stores and works in progress are valued at average cost, with an allowance made for obsolete items. The effect of this valuation method as opposed to the lower of cost and net realisable value is not material.

xvi) Investment Property

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

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

Rentals received in relation to investment properties are credited to the financing and Investment Income line and result in a gain 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 sales proceeds greater than £6,000) the Capital Receipts Reserve.

xvii) Jointly Controlled Operations and Jointly Controlled Assets

The Council is in partnership with Thirsk & Sowerby Swimming Baths Charity (TSSBC) for the delivery of Leisure Services in Thirsk. This arrangement for the delivery of services is through the use of jointly controlled assets.

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of assets of the venturers rather than the establishment of a separate entity.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Council and other venturers (TSSBC), with the assets being used to obtain benefits for the venturers (TSSBC). The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf in respect of its interest in the venture and income that it earns from the venture.

xviii) Leases

Leases are classed 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 or lessee. All other leases are classified as operating leases.

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

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

The Council as Lessee

<u>Finance Leases</u>

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liablility. Contingent rents are charged as an expense 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 and equipment – applied to write down the lease liability, and
- a finance charge (debited to the financing and Investment Income and Expenditure line in the comprehensive Income and Expenditure Statement).

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

The 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 requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

<u>Operating Leases</u>
Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Comprehensive Income and Expenditure Statement 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, generally meaning that rentals are charged when they become payable.

The Council as Lessor

<u>Finance Leases</u>
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet 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 Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease asset (long-term debtor) 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 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 to the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Lease
Where the Council 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. 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.

xix) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP).* The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Cost:	**Basis of Allocation:**
Central Units	Estimated time spent by staff
Office Buildings	Floor Space Occupied
Information Technology (non staff)	Actual usage
Telephones/Postage/Photocopy	Actual usage

xx) Property, Plant and Equipment

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

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits ore service potential

(e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use at existing use value – EUV or market value – MV

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as minimum every five years.

The freehold and leasehold properties which compromise the Council's property portfolio are valued on a 5 year rolling programme by external independent valuer, Mouchel Consulting Limited (Chartered Surveyors), in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except where:

- not all properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purpose of the valuation
- for all properties of a similar nature, the "beacon" principle was adopted

- IT assets and Vehicle, Plant & Equipment assets are not revalued as almost all of them have an expected life of between 5 and 10 years.

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

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

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

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

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

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 components which should be recognised. This assessment is based on the value of the building and the value of the components. A materiality level has been set below which this additional review will not be done. Only buildings with a value greater than £150,000 will be considered for componentisation. The cost of the component should be at least 20% of the value of the building. Components whose value is under this level will be considered if the circumstances are deemed appropriate. Componentisation will only be done either at the full 5 yearly valuation or when major capital improvements are undertaken.

Revaluation Loss
Assets are assessed at each year-end as to whether there is any indication that an asset may have reduced in market value. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where it is less than the carrying amount of the asset, a revaluation loss is recognised for the shortfall.

When revaluation losses are identified, they are accounted for by:

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

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

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

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

Where impairment losses are identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

Depreciation is calculated on the following bases:

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

- vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer

- infrastructure - straight line allocation over the life of the asset

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

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

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

Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Amounts received in excess of £6,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to Government. 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 from the General Fund Balance in the Movement in Reserves Statement.

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

xxi) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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 probable 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 line in the Comprehensive Income and Expenditure Statement.

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 if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

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

Contingent Assets
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 authority.

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

xxi) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund Balance.
When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line in Comprehensive Income and Expenditure Statement in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. An analysis of the movement on the reserves is shown in Note 8.

Certain reserves are kept to manage the accounting processes for tangible non-current assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

The Council maintains a General Fund Working Balance and also holds reserves earmarked for specific purposes which are detailed in Note 8 of the Notes to the Statement of Accounts. These reserves are deemed to be distributable reserves, which can be utilised to support future expenditure and are known as Usable Reserves.

Non-distributable reserves or Unusable Reserves include the Revaluation Reserve and the Capital Adjustment Account and represent “technical non-cash” reserves which are maintained to manage the accounting processes for non-current assets. The Pension Reserve is a reserve which has been set up to manage the accounting process for retirement benefits and does not represent usable resources for the Council. These reserves do not impact upon the level of local taxation and are not able to be utilised in support of service delivery.

xxiv) 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 Comprehensive Income and Expenditure Statement 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 in the Movement in Reserves Statement so there is no impact on the level of council tax.

xxv) VAT

Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

International Accounting Standard 8 requires entities to disclose the expected impact of new standards that have been issued but not yet adopted. Local Authorities are now required to disclose information relating to the impact of the accounting change. For the financial year 2012/2013 it would mean that any standards issued on or before 1 January 2013 will need to be disclosed.

For 2012/2013 the following accounting policy changes need to be reported:-

IAS 19 Employee Benefits
IAS 1 Presentation of Financial Statements – Other Comprehensive Income
IAS 12 Deferred Tax: Recovery of Underlying Assets
IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities)
IFRS 13 Fair Value Measurement

The impact of the accounting policy changes at 1 April 2013 will require disclosure and the publication of a third balance sheet. This will be produced at the beginning of the earliest comparative period in the 2013/14 financial statements. It should be noted that IFRS 13 Fair Value Measurement will not be introduced into Local Authority accounts in 2013/14, further development work is needed.

Changes to IAS 19 Employee Benefits where there are new classes of components of defined benefit cost to be recognised in the financial statements (ie net interest on the net defined benefit liability (asset) and re-measurements of the net defined benefit liability (asset)) and new definitions or recognition criteria for service costs (eg past service costs) and termination benefits.

The Council's pension actuary – Mercer – has advised that the estimated impact of the IAS19 standard change on the Comprehensive Income & Expenditure Statement is:

Change on the Comprehensive Income & Expenditure Statement	Current IAS 19 Disclosure	Revised IAS 19 Disclosure	Change
	£	£	£
Current Service Cost	1,239,000	1,269,000	30,000
Interest Costs	2,740,000	2,710,000	(30,000)
Expected Return on Asserts	(1,999,000)	(1,764,000)	235,000
Administration Expenses	0	27,000	27,000
	1,980,000	**2,242,000**	**262,000**
Changes to re-measurement of Assets and Liabilities -			
(Gain)/Loss on Assets	3,912,000	(4,122,000)	(8,034,000)
(Gain)/Loss on financial assumptions		7,109,000	7,109,000
(Gain)/Loss on demographic assumptions		663,000	663,000
	3,912,000	**3,650,000**	**(262,000)**

There is no overall change to the pension liability or pension reserve in the Balance Sheet.

Changes to IAS 1 Presentation of Financial Statements require the Council to reclassify gains or losses into Surplus or Deficit on the Provision of Services. The change will require new groupings of the sections of the Comprehensive Income and Expenditure Statement into reclassifiable and non-reclassifiable groupings. This is a presentation issue and will not impact on any of the reported amounts.

Changes to IAS12 Deferred Tax: Recovery of Underlying Assets represents a change to Group Accounts. This Council has no Group Accounts and therefore this is not applicable to the Council's statements.

Changes to IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities) requires information to be provided that will enable users of the financial statements to evaluate the effect, or potential effect, of netting of assets and liabilities. The authority does not net off financial assets and liabilities within its statements and as such the amendment does not apply.

Changes to IFRS 13 Fair Value Measurement introduces a consistent definition for measurements of assets or liabilities held at fair value: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". This is applied when other standards require fair value and this is envisaged to increase the disclosure requirements to be included in the accounts. The applicability of IFRS 13 Fair Value Measurement is still under significant review for Local Authorities and will not be recognised in 2013/14 accounts.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The main critical judgement made in the Statement of Accounts is regarding the high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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.

The items in the Council's Balance Sheet at 31 March 2013, for which there is a significant risk of matter in the forthcoming financial year, are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & 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 Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful life 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 £440,717 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 to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1,237,000. However the assumptions interact in complex ways. During 2012/13, the Council's actuaries advised that the net pensions liability had increased by £3,912,000 as a result of estimates being corrected as a result of experience and decreased by £710,000 attributable to updating of the assumptions.
Arrears	At 31 March 2013, the Council had a balance for sundry debtors of £3,456,380. A review of significant balances suggested that an impairment of doubtful debts of 11.7% (£405,299) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £405,299 to be set aside as an allowance.

5. Material Items of Income and Expense

The Comprehensive Income and Expenditure Statement shows the Authority's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months.

Items that are material would be disclosed on the face of the Comprehensive Income and Expenditure Statement but there were no material items of income or expenditure to report in these statements.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised by the Section 151 Officer and approved by Audit Governance and Standards Committee on 18 September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information on conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2013 as it provides information that is relevant to the understanding of the Authority's financial position but does not change the position at that date:

The change in the legislation relating to government funding of local authorities in 2013/14 means that NNDR (business rate) appeals that occur after 31 March 2013, but relate to 2012/13, could result in increase costs in 2013/14. At this stage it is not possible to estimate the level or amount of NNDR (business rate) appeals, it is not deemed to be material and therefore this has not been included in these financial statements.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

Capital Receipts Reserve
The Capital Receipts Reserve holds 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.

The tables for 2012/13 and comparative year 2011/12 can be seen on the following pages.

