



ANNUAL FINANCIAL REPORT STATEMENT OF ACCOUNTS

2017/18

HAMBLETON DISTRICT COUNCIL
ANNUAL FINANCIAL REPORT
2017/2018

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NARRATIVE REPORT

A. INTRODUCTION

Hambleton District Council occupies the broad Vale of York between the Yorkshire Dales and the North York Moors. A predominantly rural district, Northallerton is the largest settlement with 18% of the District's population, whilst the majority of the population live in outlying villages with 5% residing in each of the main market towns of Bedale, Easingwold, Stokesley and Thirsk.

Hambleton District Council has a Cabinet structure with 28 councillors representing its 17 wards (currently 27 Conservative, 1 Yorkshire Party). They are elected every four years; the last election was on May 7th 2015, with the next election held in May 2019.

The Statement of Accounts shows the Council's financial position as at 31 March 2018. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2017/18' ('the Code'), which is based upon International Financial Reporting Standards (IFRS). The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2015 and the Local Government and Housing Act 1989.

1. Inspection and Audit of Accounts

Under the Local Audit and Accountability Act 2014 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 period for the exercise of public rights must include the first 10 working days of June.

The Statement of Accounts for 2017/18 has been provided to external audit and for public inspection from Friday 1 June 2018 to Thursday 12 July 2018, in accordance with the 30 day requirement. The times at which the accounts are deposited for inspection are advertised on the Council's website:

https://www.hambleton.gov.uk/downloads/file/4018/hambleton_district_council_notice_of_accounts_201718

The Council's accounts, following the receipt of the auditors' final findings, are approved at Audit, Governance and Standards Committee on 24 July 2018 and published thereafter. This is inside the statutory deadline of 31 July 2018 for the 2017/18 accounts. The Council's external auditors are:

Ernst & Young LLP, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JD

2. Financial Statements

Certain financial statements and accompanying disclosures are required to be prepared under the Code which are set out at pages 28 to 115.

The following provides an explanation of the purpose of each statement and the relationships between each of them. These statements are:

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.

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. It reflects the costs that are reported to Cabinet during the year on a quarterly basis.

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.

Balance Sheet

This sets out the financial position of the Council on 31 March 2018. 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.

Explanatory Notes to the Core Financial Statements

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

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

Collection Fund Statement

The Collection Fund reflects the Council's responsibility to collect Council Tax and Business Rates on behalf of North Yorkshire County Council, North Yorkshire Fire and Rescue Authority, Parish Councils and Council Tax for Police and Crime Commissioner North Yorkshire and re-distribute that funding.

Group Accounts

Accounts showing the results and financial position of each company – Hambleton District Council and the Joint Venture Company - in a combined form.

Glossary of Terms

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

Narrative Report

The purpose of this narrative report is to provide a fair, balanced and understandable guide to the most significant matters reported in the accounts; along with information on the authority, its main objectives and strategies and the principal risks that it faces. The Narrative Report provides how the authority has used its resources to achieve its desired outcomes in line with its objectives and strategies.

B. COUNCIL PERFORMANCE

The Council Plan is a key document that provides strategic direction to the Council. This is a working document that exists to enable Councillors, employees and partners to work together to deliver the vision that Hambleton is a place to grow that everyone can share.

The Council's primary ambition is to provide high quality, cost effective services which are valued by, and help the lives of residents, communities and businesses. It has four priorities to achieve this:

- Driving Economic Vitality
- Enhancing Health and Wellbeing
- Caring for the Environment
- Providing a Special Place to Live

The refreshed Council Plan was approved at full Council in July 2017 for 2017/18. It can be located at:

<http://democracy.hambleton.gov.uk/ieListDocuments.aspx?CId=127&MId=1031&Ver=4>

In addition to the four priorities, corporate projects are included to enable the Council to lead on activities for the people of Hambleton District to implement and deliver successful schemes for the benefit of all:

- North Northallerton bridge and road development
- North Northallerton sports village
- Central Northallerton redevelopment
- Bridge Improvement at Dalton Business Park
- Sowerby Gateway A168 junction and sports village
- District wide waste strategy review
- New District wide Local Plan
- Northallerton Leisure Centre

Working with partners and the voluntary sector is key to the Council's performance. The Council has a well-established track record of working with volunteers and the not for profit sector. A wide range of initiatives are delivered that support and recognise the sector but more could be done at a strategic level to recognise their importance and further more collaborative working to support local priorities.

3. Non-Financial Performance of the Council 2017/18

The Council Plan shapes the performance management framework for the Council. Performance towards the four priorities is monitored through 35 key performance indicators where progress is reported to Scrutiny Committee on a quarterly basis. Scrutiny Committee noted the performance of the Council during the year and no issues were raised to be further discussed at Cabinet or full Council.

Overall, for 2017/18, 84% of key performance indicators performed within tolerance. For the 5 performance indicators that were below target it was found that the majority of the setbacks were outside the Council's control and that positive working relations with partners continues to deliver the Council's requirements.

The quarterly performance reports provide information on the quarterly position, the cumulative position and supporting explanatory notes. Further detail is available in the Scrutiny Report – Council Performance 2017/18 (Quarter 4) which will be available on the council website from 7 June 2018.

Included in the Council Plan are the Council's core Foundations to support the priorities and delivery of key projects: Communications, Finance, Values and Governance.

The Values of the Council – Open, Responsible, Customer Focus, Fair, Respectful - are embedded across the organisation and the Council Plan, strategies and way forward are delivered by their influences.

Where Governance is concerned the Council ensures 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. Further information can be located in the Annual Governance Statement.

4. Council Employees

Our workforce is one of our most important assets, making a real difference to the communities that we serve. The Council values the contribution of all staff and as such constantly reviews and develops employment practices and procedures to ensure the right staff are recruited and retained, with the right skills, working in the right way.

The Council works with UNISON, the public service union, on matters that affect the workforce; there is a staff panel to enable staff to contribute to the wider working environment; and in 2017/18 the staff survey was undertaken which showed that of those that responded 84% thought that Hambleton was a nice place to work. In addition all staff has access to a comprehensive Occupational Health service that aims to support those with ill health issues or disabilities. The Council also has a Home Working Policy and Flexible scheme to help staff achieve a work life balance.

At the end of March 2018, the Council employed 312 full time equivalent staff. The Council's workforce is made up of:

- 43.46% males and 56.54% females
- 40.69% full time staff, 59.31% part time staff
- 169 casual staff
- 33% of Directors are female
- 68% of Service Managers are female, 32% Male

The Gender Pay Gap analyses gender distribution across the workforce by measuring the difference in average hourly earnings between men and women. It's important not to confuse this with Equal Pay, which ensures that men and women get paid the same rate for the same or similar work.

At 31 March 2018 our workforce comprised 55% women, 70% of whom are part-time with a median gender pay gap of -12.5%, and a mean gap of -7.5%. This means that our female employees work within a positive earnings environment which offers flexible working arrangements. The full report can be found on our website:

https://www.hambleton.gov.uk/site/custom_scripts/search/google_cse_results.php?q=gender+pay+gap+hambleton+district+council&sa=search

FINANCIAL PERFORMANCE 2017/18

5. Impact of the current economic climate on the Council and the services it provides

The Council continues to face significant financial challenges due to reductions in central government funding, pressures from required costs savings and greater volatility in financing generally, whilst aiming to deliver the same or improved levels of service.

Increased income generation is a priority for the Council going forwards and whilst two initiatives - the loan to the local housing association and green waste charging - are already supporting services, further strategic initiatives are being developed with the Commercial Strategy having been approved during 2017/18.

The introduction of the Government plans, potentially in 2021, to change the financing of local authorities through the 100% business rates retention scheme is being monitored; along with the impact of BREXIT which remains uncertain for the foreseeable future.

The current volatile economic climate will be monitored and impact on the Council's finances continually reviewed to ensure that ever improving services can be provided in the long term.

6. Revenue Budget Process 2017/18

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, business rates, grants and contributions) and for a 10 year programme of capital expenditure. The financial strategy, revenue budget, capital programme and treasury management strategy are all reviewed annually in February before the start of the new financial year. The financial strategy aims to deliver the revenue and capital programmes whilst maintaining and, where possible, increasing the level of the Council's reserves.

7. Revenue Outturn in 2017/18 Compared to the Agreed Budget

The main components of the Council's 2017/18 budget and how these compare with actual income and expenditure are set out below. The latest approved budget, at Quarter 3, reflects changes made to the Council's budget during the financial year.