2012/13	Usable Reserves			
	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £	Movement in Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for Depreciation and Impairment of non-current assets	(745,694)	-	-	745,694
Revaluation losses on Property Plant and Equipment	(770,284)	-	-	770,284
Movements in the fair value of Investment Properties	(2,537,374)	-	-	2,537,374
Amortisation of Intangible Assets	(310,439)	-	-	310,439
Capital Grants and Contributions applied	385,535	-	-	(385,535)
Revenue Expenditure funded from Capital Under Statute	(382,695)	-	-	382,695
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(205,761)	-	-	205,761
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Capital Expenditure charged against the General Fund Balance	216,870	-	-	(216,870)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily Involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	120,330	(120,330)	-	-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	743,150	-	(743,150)

2012/13	Usable Reserves			
	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £	Movement in Unusable Reserves £
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 41)	(2,167,000)	-	-	2,167,000
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	1,457,000	-	-	(1,457,000)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	28,573	-	-	(28,573)
Adjustment involving the Accumulating Comprehensive Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-
Total Adjustments	**(4,910,939)**	**622,820**	**-**	**4,288,119**

2011/12	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£	£	£	£
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
Charges for Depreciation and Impairment of non-current assets	(1,396,687)	-	-	1,396,687
Revaluation losses on Property Plant and Equipment	(609,659)	-	-	609,659
Movements in the fair value of Investment Properties	(2,391,743)	-	-	2,391,743
Amortisation of Intangible Assets	(314,082)	-	-	314,082
Capital Grants and Contributions applied	780,462	-	-	(780,462)
Revenue Expenditure funded from Capital Under Statue	(550,750)	-	-	550,750
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(984,697)	-	-	984,697
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Capital Expenditure charged against the General Fund Balance	471,434	-	-	(471,434)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(225,065)	-	225,065	-
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 & Expenditure Statement	358,488	(358,488)	-	-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	203,009	-	(203,009)

2011/12	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£	£	£	£
Adjustments involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 41)	(404,000)	-	-	404,000
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	-	-	-	-
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which Council Tax income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(20,757)	-	-	20,757
Adjustment involving the Accumulating Comprehensive Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-
Total Adjustments	**(5,287,056)**	**(155,479)**	**225,065**	**5,217,470**

8. Transfers To/(From) Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/2013.

	Balance at 1 April 2011	Transfers Out 2011/2012	Transfers In 2011/2012	Balance at 31 March 2012	Transfers Out 2012/2013	Transfers In 2012/2013	Balance at 31 March 2013
	£	£	£	£	£	£	£
Council Taxpayers Reserve	**8,820,096**	(656,614)	145,488	**8,308,970**	-	137,957	**8,446,927**
Community Safety Partnership	**108,399**	(5,268)	-	**103,131**	(31,632)	-	**71,499**
Local Plan Reserve	**42,895**	(34,519)	-	**8,376**	(8,376)	-	**-**
Hambleton Strategic Partnership Reserve	**8,000**	-	-	**8,000**	-	-	**8,000**
Strategic Forum Reserve	**-**	-	-	**-**	-	11,974	**11,974**
New Homes Bonus	**-**	-	315,221	**315,221**	(96,997)	525,660	**743,884**
Grants Fund	**529,146**	(63,739)	-	**465,407**	(52,832)	-	**412,575**
Cyclical Reserve	**1,097,712**	(68,496)	-	**1,029,216**	(1,029,216)	-	**-**
Service Improvement Reserve	**2,679,337**	(2,458,371)	1,445,186	**1,666,152**	(1,903,317)	237,165	**-**
Revenue Efficiency Reserve	**419,440**	-	-	**419,440**	(419,440)	-	**-**
Shared Service Efficiency Reserve	**548,156**	-	674,210	**1,222,366**	(1,222,366)	-	**-**
One Off Fund	**-**	-	-	**-**	(2,000,000)	4,258,240	**2,258,240**
Capital Fund	**865,178**	-	1,000,000	**1,865,178**	-	2,000,000	**3,865,178**
Total Earmarked Reserves	**15,118,359**	**-3,287,007**	**3,580,105**	**15,411,457**	**-6,764,176**	**7,170,996**	**15,818,277**
General Fund	**2,000,000**	293,098	(293,098)	**2,000,000**	406,820	(406,820)	**2,000,000**
Capital Grants Unapplied	**301,651**	(225,065)	-	**76,586**	-	-	**76,586**
General Capital Receipts	**5,034,647**	(203,009)	358,488	**5,190,126**	(622,820)	-	**4,567,306**
Total General Fund	**22,454,657**	**(3,421,983)**	**3,645,495**	**22,678,169**	**(6,980,176)**	**6,764,176**	**22,462,169**

The purposes of the above reserves are as follows:

General Fund – The General Fund is the statutory fund into which all the receipts of an authority are required to paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. 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.

Council Taxpayers Reserve – To support Council Tax levels and revenue spending.

Community Safety Partnership – To receive surpluses and deficits from the Community Safety Partnership Accounts.

Local Plan Reserve – To assist in the funding of a continuous programme of Local Plan preparation and review.

Hambleton Strategic Partnership Reserve – To receive surpluses and deficits from the Hambleton Strategic Partnership Accounts.

Strategic Forum Reserve – To assist in the funding of a continuous Strategic Forum programme.

New Homes Bonus – To receive Government grants from the New Homes Bonus fund to be spent for the benefit of the residents of Hambleton in accordance with the Council's New Homes Bonus Scheme.

Grants Fund – To fund revenue grants to organisations on an annual basis.

Cyclical Reserve – To receive annual contributions from the revenue account to enable the financing of cyclical events.

Service Improvement Reserve – To improve or sustain service delivery.

Revenue Efficiency Reserve – To receive cashable efficiency savings to support the Council's budget.

Shared Service Efficiency Reserve – To receive cashable efficiency savings from shared service arrangements to support the Council's budget.

One Off Fund - To improve or sustain service delivery.

Capital Fund – To provide revenue support to assist funding of the Capital Programme.

Capital Grants Unapplied – Holds grants and contribution to be used for a capital purpose which is restricted by the grant terms as to the capital expenditure against which it can be used and/or the financial year in which this can take place.

General Capital Receipts – Holds the proceeds of assets, which can only to be used to fund capital expenditure. The balance shows the resources still available for future years.

9. Other Operating Expenditure

2011/12 £	Other Operating Expenditure	2012/13 £
1,137,669	Parish Council Precepts	1,209,547
72,446	Drainage Board Levies	74,543
(92,935)	(Surplus)/Deficit from Trading Activities	(94,372)
418,007	(Gains)/Losses on the disposal of Non-Current Assets	85,431
1,535,187	**Total**	**1,275,149**

10. Financing and Investment Income and Expenditure

2011/12 £	Finance and Investment Income and Expenditure	2012/13 £
79,736	Interest Payable and Similar Charges	39,916
531,000	Pensions Interest Cost & Expected Return on Pensions Assets	741,000
(446,285)	Interest Receivable and Similar Income	(452,845)
2,449,227	Income & Expenditure in relation to Investment Properties and Changes in their Fair Value	2,537,374
2,613,678	**Total**	**2,865,445**

11. Taxation and Non Specific Grant Income

2011/12 £	Taxation and Non Specific Grant Income	2012/13 £
(4,375,548)	Council Tax Income	(4,463,944)
(3,596,143)	Non Domestic Rates	(4,150,243)
(1,192,376)	Non-Ringfenced Grants	(1,026,433)
-	Capital Grants and Contributions	(120,926)
(9,164,067)	**Total**	**(9,761,546)**

12. Property, Plant and Equipment

Movement in 2012/13	Other Land and Buildings £	Vehicles, Plant Furniture & Equipment £	Infrastructure Assets £	Community Assets £	Total £
Cost or Valuation					
at 1 April 2012	24,441,747	7,529,208	3,110,053	22,353	35,103,361
Additions	246,468	270,089	163,032	-	679,589
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(1,868,997)	-	-	-	(1,868,997)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on Provision of Services	(1,882,956)	-	(50,321)	28,397	(1,904,880)
Derecognition – Disposals	(188,000)	(50,793)	-	-	(238,793)
Assets reclassified (to)/from Held for Sale	(337,000)	-	-	-	(337,000)
At 31 March 2013	20,411,262	7,748,504	3,222,764	50,750	31,433,280
Accumulated Depreciation and Impairment					
At 1 April 2012	(3,176,389)	(5,731,670)	(1,231,708)	(372)	(10,140,139)
Depreciation Charge	(439,967)	(611,851)	(100,967)	(750)	(1,153,535)
Depreciation Written out in the Surplus/Deficit on the provision of Services	395,644		-	-	395,644
Derecognition – Disposals	-	50,793	-	-	50,793
Other movement in Cost or Valuation	12,333	-	-	(137)	12,196
At 31 March 2013	(3,208,379)	(6,292,728)	(1,332,675)	(1,259)	(10,835,041)
Net Book Value					
At 31 March 2012	**21,265,358**	**1,797,538**	**1,878,345**	**21,981**	**24,963,222**
At 31 March 2013	**17,202,883**	**1,455,776**	**1,890,089**	**49,491**	**20,598,239**

Comparative Movement in 2011/12	Other Land and Buildings £	Vehicles, Plant Furniture & Equipment £	Infrastructure Assets £	Community Assets £	Total £
Cost or Valuation					
at 1 April 2011	24,934,926	7,362,818	3,014,988	22,353	35,335,085
Additions	70,786	183,622	95,065	-	349,473
Revaluation Increases/(Decreases) recognised In the Revaluation Reserve	232,294	-	-	-	232,294
Revaluation Increases/(Decreases) recognised In the Surplus/Deficit on the provision of Services	(609,659)	-	-	-	(609,659)
Derecognition – Disposals	(186,600)	(17,232)	-	-	(203,832)
Assets reclassified (to)/from Held for Sale					-
At 31 March 2012	24,441,747	7,529,208	3,110,053	22,353	35,103,361
Accumulated Depreciation and Impairment					
at 1 April 2011	(2,768,578)	(4,867,140)	(1,131,013)	260	(8,766,471)
Depreciation Charge	(413,598)	(881,762)	(100,695)	(632)	(1,396,687)
Depreciation Written out in the Surplus/Deficit on the provision of Services	5,787	17,232	-		23,019
Other movement in Cost or Valuation	-	-	-	-	-
At 31 March 2012	(3,176,389)	(5,731,670)	(1,231,708)	(372)	(10,140,139)
Net Book Value					
At 31 March 2011	**22,166,348**	**2,495,678**	**1,883,975**	**22,613**	**26,568,614**
At 31 March 2012	**21,265,358**	**1,797,538**	**1,878,345**	**21,981**	**24,963,222**

Depreciation
Assets are depreciated on the opening asset value, on a straight line basis over the expected life of asset. The following useful lives have been used in the calculation of depreciation:

- Other Land and Buildings – 40-60 years
- Components – 15-30 years
- Community Assets – 40 years
- Vehicles, Plant Furniture & Equipment – 5-10 years
- Infrastructure – 25 - 40 years

Effects of Changes in Estimates
In 2012/13, the Council changed the accounting estimate methodology for calculating depreciation. Depreciation across all asset categories is calculated on a straight line basis using the gross book value and the expected asset life. As a result, the depreciation charge on average is slightly higher than it would have been calculated under the previous methodology. This change is a more effective measure of calculating depreciation across the Council's asset portfolio and the impact of this change will be carried forward and used in future years.