	Latest Approved Budget £'m	Actual £'m	Difference £'m
Net Expenditure by Business Theme:			
Leisure & Environment	4.800	4.729	(0.072)
Finance	0.070	(0.121)	(0.190)
Economy & Planning	1.435	1.095	(0.340)
Law & Governance	1.110	1.031	(0.079)
Net Expenditure	7.415	6.734	(0.681)
Financed by:			
Council Tax	(3.554)	(3.552)	0.002
Revenue Support Grant	(0.622)	(0.622)	-
Business Rates	(3.367)	(3.656)	(0.289)
Other Grants	(2.038)	(2.043)	(0.005)
	(9.581)	(9.873)	(0.292)
Funding (Surplus) Transferred to Reserves	(2.166)	(3.139)	(0.973)

The original estimated net revenue expenditure budget for 2017/18 which was approved by Council in February 2017 was £7.211m. 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 February 2018 increased the net revenue expenditure budget to £7.415m. The final outturn position of £6.734m shows an under

spend of £0.681m on Net Expenditure by Business Theme compared to the revised budget at Quarter 3 as detailed in the table above.

The revenue outturn position is supported by income from council tax, business rates and other grants. At outturn, which is detailed in the table above, business rates income was higher than expected by £0.289m; this is as a result of the Council being in the North Yorkshire business rates pool and the Government changes in regulations in the spring budget 2017, around exemptions and discounts for discretionary rate relief to support small businesses, providing increased grant funding to support these initiatives which increased business rates funding in 2017/18 compared to the estimate in January 2017.

It can be seen in the table above that the revenue outturn and income position of the Council for 2017/18 results in £3.139m being transferred to the Council Tax Payers reserve. This is made up of:

- (i) the latest approved budget at Quarter 3 where funding was agreed to be transferred to reserves of £2.166m
- (ii) the underspend at outturn £0.681m
- (iii) the increased business rates income and other contributions £0.292m

The transfer to the Council Tax Payers reserve in 2017/18 is therefore £0.973m higher than anticipated in the financial strategy.

The Business Theme expenditure headings, the method of financing and the figures reported in the table above reflect the Council's organisational and management structure. The Net Expenditure detailed in the table above at £6.734m differs from that reported in the Comprehensive Income and Expenditure Statement on page 30, which conforms to the Code, due to a number of accounting adjustments that are required to be reflected. A brief reconciliation of the two sets of figures is as follows:-

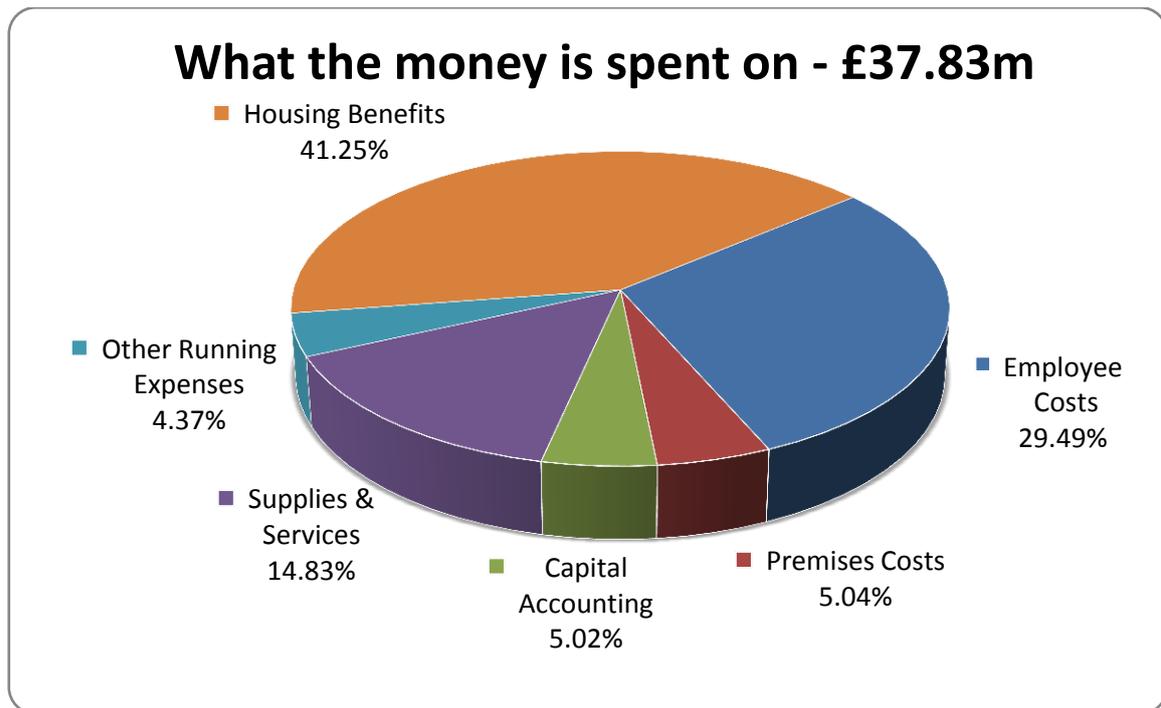
	Expenditure £'m
Expenditure per Council's Accounts (as above)	6.734
Other required accounting entries reflected in the Comprehensive Income & Expenditure Statement	
- Capital Accounting	2.489
- Pensions Accounting	1.249
- Accumulated Absence	0.029
Less Funding:	
Council Tax	(3.552)
Revenue Support Grant	(0.622)
Business Rates	(3.656)
Other Grants	(3.490)
(Surplus) on Provision of Services per Comprehensive Income & Expenditure Statement	(0.819)