Capital Commitments
At 31 March 2013 (and 31 March 2012) the Council had no significant capital commitments outstanding, where significant means outstanding commitments over £250,000.

Revaluations
The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Property valuations are carried out by the Council's external valuer's Mouchel Consulting Ltd. 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 Institution of Chartered Surveyors.

13. Heritage Assets

Hambleton District Council held no assets that fall under the Heritage Asset category for the either 2012/13 or 2011/2012 financial year.

14. Investment Properties

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement.

2011/12 £	Investment Properties	2012/13 £
624,996	Rental Income from Investment Property	657,910
(474,286)	Direct Operating Expenses from Investment Property	(446,733)
150,710	**Net Gain**	**211,177**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or undertake repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

2011/12 £	Investment Properties	2012/13 £
15,260,145	**Balance at 1 April**	12,420,092
9,084	Additions - Purchases	17,372
(457,394)	Disposals	-
(2,391,743)	Net Gains/(losses) from Fair Value Adjustments	(2,537,374)
12,420,092	**Balance at 31 March**	**9,900,090**

15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets category includes both purchased licenses and internally generated software but the Council has no internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 5 to 10 years. The majority of the intangible assets have a useful life of 5 years and are amortised on a straight line basis.

2011/12 £	Intangible Assets	2012/13 £
	Balance at 1 April	
2,281,941	Gross Carrying Amounts	2,356,104
(1,519,944)	Accumulated Amortisation	(1,834,026)
761,997	**Net Carrying Amounts at 1 April**	**522,078**
74,163	Additions - Purchases	49,031
(314,082)	Amortisation for the Year	(310,439)
522,078	**Balance at 31 March**	**260,670**

Comprising:

2,356,104	Gross Carrying Amounts	2,405,134
(1,834,026)	Accumulated Amortisation	(2,144,464)
522,078	**Balance at 31 March**	**260,670**

There are no intangible assets that are individually material to the financial statements.

16. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

2010/2011 RESTATED Long Term £	2010/2011 RESTATED Short Term £	2011/2012 RESTATED Long Term £	2011/2012 RESTATED Short Term £	Category of Financial Instruments	2012/2013 Long Term £	2012/2013 Short Term £
				Investments		
-	18,600,000	-	19,000,000	Loans and receivables	-	17,637,339
				Debtors		
63,684	2,061,330	42,093	4,038,516	Financial assets carried at contract amount	23,653	3,051,081
				Borrowings		
-	-	-	-	Financial liabilities at amortised cost	-	-
				Creditors		
-	(2,568,529)	-	(4,167,883)	Financial liabilities carried at contract amount	(5,438)	(3,582,430)

Income, Expenses, Gains and Losses

Total interest income for financial assets that are not at fair value through profit or loss.

	2011/2012 Financial Liabilities Measured at Amortised Cost £	2011/2012 Financial Assets: Loans and Receivables £	2011/2012 Financial Assets: Available-For-Sale-Assets £	2011/2012 Total £	2012/2013 Financial Liabilities Measured at Amortised Cost £	2012/2013 Financial Assets: Loans and Receivables £	2012/2013 Financial Assets: Available-For-Sale-Assets £	2012/2013 Total £
Interest Expense	-	-	-	**-**	-	-	-	**-**
Total Expense in the Surplus or Deficit on the Provision of Services	-	-	-	**-**	-	-	-	**-**
Gains on Derecognition	-	(445,418)	-	**(445,418)**	-	(437,957)	-	**(437,957)**
Total income in the Surplus or Deficit on the Provision of Services	-	(445,418)	-	**(445,418)**	-	(437,957)	-	**(437,957)**
Net Gain/(Loss) for the Year	**-**	**(445,418)**	-	**(445,418)**	**-**	**(437,957)**	-	**(437,957)**

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and long-term creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2013 of 0.355% to 0.488% for loans receivable based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be at the invoiced amount or at the billed amount

The fair values calculated are as follows:

Fair Value of Financial Assets and Long Term Debtors	2012/2013 Carrying Amount £	Fair Value £
Loans and receivables	17,637,339	17,692,442
Long term debtors	23,653	23,653
Long-term creditors	(5,438)	(5,438)

The fair value of the assets – Loans and receivables - is higher than the carrying amount because the Council’s portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2013) attributable to the commitment to receive interest above current market rates.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

17. Inventories

Inventories	Central Stocks		Herriot Visitor Centre		Operational Services		Leisure Facilities		Total	
	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £
Balance outstanding at 1 April	**17,266**	**17,661**	**16,169**	**16,169**	**9,025**	**16,529**	**19,541**	**15,129**	**62,001**	**65,488**
Purchases	71,874	99,170	-		329,144	309,103	134,535	3,428	535,553	411,701
Recognised Expense in Year	(70,249)	(98,816)	-	(7,000)	(321,640)	(309,266)	(138,947)	(1,646)	(530,836)	(416,728)
Written Off Balances	(1,230)	(553)	-	(9,169)	-	-	-	-	(1,230)	(9,722)
Balance Outstanding at 31 March	**17,661**	**17,462**	**16,169**	**-**	**16,529**	**16,366**	**15,129**	**16,911**	**65,488**	**50,739**

18. Construction Contracts

At 31 March 2013 (and 31 March 2012) the Council had no construction contracts in progress.

19. Short Term Debtors

31 March 2012 £	Short Term Debtors	31 March 2013 £
186,587	Central Government Bodies	252,758
1,767,909	Other Local Authorities	1,277,406
149,038	Public Corporations and Trading Funds	-
2,333,314	Other Entities and Individuals	1,926,216
4,436,848	**Short term Debtors before provision for Doubtful Debt**	**3,456,380**
(398,332)	Less Provision For Doubtful Debts	(405,299)
4,038,516	**Net Short Term Debtors**	**3,051,081**

Movement in Provision for Doubtful Debts	£
Brought Forward at 1 April 2012	**(398,332)**
Written off during the Year	(14,006)
Charged to Comprehensive Income & Expenditure Statement	7,039
Carried Forward at 31 March 2013	**(405,299)**

20. Cash and Cash Equivalents

31-Mar 2011 RESTATED £	31-Mar 2012 RESTATED £	Cash and Cash Equivalents	31-Mar 2013 £
4,586	3,700	Cash Held by the Council	3,700
63,482	(17,519)	Bank Current Accounts	532,386
3,760,000	3,380,000	Short-term deposits	4,600,000
3,828,068	**3,3686,181**	**Total Cash and Cash Equivalents**	**5,136,086**

21. Assets Held for Sale

2011/12 £	Current	2012/13 £
480,388	**Balance Outstanding at 1 April**	133,899
	Assets Newly classified as Held for Sale	
-	Property, Plant & Equipment	337,000
-	Revaluation Losses recognised in the Revaluation Reserve	(50,862)
-	Revaluation Losses recognised in the Provision of Services	(44,138)
(346,489)	Assets Sold	(17,761)
133,899	**Balance Outstanding at 31 March**	**358,138**

22. Short Term Creditors

31 March 2012 £	Creditors	31 March 2013 £
(680,849)	Central Government Bodies	(759,305)
(593,940)	Other Local Authorities	(590,382)
(47,897)	Public Corporations and Trading Funds	(14,153)
(2,845,197)	Other Entities and Individuals	(2,218,590)
(4,167,883)	**Total Creditors**	**(3,582,430)**

23. Provisions

The Council has no substantial legal cases or injury compensation claims outstanding. All other provisions are individually insignificant.

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

25. Unusable Reserves

31 March 2012 £	Unusable Reserves	31 March 2013 £
(4,811,798)	Revaluation Reserve	(2,058,351)
20,034,000	Pension Reserve	24,656,000
(32,867,890)	Capital Adjustment Account	(28,916,051)
52,494	Collection Fund Adjustment Account	23,921
96,000	Accumulating Compensated Absences/Adjustment Acc.	96,000
(17,497,194)	**Total Unusable Reserves**	**(6,198,481)**

Revaluation Reserve

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

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

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

2011/12 £	Revaluation Reserve	2012/13 £	2012/13 £
(4,636,141)	**Balance at 1 April**		(4,811,798)
56,636	Disposal of Assets Held for Sale	-	
(232,293)	Upward Revaluation of Fixed Assets	(191,570)	
-	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	2,111,429	
-	Downward Revaluation of Assets Reversal and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	1,178,735	
(175,657)	Surplus or Deficit on Revaluation of non-current assets not posted to the surplus/Deficit on the Provision of Services		3,098,594
-	Difference between fair value depreciation and historic cost depreciation	(404,908)	
-	Accumulated gains on asset sold or scrapped	59,761	
-	Amount written off to the Capital Adjustment Account		(345,147)
(4,811,798)	**Balance at 31 March**		**(2,058,351)**

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

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

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

2011/12 £	Capital Adjustment Account	2012/13 £	£
(37,603,967)	**Balance at 1 April**		(32,867,890)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
5,189,089	Charges for Depreciation and Impairment of Non-Current Assets	745,694	
(791,000)	Revaluation Losses on Property, Plant and Equipment	770,284	
314,082	Amortisation of Intangible Assets	310,439	
550,750	Revenue Expenditure funded from Capital Under Statue	382,695	
984,697	Amounts of non-current Assets written-off on Disposal or Sale as part of the Gains/Loss on Disposal to the Comprehensive Income and Expenditure Statement	205,761	
(31,356,349)			2,414,873
(56,636)	Adjusting amounts written out of the Revaluation Reserve		345,147
(31,412,985)	Net Written Out Amount of the cost on Non-Current Assets Consumed in the Year.		2,760,020
	Capital Financing Applied in the Year:		
(203,009)	Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(743,150)	
(780,462)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(385,535)	
-	Application of Grants to Capital Financing from the Capital Grants Unapplied Account	-	
(471,434)	Statutory Provision for the Financing of Capital Investment charged against the General Fund Balance	-	
-	Capital Expenditure charged against the General Fund Balance	(216,870)	
(1,454,905))			(1,345,555)
-	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement		2,537,374
(32,867,890)	**Balance at 31 March**		**(28,916,051)**

Pension Reserves

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 investment returns on any resources set aside to meet the costs. However, statutory arrangements also require benefits earned to be financed as the Council makes employers 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.

2011/12 £	Pension Reserves	2012/13 £
15,804,000	**Balance at 1 April**	**20,034,000**
3,826,000	Actuarial Gains or (Losses) on Pensions Assets and Liabilities	3,912,000
1,701,000	Reversal of items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,167,000
(1,297,000)	Employers' Pensions Contributions and Direct Payments to Pensioners payable in the Year	(1,457,000)
20,034,000	**Balance Carried Forward at 31 March**	**24,656,000**

Collection Fund Adjustment Account

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

2011/12 £	Collection Fund Adjustment Account	2012/13 £
31,737	**Balance at 1 April**	52,494
20,757	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	(28,573)
52,494	**Balance at 31 March**	**23,921**

The Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment 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.

2011/12 £	Accumulating Compensated Absences Adjustment Account	2012/13 £
96,000	**Balance at 1 April**	96,000
(96,000)	Settlement or Cancellation of Accrual made at the end of the Preceding Year	(96,000)
96,000	Amounts Accrued at the end of the Current Year	96,000
96,000		**96,000**
-	Amount by which Officer Remuneration Charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is different from Remuneration chargeable in the Year in accordance with Statutory Requirements	-
96,000		**96,000**

26. Cash Flow Statement – Operating Activities: non-cash movements

The cash flows for operating activities include the following items:

31-Mar 2012 RESTATED £	Information relating to Interest Received and Interest Paid	31-Mar 2013 £
(459,239)	Interest received	(452,845)
80,328	Interest paid	39,916
(378,911)	**Total**	**(412,929)**

The Net (Surplus) / Deficit on the provision of services has been adjusted for the following non-cash movements:

31-Mar 2012 RESTATED £	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non Cash Movements	31-Mar 2013 £
(1,396,687)	Depreciation	(745,694)
(609,659)	Impairment and downward valuations	(770,284)
(2,391,743)	Movement in the Fair Value of Investment Properties	(2,537,374)
(314,082)	Amortisation	(310,439)
(715,134)	(Increase) / Decrease in Creditors	580,015
1,991,049	Increase / (Decrease) in Debtors	(774,523)
3,487	Increase / (Decrease) in Inventories	(14,749)
(404,000)	Movement in Pension Liability	(710,000)
(984,689)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(205,761)
(20,757)	Other non cash items charged to the net surplus or deficit on provision of services	289,995
(4,842,215)	**Total**	**(5,198,814)**

27. Cash Flow Statement – Operating Activities: Adjustments for Investing and Financing Activities

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

31-Mar 2012 RESTATED £	Adjustments to Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities	31-Mar 2013 £
780,462	Grants applied to the financing of Capital Expenditure	385,535
-	Proceeds from the sale of Property, Plant and equipment, investment property and intangible assets	120,330
107,608	Capital Receipts Received	-
(471,434)	Any other Items for which the cash effects are investing or financing cash flows	-
416,636	**Total Cash Flows from Operating Activities**	**505,865**

28. Cash Flow Statement – Investing Activities

31-Mar 2012 RESTATED £	Investing Activities	31-Mar 2013 £
983,471	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	1,128,686
(550,750)	Revenue Expenditure Financed From Capital Under Statute (REFCUS)	(382,694)
100,465,000	Purchase of ST and LT Investments	124,788,016
(250,880)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(120,330)
(107,608)	Capital Receipts Received	-
(100,065,000)	Proceeds from ST and LT investments	(126,380,000)
(555,397)	Other receipts from investing activities	(385,535)
(81,164)	**Net Cash Flows from Investing Activities**	**(1,351,857)**

29. Cash Flow Statement – Financing Activities

31-Mar 2012 RESTATED £	Cash Flow Statement – Financing Activities	31-Mar 2013 £
471,434	Cash payments for the reduction of the outstanding liabilities relating to finance leases	60,777
(496,762)	Other (receipts) / Payments from financing activities	(289,995)
(25,328)	**Net Cash Flows from Financing Activities**	**(229,218)**

30. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Business Theme's. These reports are prepared on a different basis from the accounting policies used in the Statement of Accounts. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to service units.

The income and expenditure of the Council's principal service units recorded in the budget reports for the year 2012/13 is as follows:

Business Theme's Income & Expenditure 2012/13	Corporate Services £	Customer Services £	Housing & Planning £	Leisure & Health £	Resources £	Total £
Fees, Charges & Other Service Income	(729,861)	(787,394)	(1,225,507)	(3,184,835)	(357,456)	(6,285,053)
Government Grants	(371,609)	(161,836)	(2,121,690)	(315,521)	(24,615,929)	(27,586,585)
Total Income	**(1,101,470)**	**(949,230)**	**(3,347,197)**	**(3,500,356)**	**(24,973,385)**	**(33,871,638)**
Employee Expenses	1,012,300	579,957	3,219,978	2,200,234	2,492,551	9,505,020
Other Service Expenses	1,260,831	1,740,115	1,635,238	2376,152	24,209,129	31,221,465
Support Services Recharges	-	-	-	-	-	-
Total Expenditure	**2,273,131**	**2,320,072**	**4,855,216**	**4,576,386**	**26,701,680**	**40,726,485**
Net Expenditure	**1,171,661**	**1,370,842**	**1,508,019**	**1,076,030**	**1,728,295**	**6,854,847**

The income and expenditure of the Council's principal service units recorded in the budget reports for the year 2011/12 is as follows:

Business Theme's Income & Expenditure 2011/12	Corporate Management £	Customer Services £	Housing & Planning £	Leisure & Health £	Partnerships £	Total £
Fees, Charges & Other Service Income	(1,087,329)	(2,655,421)	(1,487,977)	(3,504,372)	(1,657,568)	(10,392,667)
Government Grants	-	(21,723,125)	(544,849)	-	(50,368)	(22,318,342)
Total Income	**(1,087,329)**	**(24,378,546)**	**(2,032,826)**	**(3,504,372)**	**(1,707,936)**	**(32,711,009)**
Employee Expenses	2,377,100	3,863,487	1,127,190	2,101,688	804,537	10,274,002
Other Service Expenses	1,800,423	23,759,690	712,447	2,143,836	1,198,366	29,614,762
Support Services Recharges	-	-	-	-	-	-
Total Expenditure	**4,177,523**	**27,623,177**	**1,839,637**	**4,245,524**	**2,002,903**	**39,888,764**
Net Expenditure	**3,090,194**	**3,244,631**	**(193,189)**	**741,152**	**294,967**	**7,177,755**

Reconciliation of Business Theme's Income and Expenditure to Cost of Service in the Comprehensive Income and Expenditure Statement

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

2011/12 £		2012/13 £
7,177,755	Net Expenditure in the Service Unit Analysis	6,854,847
-	Net Expenditure of Services and Support Services not included in the Analysis	-
4,501,510	Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis	2,779,069
(1,670,104)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	491,155
10,009,161	**Cost of Services in the Comprehensive Income and Expenditure Statement**	**10,125,071**