8. Revenue Outturn Position for the Financial Year 2017/2018

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 2017/2018 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 30 shows gross expenditure on all of the Council's services for 2017/18 is £37.83m (2016/17 is £41.56m). The following chart shows what the Council's money is spent on.



The chart above shows that 41.25% (£15.61m) of the Council's expenditure is on Housing and Council Tax Benefit payments and 29.49% (£11.15m) is spent on Employee costs. The remaining spend comprises 19.20% (£7.26m) on Other Running expenses and Supplies & Services such as the costs of operating vehicles and purchasing various external supplies and services, 5.02% (£1.90m) relates to capital charges for depreciation of the Council's assets and 5.04% (£1.91m) is spent on maintaining the Council's buildings and leisure facilities.

9. Capital Programme Outturn for the Financial Year 2017/2018

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 reserves.

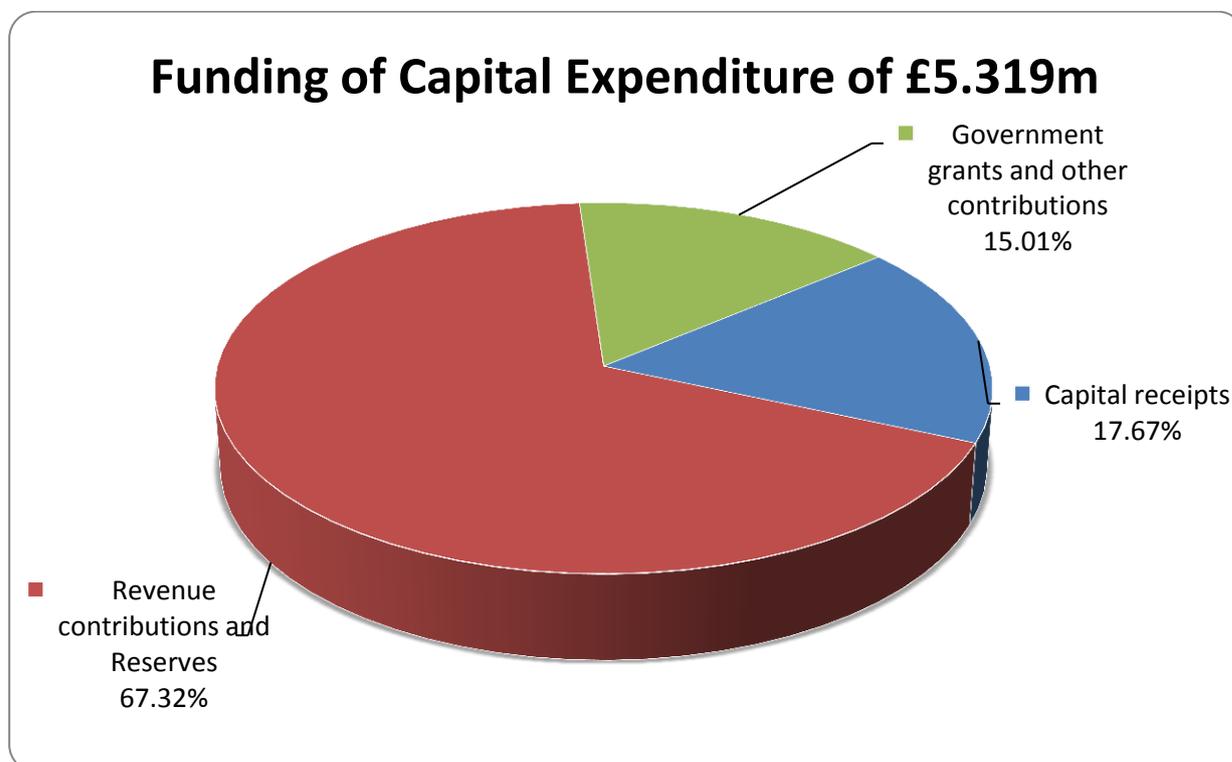
In 2017/18 the Council spent £5.319m (2016/17 £18.951m) on capital schemes, which is shown in Note 38 of these accounts on page 89. Capital expenditure was higher in 2016/17 than in 2017/18 due to the additional £16.2m loan to the local Housing Association. An analysis of where the capital was spent and the sources of funding are shown in the tables below:-