Reconciliation to Subjective Analysis 12/13

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

2012/13	**Service Unit Analysis** **£**	**Services & Support Services Not In Analysis** **£**	**Amounts not Reported to Management for Decision Making** **£**	**Amounts not Included in I&E** **£**	**Allocation of Recharges** **£**	**Total** **£**
Fees, Charges & Other Service Income	(5,737,836)	-	-	-	-	(5,737,836)
Surplus from Trading Activities	(94,372)	-	-	-	-	(94,372)
Interest and Investment Income	(452,845)	-	-	-	-	(452,845)
Income from Council Tax		-	(4,463,944)	-	-	(4,463,944)
Government Grants and Contributions	(26,700,569)	-	(4,311,684)	-	-	(31,012,253)
Total income	**(32,985,622)**	**-**	**(8,775,628)**	**-**	**-**	**(41,761,250)**
Employee Expenses	9,505,020	-	-	-	-	9,505,020
Other Service Expenses	30,335,449	-	(16,145)	-	-	30,319,304
Support Service Recharges	-	-	163,458		-	163,458
Depreciation, Amortisation & Impairment	-	-	5,440,743		-	5,440,743
Interest Payments	-	-	-	-	-	-
Precepts & Levies	-	-	1,284,090	-	-	1,284,090
Gain or Loss on Disposal of Non-current assets	-	-	(120,330)		-	(120,330)
Total Expenditure	**39,840,469**	**-**	**6,751,816**	**-**	**-**	**46,592,285**
Surplus or Deficit on the Provision of Service	**6,854,847**	**-**	**(2,350,728)**	**-**	**-**	**4,504,119**

Reconciliation to Subjective Analysis 11/12

2011/12	Service Unit Analysis £	Services & Support Services Not In Analysis £	Amounts not Reported to Management for Decision Making £	Amounts not Included in I&E £	Allocation of Recharges £	Total £
Fees, Charges & Other Service Income	(9,852,853)	-	(612,635)	-	-	(10,465,488)
Surplus from Trading Activities	(446,878)	-	-	-	-	(446,878)
Interest and Investment Income	(92,936)	-	-	-	-	(92,936)
Income from Council Tax	-	-	(4,375,548)	-	-	(4,375,548)
Government Grants and Contributions	(22,318,342)	-	(4,788,519)	-	-	(27,106,861)
Total income	**(32,711,009)**	**-**	**(9,776,702)**	**-**	**-**	**(42,487,711)**
Employee Expenses	10,274,001	-	531,000	-	-	10,805,001
Other Service Expenses	29,535,027	-	474,286	89,099	-	30,098,412
Support Service Recharges	-	-	(860,986)	-	-	(860,986)
Depreciation, Amortisation & Impairment	-	-	5,414,989	-	-	5,414,989
Interest Payments	79,736	-	-	-	-	79,736
Precepts & Levies	-	-	1,210,115	-	-	1,210,115
Gain or Loss on Disposal of Non-current assets	-	-	734,402	-	-	734,402
Total Expenditure	**39,888,764**	**-**	**7,503,806**	**89,099**	**-**	**47,481,669**
Surplus or Deficit on the Provision of Service	**7,177,755**	**-**	**(2,272,896))**	**89,099**	**-**	**4,993,958**

31. Trading Operations

The Council operates two market undertakings at Northallerton and Thirsk. The total income, which was largely rents from stallholders, amounted to £191,414 (2011/12 £187,366), and the surplus credited to the General Fund was £94,372 (2011/12 surplus £92,936).

2011/12 £	Trading Activity	2012/13 £
(92,936)	Markets	(94,372)
(92,936)	**(Surplus) / Deficit**	**(94,372)**

32. Members Allowances

The Council paid the following amounts to members of the council:

2011/12 £	Members Allowances	2012/13 £
258,017	Allowances	251,770
16,424	Expenses	16,105
274,441	**Total Member allowances**	**267,875**

33. Officers' Remuneration

The number of employees and senior offices whose total remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 were:-

Total Emoluments	Number of Employees 2011/12	2012/13
£50,000 - £54,999	-	-
£55,000 - £59,999	1	-
£60,000 - £64,999	5	-
£65,000 - £69,999	1	5
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	1	-
Total	**9**	**6**

The following sets out the remuneration for Senior Officers whose salary is equal to or more than £50,000 per year:

Post Title	Salary (including fees & allowances) 2012/13 £	Performance Related Pay 2012/13 £	Car Allowances 2012/13 £	Compensation for Loss of Office 2012/13 £	Total Remuneration excl. Pension Contributions 2012/13 £	Employers Pension Contributions 2012/13 £	Total Remuneration (+ pension contributions 2012/13 £
Chief Executive	100,967	-	350	-	101,317	19,496	120,813
Director	65,500	-	1,218	-	66,718	12,649	79,367
Director	65,500	-	1,630	-	67,130	12,649	79,779
Director	65,500	-	1,694	-	67,194	12,649	79,843
Director	65,500	-	-	-	65,500	12,649	78,149
Director (1)	38,208	-	222	-	38,430	7,388	45,818
Assistant Director (2)	2,447	300	9	-	2,756	525	3,281
Section 151 Officer (3)	2,714	-	225	-	2,939	519	3,458
Head of Resources (4)	13,409	-	361	-	13,770	2,564	16,334
	419,745	**300**	**5,709**	**-**	**425,754**	**81,088**	**506,842**

Post Title	Salary (including fees & allowances) 2011/12 £	Performance Related Pay 2011/12 £	Car Allowances 2011/12 £	Compensation for Loss of Office 2011/12 £	Total Remuneration excl. Pension Contributions 2011/12 £	Employers Pension Contributions 2011/12 £	Total Remuneration (+ pension contributions 2011/12 £
Chief Executive	131,133	2,101	2,496	-	135,730	23,431	159,161
Deputy Chief Executive	93,012	1,574	711	-	95,297	16,972	112,269
Assistant Chief Exec.	63,630	1,515	650	-	65,795	12,447	78,242
Assistant Director	58,730	1,744	1,232	-	61,706	11,349	73,055
Assistant Director	58,730	1,744	2,237	-	62,711	11,349	74,060
Assistant Director	58,730	3,188	643	106,699	169,260	35,721	204,981
Section 151 Officer	57,466	3,188	2,010	101,939	164,603	70,532	235,135
Monitoring Officer	57,466	1,594	196	-	59,256	11,092	70,348
Head of Reg. Services	57,466	3,188	1,397	95,143	157,194	111,717	268,911
	636,363	**19,836**	**11,572**	**303,781**	**971,552**	**304,610**	**1,276,162**

Notes

(1) Director of Resources (S151) started 1st September 2012
(2) Assistant Director post deleted from 15th April 2012
(3) Section 151 Officer post deleted from 17th April 2012
(4) Head of Resources post deleted from 24th June 2012.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a)	(b)		(c)		(d)		(e)	
Exit Package cost band (including Special Payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(b) + (c)]		Total cost of exit packages in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
							£	£
£0-£20,000	14	5	8	2	22	7	131,828	39,719
£20,001 - £40,000	1	-	-	-	1	-	37,411	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	1	-	1	-	130,901	-
£150,000 - £200,000	-	-	2	-	2	-	356,895	-
Total	15	5	11	2	26	7	657,035	39,719

34. 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:

2011/12 £	Audit Fees	2012/13 £
83,633	Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year.	53,438
(7,125)	Fees payable to the External Auditors in respect of statutory inspections.	-
26,900	Fees payable to the External Auditors for the certification of grant claims and returns for the year.	18,650
1,350	Fees payable in respect of other services provided by the Appointed Auditor during the year.	1,520
104,758	**Total Audit Fees**	**73,608**

The fees for other services payable relate to Thirsk and Sowerby Swimming Baths Charity £1,520 in 2012/13 and £1,350 in 2011/12.

35. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2012/13 which were credited to Taxation and Non Specific Grant Income:

2011/12 £	Grant Income	2012/13 £
	Credited to Taxation and Non-Specific Grant Income	
(4,375,548)	Council Tax Income	(4,463,944)
(3,596,143)	National Non Domestic Rates Pool	(4,150,243)
(1,192,376)	Revenue Support Grant	(161,441)
	Non ringfenced Grants and Contributions:	
-	DCLG Grant - Council Tax	(84,000)
-	DCLG Grant - New Burdens Grant	(13,420)
-	DCLG Grant - Local Service Support Grant	(71,470)
-	DCLG Neighbourhood Planning Grant	(10,000)
-	DCLG Grants - Town Team Partner	(10,000)
-	DCLG GRANTS - Rent Allowances	(950)
-	DCLG Grant	(3,000)
-	DCLG New Homes Bonus	(525,660)
-	Department for Works /Pension Funding - Welfare Reform	(18,558)
-	Olympic Project Contribution	(4,889)
-	REIP Funding	(20,878)
-	CCTV Grant	(3,529)
-	Community Safety Partnership Grant	(72,346)
-	North Yorkshire Dance Hub Contribution	(21,985)
-	Grant for young peoples activities - Broadacres	(512)
-	Grants for Dance Development - Arts Council	(3,795)
-	Capital Grants & Contributions	
-	Disabled Facilities Capital Grant	(8,814)
-	S106 Capital Grants	(112,112)
(9,164,067)	**Total**	**(9,761,546)**

The grants and contributions in the Comprehensive Income and Expenditure Statement in 2012/13 (2011/12) which were credited to Services are:

2011/12 £	Grant Income - Credited to Services	2012/13 £
	Capital Grants	
(106,000)	Galtres Centre Sports Hall	-
(6,642)	Swimming Pools & Leisure Centres	-
-	S106 Thirsk leisure Centre Capital Contribution	(11,168)
(28,887)	Thirsk All Weather Pitch	-
-	Disabled Facilities Capital Grant	(210,334)
(141,529)		**(221,502)**
	Revenue Grants	
(16,949,290)	Housing Benefits	(18,372,736)
-	Rural Housing Enablers Grant	(229,505)
-	Strategic Housing Contribution	(32,850)
(950)	Single Housing Benefit Grant	-
(30,000)	Preventing Repossession	-
(71,470)	Prevention of Homelessness Repossession	-
(361,575)	New Homes Bonus Scheme	-
(20,000)	Front Runner Grant	-
(260,571)	Climate Change Grant	-
(4,840,987)	Local Tax Collection	-
(1,410)	Atlas Funding	-
(3,705)	Small Business Rate Relief	-
(22,539,958)		(18,635,091)
(22,681,487)	**Total**	**(18,856,593)**

The revenue grants and contributions which were received in advance are detailed in the table below. There were no capital grants and contributions received in advance for either 2012/13 or 2011/12.

2011/12 £	Grant Income – Received in Advance Credited to Current Liabilities	2012/13 £
(3,625)	Community Safety Partnership Grant	-
-	North Yorkshire Dance Hub Contribution	(8,795)
(3,625)	**Total**	**(8,795)**

Please note that a number of grants have been reclassified in the current year to align with the CIPFA (Chartered Institute of Public Finance & Accounting) Code of Practice on Local Authority Accounting.

36. Related Party Transactions

The Council is required to disclose 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.

Central Government
Central government has effective control 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 during the year are shown in note 35.

Members
Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2012/2013 is shown in Note 32. During 2012/2013 the following material transactions took place with organisations in which Members have an interest.

Councillor	Organisation	Relationship	2012/13 £	Transaction
J Prest	J Prest Property Management	Director	20,333	Housing Benefit Payments

Contracts were entered into in full compliance with the council's standing orders. In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Office during office hours.

North Yorkshire Pension Fund
Details of the Council's payment of employer's superannuation contribution to the pension fund are disclosed in Note 41 to the Statement of Accounts. Details of the Pension Fund creditors can also be found in Note 41.

Thirsk and Sowerby Swimming Baths Charity
Operationally this is run by Hambleton District Council for a management fee of £72,937. The Charity is a separate entity but does have several Council Members who are Trustees of the Charity.

Long Term Investments
This is recorded as £7,682 on the balance sheet and is detailed below.

Veritau Ltd - Veritau North Yorkshire Ltd is a private limited company where Veritau Ltd owns 50% of the share capital of Veritau North Yorkshire Ltd and 5 district councils own 10% each, of which Hambleton District Council is one. The Council is therefore a 10% shareholder and has contributed £2,000 to the share capital. This is recorded as an investment in the accounts in Long Term Investments.

Richmondshire District Council

Richmondshire District Council is a related party. During 2012/13 Hambleton District Council shared a number of its services with Richmondshire District Council. The transactions taking place in the year and the outstanding balances with Richmondshire District Council at 31 March 2013 are shown below.

	Service Recharge from RDC to HDC (Creditors) £	Service Recharge from HDC to RDC (Debtors) £
ICT	-	253,205
Communications	-	68,219
Improvement	-	61,823
Committee Services	-	89,808
Planning Policy	-	80,410
Legal	-	106,315
Sustainable Development Officer	-	-
Information	-	35,182
Business & Community	-	75,961
Development Management	-	204,882
Revenue & Benefits	-	452,501
Land Charges	-	9,102
Footway Lighting	-	20,000
Design and Maintenance	-	13,000
Asset Management	-	-
Operational Service	-	258,217
Reprographics	-	39,172
Management	-	19,776
Licensing	84,603	-
Pest Control	109,483	-
Community Safety	71,484	-
Business Support	76,381	-
Customer services	188,656	-
Human Resources	144,422	5,494
Environmental Health	491,555	-
Finance	214,305	-
Housing	135,751	-
TOTAL	**1,516,640**	**1,793,068**
Amounts due to RDC at 31 March 2013	**281,006**	
Amounts due from RDC at 31 March 2013		**611,642**

The recharges to RDC are included within gross income in cost of service.

37. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where the capital expenditure is to be financed by borrowing, this will result in an increase in the Capital Financing Requirement. The table below shows that no borrowing has been taken to finance capital expenditure and the Capital Financing Requirement is falling in relation to finance leases coming to an end.

2011/12 £	Capital Expenditure and Capital Financing	2012/13 £
-	**Opening Capital Financing Requirement**	-
	Capital Investment	
349,473	Property, Plant and Equipment	679,589
9,084	Investment Properties	17,372
74,163	Intangible Assets	49,030
550,750	Revenue Expenditure Funded from Capital under Statute	382,695
	Sources of Finance	
(203,008)	Capital receipts	(743,150)
(780,462)	Government grants and other contributions	(385,535)
-	**Closing Capital Financing Requirement**	-
	Explanation of movements in year	
-	Increase in underlying need to borrow	-

38. Leases

Council as Lessee

Finance Leases

The Council has acquired a number of photocopiers and refuse collection vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

31 March 2012 £	Leases	31 March 2013 £
83,976	Vehicles, Plant, Furniture and Equipment	23,199
83,976	**Total Leases**	**23,199**

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

31 March 2012 £	Leasing Liabilities	31 March 2013 £
	Finance Lease Liabilities (Net present value of minimum lease payments):	
79,736	Current	22,199
-	Finance costs payable in future years	1,999
79,736	**Total Minimum Lease Payments**	**24,198**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £	**31 March 2013 £**	**31 March 2012 £**	**31 March 2013 £**
Not later than 1 Year	79,736	24,198	83,976	23,199
Later than 1 Year and not later than 5 Years	-	-	-	-
Later than 5 Years	-	-	-	-
	79,736	**24,198**	**83,976**	**23,199**

Council as Lessor

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

For the provision of community services, such as sport facilities, tourism services and community centres.

For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2012 £	Future Minimum Lease Payments Receivable	31 March 2013 £
56,444	Not Later than 1 Year	60,472
75,629	Later than 1 Year and not later than 5 Years	28,650
-	Later than 5 Years	-
132,073	**Total Minimum Lease Payments**	**89,122**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 no contingent rents were receivable by the Council (2011/12 £0).

39. Revaluation Losses

The Code of Practice on Local Authority Accounting requires disclosure by class of assets of the amounts for revaluation losses and revaluation loss reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 12 reconciling the movement over the year in the Property, Plant and Equipment. A revaluation loss is a reduction in the market value of an asset, in comparison to an impairment loss which is where a physical loss to an individual asset occurs. No impairment losses occurred during 2012/13 or 2011/12.

40. Termination Benefits

The Council terminated the contracts of a number of employees in 2012/13, incurring liabilities of £39,719 (£657,035 in 2011/12) - see Note 33 for the number of exit packages and total cost per band. The officers leaving the Council consisted of 1 Planning Technical Officer, 5 Officers from Hambleton Forum and 1 General Labourer from Waste and Street Scene who all agreed to take redundancy as part of the Council's rationalisation of services.

41. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by North Yorkshire County Council – 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 pension's liabilities with investment assets.

Reconciliation of present value of the Scheme Liabilities

2011/12 £	Funded Liabilities: Local Gov Pension Scheme	2012/13 £
(51,752,000)	**1 April**	(55,973,000)
(1,156,000)	Current Service Cost	(1,239,000)
(2,827,000)	Interest Cost	(2,740,000)
(442,000)	Contributions by Scheme Participants	(427,000)
-	Past Service Cost	-
(2,068,000)	Actuarial Gains and (Losses)	(7,772,000)
(14,000)	Curtailments	(187,000)
2,286,000	Benefits Paid	1,778,000
(55,973,000)	**31 March**	**(66,560,000)**

Reconciliation of Fair Value of the Scheme Assets

2011/12 £	Local Gov Pension Scheme	2012/13 £
35,948,000	**1 April**	35,939,000
2,296,000	Expected Rate of Return	1,999,000
(1,758,000)	Actuarial Gains and (Losses)	3,860,000
1,297,000	Employer Contributions	1,457,000
442,000	Contributions by Scheme Participants	427,000
(2,286,000)	Benefits Paid	(1,778,000)
35,939,000	**31 March**	**41,904,000**

The expected rate of 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 at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on Scheme assets in the year was a gain of £5,859,000 (2011/12 £537,000 loss).

Scheme History

	2008/09 UK GAAP £	2009/10 UK GAAP £	2010/11 IFRS £	2011/12 IFRS £	2012/13 IFRS £
Present Value of Liabilities	(37,447,000)	(54,219,000)	(51,752,000)	(55,973,000)	(66,560,000)
Fair Value of Assets	20,142,000	32,428,000	35,948,000	35,939,000	41,904,000
Surplus/(Deficit) in the Scheme	**(17,305,000)**	**(21,791,000)**	**(15,804,000)**	**(20,034,000)**	**(24,656,000)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £24,656,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the schemes actuary. The total contributions expected to be made to the scheme by the Council in 2013/2014 is £1,318,000.