2016/17 %	2016/17 £'m	Capital Schemes Expenditure	2017/18 %	2017/18 £'m
3	0.516	Leisure & Environment	55	2.931
1	0.288	Finance	4	0.207
6	1.065	Economy & Planning	20	1.042
5	0.882	Economic Development Fund	9	0.491
85	16.200	Loan to Housing Association / Business Improvement District	12	0.648
100	18.951	Total Capital Expenditure	100	5.319

The major schemes over £0.125m where the Council's capital expenditure in 2017/18 occurred were:

- Housing renovations
- Hambleton Leisure Improvement scheme
- Leeming Bar Phase IV
- Disable Facility Grant
- ICT improvements
- Northallerton prison site development
- Dalton Bridge development

The Council financed the capital programme through Capital receipts, revenue contributions and reserves and other grant funding and contributions:



10. Treasury Management - 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 that will assist in the delivery of its services to the people of Hambleton District subject to that programme being affordable, prudent and sustainable.

The Council monitors its capital financing requirement, which is the amount of borrowing required to support the capital expenditure programme, in the treasury management strategy and annual report. In 2017/18 no external borrowing occurred, however in the future to continue to support capital projects and invest in income generating schemes the Council will look to utilise all funding sources available to it in a prudent affordable and sustainable manner.

11. Treasury Management - Cash Flow

31 March 2017 £'m	Cash Flow	31 March 2018 £'m
1.750	Cash and Cash Equivalents	2.683
-	Short Term Investments	-
(5.501)	Short Term Borrowings	(5.002)
(3.751)	Total	(2.319)

Total cash and cash equivalents at 31 March 2018 is £2.683m. This has increased compared to 2016/17. The main factors that affect cash are:

- Acquisition and disposal relating to the capital programme
- Financing of the loan to Broadacres Housing Association and the potential to use external borrowing from the Public Works Loan Board
- Use of reserve balances
- Business rates provision for appeals
- Grants and contributions receivable and unapplied.

12. Treasury Management - 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' career average revalued earnings (CARE) 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 Liability, which shows a net liability to the Pension Fund of £21.347m as at 31 March 2018. This effectively means that the Council has historically underpaid contributions relative to the future benefits earned to date by its employees. The net liability decreased by £0.129m (0.6%) in 2017/18 compared to an increase of £5.397m (33.6%) in 2016/2017.

Further information in respect of retirement benefits is disclosed in Note 42 to the Statement of Accounts.

C. CORPORATE RISKS

The Council operates an embedded risk management process which helps it protect itself, and make the most of opportunities by mitigating potential threats. Identifying, assessing and prioritising potential threats, and their likely impact, means being better prepared to deal with events should they occur. A clear understanding of risk management therefore presents the Council with opportunities to introduce innovative ways of delivering its services, with better outcomes for the community.

The risk register is challenged by the Strategic Risk Management Group and reviewed on a quarterly basis by Management Team with the Council's strategic risks also reported to Scrutiny Committee quarterly. The risk management process is included in the Annual Governance Statement and also reported at least annually to the Audit, Governance and Standards Committee.

Key corporate risks for upcoming year from the Council's comprehensive risk register are listed below:

- Demographic / Customer Changes – Customer needs and behaviours continue to change, bring new challenges and opportunities to the Council.
- Major Incidents - Cyber-attack facilitated by user error leads to loss of key ICT infrastructure resulting in reduced ability to provide ICT Services and ineffective individual business continuity plans available leading to loss of service
- General Data Protection Regulations (GDPR) came into force on 25 May 2018; with maybe further changes to the bill as it passes through parliament.
- Business rates funding - Significant reductions in government grant, changes to funding from the 75% / 100% business rates scheme and impact of backdated businesses rates appeals leads to the inability to sustain Council services at the current level.
- Reliance on Commercial Income – exploring alternative sources of income to offset core funding reductions; whilst maintaining value for money for residents.
- Failure to set an annual budget to reflect the financial strategy and the budgeted council tax.

D. SUMMARY POSITION

The Council's financial and non-financial performance in 2017/18 continues to be good. The revenue and capital outturn, along with the movement in reserves position, are in line with

expectations described in the 10 Year Financial Strategy. The Council maintains a good level of reserves and balances to provide financial resilience for 2018/19 and future years.

Financial challenges in 2018/19 and beyond continue with Government funding having fallen by 36% since 2012/13 and forecast to be zero by 2020/21; the changes to the 100% business rate retention scheme and the potential increased new burdens to be allocated from Government; the unknown quantities with the devolution agenda and other local developments.

The Council's 10 Year Financial Strategy incorporates a new approach to commercial awareness and financial sustainability to enable the Council to be self-sufficient in 10 years supported by council tax, business rates and commercially generated income. The aim is to decrease both council tax and business rates for the benefit of the district by increasing income generated and introducing new initiatives to encourage businesses to the area. This, together with the risk management process in place, leaves the Council in a strong position to move forward in 2018/19.

FURTHER INFORMATION

Further information about the accounts is available from the Head of Finance (S151 Officer), Hambleton District Council, Civic Centre, Stone Cross, Northallerton, North Yorkshire, DL6 2UU and on our website www.hambleton.gov.uk.



Louise Branford-White BSc (Hons) FCCA
Director of Finance (S151 Officer)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HAMBLETON DISTRICT COUNCIL**

Opinion on the Authority's financial statements

ANNUAL GOVERNANCE STATEMENT 2017/2018

HAMBLETON DISTRICT COUNCIL

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. The Authority's financial management arrangements confirm with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Hambleton District Council has approved and adopted a code of corporate governance. The Council's governance arrangements are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government (2016). The Annual Governance Statement sets out how the Authority has complied with the Code and also meets with regulation 4(2) of the Accounts and Audit Regulation, in relation to the publication of this statement – the Annual Governance 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.

Core Principles of Good Governance

The diagram below, taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2016) (the ‘International Framework’), which is also included in the CIPFA/SOLACE Framework, illustrates the seven principles of good governance in the public sector and how they relate to each other. Principles A and B permeate implementation of principles C to G illustrating that good governance is dynamic. In line with this the Council’s Annual Governance Statement demonstrates the Council is committed to improving its arrangements on a continuing basis through a process of evaluation and review, whilst achieving its objectives and acting in the best interest of the public.