Basis for Estimating Assets and Liabilities

The liabilities of the Scheme 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. Under this method, the current service cost will increase as the members of the scheme approach retirement.
The liabilities have been assessed by Mercer's Ltd, an independent firm of actuaries, and the main assumptions used in their calculations have been:

2011/12	Local Government Pension Scheme	2012/13
	Long-term Expected Rate of Return on Assets in the Scheme	
7.0%	Equity Investments	7.0%
3.1%	Government Bonds	2.8%
4.1%	Other Bonds	3.9%
0.0%	Property	5.7%
0.5%	Cash	0.5%
0.0%	Other	7.0%
	Mortality Assumptions:	
	Longevity at 65 for Current Pensioners:	
22.2 years	Men	22.6 years
24.8 years	Women	25.3 years
	Longevity at 65 for Future Pensioners	
23.6 years	Men	24.4 years
26.4 years	Women	27.2 years
2.5%	Rate of CPI Inflation	2.4%
4.25%	Rate of Increase in Salaries	4.15%
2.5%	Rate of Increase in Pensions	2.4%
4.9%	Rate for Discounting Scheme Liabilities	4.2%
	Take-up of Option to convert Annual Pension into	
	Lump Sum:	
50.0%	Maximum Cash	50.0%
50.0%	3/80ths Cash	50.0%

The assets attributable to the Council in the Scheme are £41,904,000 (£24,308,000 in 2011/2012) valued at fair value (principally the market value for investments) and consists of the following categories, by proportion of the total assets held:

31 March 2012 %		31 March 2013 %
70.8	Equity Investment	64.0
20.2	Government Bonds	13.1
8.2	Other Bonds	10.1
0.0	Property	3.7
0.8	Cash/Liquidity	0.4
0.0	Other	8.7
100.0		**100.0**

The full actuarial valuation is carried out every three years, the last time it was carried out was at 31 March 2011 and the next triennial valuation is 31 March 2014. For the purpose of these accounts, Mercer's Ltd carries out an annual analysis and provides these figures included in note 41.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	2006/07 as restated %	2007/08 as restated %	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Difference between the Expected and Actual Return on Assets.	0.5	12.1	64.7	31.6	0.2	4.9	9.2
Experience Gains and Losses on Liabilities	0.0	3.3	0.0	0.0	5.2	0.0	0.0

42. Contingent Liabilities

At 31 March 2013, the Council had two contingent liabilities:

Past Insurance Claims – Prior to 1992, Hambleton District Council was insured with Municipal Mutual Insurance Limited and the council has been advised that in relation to employers' liability for occupational disease claims such as asbestosis, that there is a possibility of claw back from Municipal Mutual Insurance Ltd of claims made. Currently claims against the Authority at 31 March 2013 totals £40,001 but there is an excess of £50,000, below which no liability is registered.

Property Search Companies - A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Authority has not been informed of the value of these claims at present.

43. Contingent Assets

There are currently no contingent assets.

44. 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 the funds available to meet its commitments to make payments.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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. Treasury Management is carried out by a central treasury management team, under policies approved by Hambleton District Council. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Mitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The Council annually approves a Treasury Management Strategy which, for 2012/13, determined that other than the United Kingdom where no limit will apply, a maximum of 20% of total investments or £3.0m whichever is the lower will be invested in a single institution of a AAA sovereign rated country. This limits the amount of credit risk exposure.

In addition the Council uses the creditworthiness service provided by Sector Treasury Services. This service has been progressively enhanced and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of bands which indicate the relative creditworthiness of counterparties. These bands, in turn, are used by the Council to determine the duration for investments and are therefore referred to as "durational bands".

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £22,000,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each 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 20X2 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount at 31 March 2013	**Historical experience of default**	**Historical experience adjusted for market conditions at 31 March 2103**	**Estimated maximum exposure to default and uncollectability at 31 March 2013**	**Estimated maximum exposure at 31 March 2012**
	£	**%**	**%**	**£**	**£**
Deposits with Banks & Financial Institutions	17,637,339	-	-	-	-
Customers	3,456,380	10.32	10.32	41,827	41,123
				41,827	41,123

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for customers, such that £405,299 of the £3,456,380 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31-Mar 2012 £		**31-Mar 2013 £**
6,376	Debtors < 30 days	1,044
30,244	Debtors 31-60 days	23,834
28,907	Debtors 61-90 days	6,108
332,805	Debtors > 90 days	374,314
398,332		**405,299**

Liquidity Risk

Liquidity risk is concerned with the Council's ability to have adequate cash resources at all times to enable it to achieve its business/service objectives. This risk is mitigated by active daily cash flow management and forward financial planning.

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public

Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council borrows only to finance temporary short term cash flows and as at 31 March 2013 no borrowing was undertaken. The Council does set limits on the proportion of its fixed rate borrowing during specified periods, but as yet has not utilised these limuts due to being debt free. The Council also has bank overdraft arrangements and is able to borrow from the money market.

The Council financial liabilities that relate to finance limits are due to mature in the next year and all trade and other payables are due to be paid in less than one year

Market Risk – Interest rate risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in market interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects.

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise. However, the Council's policy is not to borrow at variable rates.
- Borrowings at fixed rates – the fair value of the liabilities will fall.
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise. However, the Council's policy is not to invest at variable rates.
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at a fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Comprehensive Income and Expenditure Statement and would affect the General Fund Balance. Movements in the fair value of fixed rate investments would be reflected in the Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. During periods of falling interest rates, for investments the Council would aim to achieve the highest investment artes available, taking advantage of volatility in the market and always placing security and liquidity of funds as a priority. During periods of falling interest rates for borrowing and where economic circumstances make it favourable, if the Council had any loans then for fixed rate loans it would repay them early to limit exposure to losses. If the Council had any debt then the risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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 20X2, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

- Increase in interest receivable on variable rate investments which would impact on the Surplus or Deficit on the Provision of Services by £4,379.

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

Market Risk – Price risk

Market risk is the risk of fluctuations in the principal value of the Council's investments. Certain investments such as Gilt-edged Securities (Gilts) and Certificates of Deposits (CD's) are tradable instruments whose principal value can fluctuate according to market conditions. The Council has not invested in such instruments thereby eliminating the possibility of market risk.

The Council does not generally invest in equity shares therefore the Council is consequently not exposed to losses arising from movements in the prices of the shares. The Council does however own a 10% shareholding and has contributed £2,000 to the share capital of Veritau North Yorkshire Ltd. This is not exposed to price movements as there is a limited market currently for this service.

Market Risk – 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.

45. Prior Period Adjustment – Short Term Investments reclassified as Cash & Cash Equivalents

The Code of Practice on Local Authority Accounting in the United Kingdom determines that Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in [specified period, no more than three months] or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

On review of 2011/12 Accounts, it was recognised that £3,380,000 of deposits were repayable without penalty on notice of not more than 24 hours and in 2010/11, £3,3760,000 deposits were repayable. This has resulted in a prior period adjustment.

The effects of the restatement on the Balance Sheet 2010/11 and 2011/12 are between Short Term Investments and Cash & Cash Equivalents. The adjustments that have been made to the Balance Sheet over the version published in the 2011/12 Statement of Accounts are as follows:

Effect on the Balance Sheet 2010/11 and 2011/12:

BALANCE SHEET	31 March 2011 ORIGINAL £	PRIOR PERIOD ADJUSTMENT	31 March 2011 RESTATED £	31 March 2012 RESTATED £	PRIOR PERIOD ADJUSTMENT	31 March 2012 RESTATED £
Property, Plant & Equipment	26,568,614		26,568,614	24,963,222		24,963,222
Investment Property	15,260,145		15,260,145	12,420,092		12,420,092
Intangible Assets	761,997		761,997	522,078		522,078
Long Term Investments	4,740		4,740	5,653		5,653
Long Term Debtors	63,684		63,684	42,093		42,093
Long Term Assets	**42,659,180**		**42,659,180**	**37,953,138**		**37,953,138**
Short Term Investments	22,360,000	(3,760,000)	18,600,000	22,380,000	(3,380,000)	19,000,000
Inventories	62,001		62,001	65,488		65,488
Short Term Debtors	2,061,330		2,061,330	4,038,516		4,038,516
Cash and Cash Equivalents	68,068	3,760,000	3,828,068	-	3,366,181	3,366,181
Assets Held for Sale	480,388		480,388	133,899		133,899
Current Assets	**25,031,787**		**25,031,787**	**26,617,903**		**26,604,084**
Cash and Cash Equivalents	-		-	(13,819)	13,819	0
Short Term Creditors	(2,568,529)		(2,568,529)	(4,167,883)		(4,167,883)
Other Short Term Liabilities	(471,434)		(471,434)	(179,976)		(179,976)
Current Liabilities	**(3,039,963)**		**(3,039,963)**	**(4,361,678)**		**(4,347,859)**
Long Term Borrowing	-		-	-		-
Other Long Term Liabilities	(83,976)		(83,976)	-		-
Pension Liability	(15,804,000)		(15,804,000)	(20,034,000)		(20,034,000)
Capital Grants Receipts in Advance	-		-	-		-
Long Term Liabilities	**(15,887,976)**		**(15,887,976)**	**(20,034,000)**		**(20,034,000)**
Net Assets	**48,763,028**	**0**	**48,763,028**	**40,175,363**	**0**	**40,175,363**
Usable Reserves	(22,454,657)		(22,454,657)	(22,678,169)		(22,678,169)
Unusable Reserves	(26,308,371)		(26,308,371)	(17,497,194)		(17,497,194)
Total Reserves	**(48,763,028)**		**(48,763,028)**	**(40,175,363)**		**(40,175,363)**

Collection Fund Statement

The Collection Fund is a statutory fund, separate from all other Council funds. The fund is maintained specifically for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates. The transactions of the Collection Fund are wholly prescribed by legislation.

2011/12 £		2012/13 £	£
	Income		
(46,809,061)	- Council Tax		(47,168,394)
	Transfers from General Fund		
(4,421,831)	- Council Tax benefits		(4,511,520)
(25,039,413)	Income Collectable from Business Ratepayers (Note 3)		(25,839,222)
(983,177)	Ministry of Defence Payment in Lieu of Council Tax		(1,011,734)
(77,253,482)	**Total Income for the Year**		**(78,530,870)**
	Expenditure		
	Precept Payments		
38,194,866	- North Yorkshire County Council	38,285,016	
7,388,092	- North Yorkshire Police Authority	7,405,530	
2,242,867	- North Yorkshire Fire and Rescue Authority	2,248,126	
4,369,576	- Hambleton District Council	4,449,081	
			52,387,753
	Business Rates		
24,883,135	- Payment to National Pool	25,685,304	
156,278	- Costs of Collection	153,918	
			25,839,222
(147,639)	Increase/ (Decrease) in Provision for Bad Debt	48,358	
88,371	Write Offs	80,406	
			128,764
	Distribution of Prior Years (Surplus)/Deficit Council Tax		
26,730	- North Yorkshire County Council	(119,850)	
235,781	- Hambleton District Council	(13,710)	
45,607	- North Yorkshire Police Authority	(23,185)	
13,846	- North Yorkshire Fire and Rescue Authority	(7,040)	(163,785)
77,497,510	**Total Expenditure for the Year**		**78,191,954**
244,028	**(Surplus)/Deficit for the Year**		**(338,916)**
376,422	(Surplus)/Deficit Brought Forward at 1 April		620,450
620,450	**(Surplus)/Deficit Carried Forward at 31 March (Note 4)**		**281,534**

NOTES TO COLLECTION FUND ACCOUNT

These accounts represent the transactions of the Collection Fund which is a statutory fund prepared on an accruals basis.