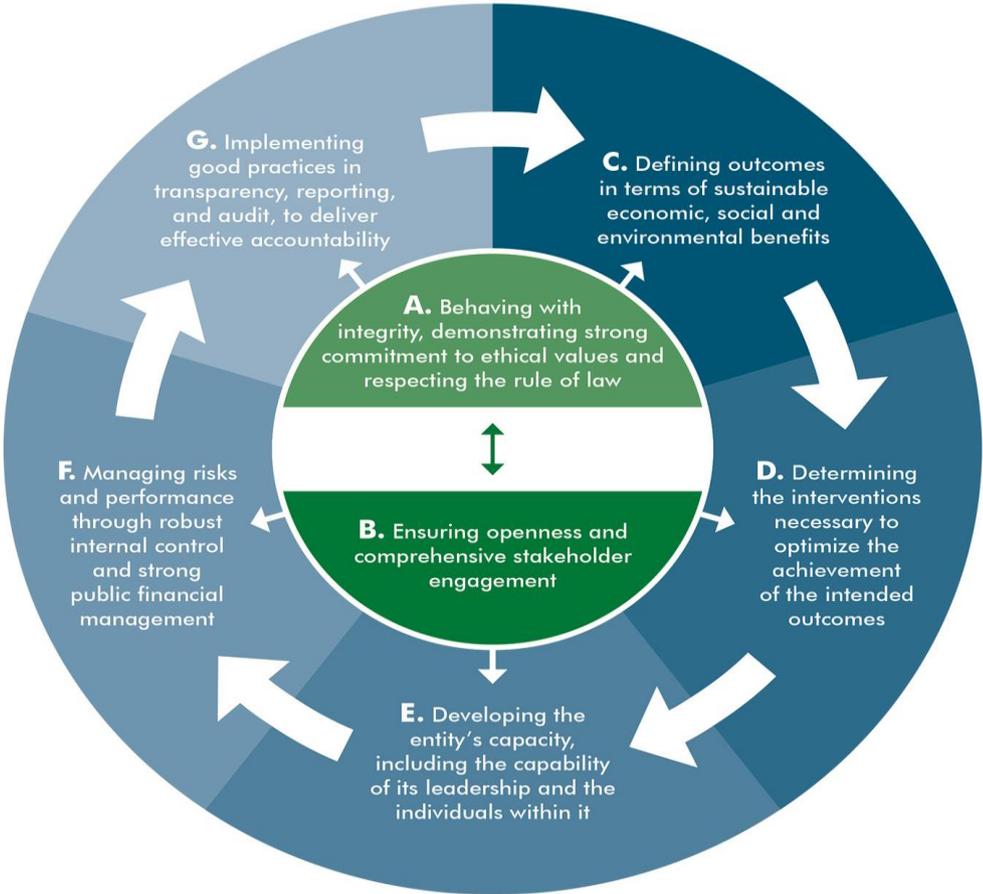


Diagram 1: the seven principles of good governance in the public sector

The Governance Framework – Key Elements

The Council is made up of 28 Councillors who are democratically accountable to residents of the District. The full Council appoints the Leader and the Leader appoints the Cabinet and Deputy Leader. The Cabinet is responsible for most strategic day to day decisions. The Council holds the Cabinet to account by appointing scrutiny committees to question decisions and to propose policy changes where appropriate.

The key elements of the Authority’s governance framework are detailed against each principle in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government and the following information demonstrates the Council’s assessment of compliance with ‘the framework’ along with the Governance Issues Action Plan.

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
Assessment of Compliance	It is considered that the Council's arrangements meet Principle A of 'the framework'.
Values and Integrity	<p>Values and Integrity - Good Governance flows from a shared ethos or culture as well as from systems and structures. The spirit of good governance can be expressed as values which become part of the Council's culture and underpin policy and behaviour through the Council from the governing body to the staff; this is in addition to compliance with legal requirements.</p> <p>The Council's Values accord with the requirements of good governance and are key to the Council Plan: - open, responsible, customer focused, fair and respectful</p>
Respecting the rule of law	<p>Respecting the rule of law - Ongoing monitoring and review of the Council's activities is undertaken to ensure 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:-</p> <ul style="list-style-type: none"> • The Director of Law & Governance (Monitoring Officer) 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 2017/18); • The Monitoring Officer, the Director of Finance (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, the CIPFA statement also states that the Annual Governance Statement should assess the position of the CFO against these criteria and report on a 'comply or explain' basis. The Director of Finance (s151 officer) is the Council's designated S151 Officer, is an officer on 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 there are processes and procedures in place which provide assurance that the role of the CFO at Hambleton District Council meets the Statement's expectations. <p>This gives assurance as to the soundness of the system of internal controls that is in place for respecting the rule of law.</p>
Link to Governance Issue Action Plan	None significant