1. The Collection Fund is an agent's statement that reflects the statutory obligation, under the Local Government Finance Act 1988, for billing authorities (i.e. Hambleton District Council) to maintain a separate Collection Fund. This is a fund specifically for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic rates (NNDR or uniform business rates)

The statement shows the transactions of the Council in relation to the collection from taxpayers of sums due for council tax and NNDR and their distribution to the Council, North Yorkshire County Council, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Authority, parish Councils and the government.

2. Council Tax

The Council Tax is a domestic property based tax with properties allocated to valuation bands from A to H. The tax base for Hambleton was calculated at 36,204.01 for 2012/13 being the total number of properties converted to an equivalent number of band D dwellings. The number in each band shown as band D equivalents was:-

A	B	C	D	E	F	G	H	Total
1,793.41	5,455.16	6,857.01	5,916.19	6,466.56	5,149.17	3,688.81	271.66	35,597.97
Add Contributions in Lieu – MOD (Band D equivalent)								606.04
								36,204.01

The average Council Tax for Hambleton at Band D was £1,447.02, made up as follows:

2011/12 £	Precepting Authorities	2012/13 £
89.48	Hambleton District Council	89.48
1,057.48	North Yorkshire County Council	1,057.48
204.55	North Yorkshire Police Authority	204.55
31.50	Parish (Average)	33.41
62.10	North Yorkshire Fire Authority	62.10
1,445.11	**Total Average Band D Council Tax**	**1,447.02**

3. National Non Domestic Rates (NNDR)

Non-Domestic Rates are collected locally on the basis of a nationally determined rate in the pound of 45.8p for 2012/2013 for all Businesses not entitled to Small Business

Rate Relief and 45.0p for those that are entitled to the relief. (43.3p and 42.6p in 2011/2012), charged on the rateable value of the property. Small Business Rate Relief was introduced by Central Government from 1 April 2005 and broadly gives assistance to those ratepayers who pay rates on 1 property only, up to a maximum of £17,999 rateable value (£25,499 in London).

The NNDR income after reliefs and provisions of £25,839,222 for 2012/2013 was based on an aggregate rateable value for the Council's area of £66,274,934 for the year (£66,305,359 in 2011/2012).

4. Distribution of Year End (Surplus)/Deficit

The year-end (surplus)/deficit is distributed to Hambleton District Council, North Yorkshire County Council, North Yorkshire Fire & Rescue and North Yorkshire Police Authority.

2011/12 £	Contributions to Collection Fund (Surpluses) and Deficits	**2012/13 £**
52,495	Hambleton District Council	23,922
453,583	North Yorkshire County Council	205,735
26,635	North Yorkshire Police Authority	39,796
87,737	North Yorkshire Fire Authority	12,081
620,450	**Total Average Band D Council Tax**	**281,534**

Glossary of Terms

Accruals:
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Amortised Premiums/Discounts:
The amounts due/receivable following the premature repayments of loan debt.

Appropriations:
Amounts transferred to or from revenue or capital reserves in the form of amounts set aside from revenue to provide for the repayment of external loans and finance capital expenditure, in accordance with statutory requirements, or to provide for the future replacement of fixed assets.

Asset:
An item owned by the Council, which has a monetary value. Assets are defined as current or fixed:

- Current assets will be consumed or cease to have value within the next financial year, e.g. stocks and debtors
- Fixed assets provide benefits to the Council and to services it provides for a period of more than one year, for example, land, buildings, vehicles and equipment.

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

Capital Adjustment Account:
A reserve that reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. This account replaces the FARA (Fixed Asset Restatement Account) and the Capital Financing Account.

Capital Charge:
A charge to service revenue accounts in the Comprehensive Income and Expenditure Statement to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure:
Payments made for the purchase or provisions of assets of long term value to the Council e.g. land, buildings, plant and machinery.

Capital Receipts:
The money received from the sale of assets.

CIPFA:
The Chartered Institute of Public Finance and Accountancy. This is the professional institute governing how public money is used and how it has to be reported.

Collection Fund:
A fund administered by the Billing Authority (District Councils) into which is paid Council Tax it collects together with the payment it receives for National Non-Domestic (Business) Rates (NNDR) collected from business ratepayers. Precepts are paid from the fund to precepting authorities including the billing authority.

Community Assets:
Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions in their disposal. Examples of community assets are parks and historic buildings.

Comprehensive Income and Expenditure Account:
A summary of all the resources that the Council has generated, consumed or set-aside in providing services during the year. It is intended to show the true financial position of the Council before allowing for concessions to raise council tax and for the ability to divert expenditure to be met from capital resources.

Contingency:
A condition which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Contributions to funds:
Contributions made from the General Fund to provide a reserve for a specific use in the future.

Corporate and Democratic Core:
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. 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. There is therefore no logical basis for apportioning these costs to services.

Council Tax:
This is a banded property tax which is levied on domestic properties throughout the District. The banding is based on estimated property values as at 1st April 1991.

Creditors:
Amounts incurred by the Council but not yet paid.

Debtors:
Amounts due to the Council but not yet received.

Defined Benefit 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).

Deferred Capital Receipts:
Amounts due to the Council from the sale of fixed assets that are not receivable immediately on sale e.g. repayments on mortgages granted on the sale of Council houses.

Depreciation:
The amount charged to revenue accounts, as part of the capital charges, to represent the reducing value of fixed assets.

Expected Rate of Return on Pension Assets:

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value:
Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arms length transaction.

Fixed Assets:
Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Financial Reporting Standards:
Publications that set out certain standards of accounting practice which, by law, must be followed by bodies, often including local authorities.

General Fund:
The main account of the Council which records the cost of services.

Government Grants:
A payment by central government towards the cost of local authority services either specifically, such as Disabled Facilities Grants, or generally, in the form of Revenue Support Grants.

Housing Subsidy:
Housing subsidy is calculated in line with a Government determined series of formulae and can be either a positive (receivable) or negative (payable) amount.

IAS 19:
The accounting standard for employee benefits. The principle underlying this standard is that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.

Income:
Amounts that the Council receives or expects to receive from any source, including fees, charges, sales and grants.

International Financial Reporting Standards (IFRS):
Accounting reporting Standards, with which local authorities should comply when preparing their accounts so that the accounts are presented fairly.

Investments (Non Pensions Fund):
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified 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 (Pensions Fund):
The investments of the Pensions Fund will be accounted for in the statement of that Fund. However, authorities (other than town, parish and community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Liability:
A liability is where a council owes payment to an individual or another organisation:

- A current liability is an amount which will be payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which, by arrangement is payable beyond the next year at some point in the future, or to be paid off by an annual sum over a period of time.

Major Repairs Allowance:
This allowance is part of the overall housing subsidy and is used to fund the cost of major repairs, component replacements or upgrades to council housing in order to maintain the dwellings in a decent standard.

Minimum Revenue Provision (MRP):
Represents the minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

National Non-Domestic Rate (NNDR):
NNDR poundage is set annually by Central Government based on the assessed value of properties used for business purposes and is collected by charging authorities. The proceeds are redistributed by the Government between local authorities based on population.

Non Distributed Costs:
Comprises the following elements excluded from the definition of total cost of a service (as per CIPFA BVACOP); past service costs, settlements, curtailments, costs associated with unused shares of IT facilities and costs of shares of other long term unused but unrealisable assets.

Operational Assets:
Fixed assets held and occupied used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Precepting Authorities:
Local authorities that cannot levy Council Tax and Non-Domestic Rates directly on the public but have the power to precept. Billing authorities (District Councils) subsequently pass on the requirements of precepting authorities (County Council and Parish Councils) in the total Council Tax levy. The Non-Domestic Rate levy is set by Central Government.

Provision for Credit Liabilities:
This represents the sum set aside for the repayment of debt. This provision is subsumed within the capital financing reserve.

Public Works Loan Board (PWLB):
This is a Central Government Agency that provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government itself can borrow.

Reserves:
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

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 (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employer'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 is a reserve that contains the revaluation gains recognised since April 2007 only, the date of it's formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revenue Expenditure:
Recurring expenditure on day to day expenses such as salaries, wages, electricity and telephones.

Revenue Expenditure Funded from Capital Under Statute:
Capital expenditure for which the Council either never had, or no longer holds, a capital asset.

Revenue Support Grant:
Paid by central government to assist in the provision of local government services.

Scheme Liabilities:
The liabilities of a defined benefit 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.

SerCOP
Service Reporting Code of Practice.

Set-aside Capital Receipts:
The money received from the sale of assets which is required to be set aside to redeem debt or defray future borrowing.

Stocks:
Items of raw materials and stores a council has produced to use on a continuing basis and which it has not yet used. Examples are consumable stores, raw materials and components purchased for incorporation into products for sale.

TUPE:
Transfer of Undertakings – Protection of Employment.

Work in progress:
The cost of work done on uncompleted projects at the balance sheet date, which should be accounted for.