Principle B - Ensuring openness and comprehensive stakeholder engagement	
Assessment of Compliance	It is considered that the Council's arrangements meet Principle B of 'the framework'.
Partnership Approach	The Authority works closely with other local public bodies, community and voluntary groups via a partnership approach to ensure effective delivery of its services. This is detailed in the Council Plan 2015-2019 which was approved at Cabinet on 4 July 2017 and will be refreshed for approval 3 July 2018. The Community Leadership section of the Council Plan 2015-2019 aims for the Authority to lead on working with partners to make best use of increased devolved power and finances for local decision making and also to be responsive and flexible with our partners to meet their needs and requirements for improvements for all.
Communication	The Council's communications team works with the press to ensure information is received across the District as well as through the North Yorkshire Community Messaging app, the latest channel for community engagement. The Council's website is also user friendly and enables access to Council information. The Social Media strategy and policy was approved at Cabinet in April 2018 and these means of communication will be further developed in 2018/19. Internal communication across the Council is via the intranet, staff and Member newsletters and briefing by the Chief Executive.
Transparency	In order to demonstrate its openness, the Council adheres to the Local Government Transparency Code 2015 which is the foundation of local accountability and provides access to areas such as the pay policy, payments to suppliers, senior officer salaries, parking, waste contracts and grants. This can be located at https://www.hambleton.gov.uk/info/20097/transparency/262/transparency
Consultations	<p>Consultations are used across the Council to engage with the public and enable their direct views to influence strategies and policies, one such example being the annual budget consultation. In addition, to enable the public to highlight concerns a complaint procedure is in place which is reported on a quarterly basis to Management Team.</p> <p>Openness, transparency and community engagement is the key that gives people the tools and information they need to enable them to play a bigger role in society.</p>
Link to Governance Issue Action Plan	None significant

Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits	
Assessment of Compliance	It is considered that the Council's arrangements meet Principle C of 'the framework' with clarification provided in the Governance Issues Action Plan.
Council Plan Outcomes	<p>The outcomes of the Council, to provide quality services, as determined in the Council Plan 2015-2019 under the four priority headings:</p> <ul style="list-style-type: none"> • Driving Economic Vitality • Enhancing Health and Wellbeing • Caring for the Environment • Providing a Special Place to Live <p>which details Hambleton District Council's purpose towards achieving social, environmental and sustainable benefits for the vision 'a place to grow'. The Council Plan is located at: https://www.hambleton.gov.uk/downloads/file/1276/hdc_council_plan_2015-19.</p>
Sustainable economic, social, environmental benefits	<p>In setting the priorities, national, regional and the public's priorities were taken into account, which results in the setting of the Council's Key Performance indicators. These are monitored on a quarterly basis by the operational business through Service Plans, reported to Management Team and then also to Members at Scrutiny Committee.</p> <p>To ensure that project management and future plans deliver value for money the sustainability of the Financial Strategy is key, so it is forecast for 10 years every year, along with the 10 year Capital Programme; this allows the statement on the position of reserves and annual budget to remain affordable. The Treasury Management Strategy, in its relationship with the Capital programme, also enables an affordable and prudent approach to the Council's plans and projects. Finally, the annual accounts support stewardship responsibilities subject to external audit opinion.</p>
Link to Governance Issue Action Plan	1 – Key Council Projects

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome	
Assessment of Compliance	It is considered that the Council's arrangements meet Principle D of 'the framework' with clarification provided in the Governance Issues Action Plan.
Relationships	<p>Member and Officer relationships - It is necessary that Members and Officers perform effectively in clearly defined roles to achieve the intended outcomes with the required level of intervention.</p> <p>Excellent relationships between Officers and Members exist which are based on mutual trust enabling decisions to be made in a productive and transparent way. Trust is maintained through the involvement of all relevant parties at the right level of responsibility ensuring strategic decisions are led by Members and implementation of operational matters are at officer level directed by Management team.</p>
Roles and Responsibilities	Roles and responsibilities are defined in The Constitution for 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, as well as the financial regulations.
Forward Planning	Democratic Services Forward Plan - All meetings of the Cabinet and key Committees are included in the Council's Forward Plan, which is published and available to the public. Delegated decisions are also recorded.
Financial Sustainability	<p>Financial sustainability - In order to achieve the long term financial targets the Authority has a 10 year financial strategy, supported by the annual budget which sets the required savings target for two years – 2018/19 and 2019/20. All the expected risks to the Authority were considered in the budget report and the position of reserves underpins the long term financial resilience of the Council.</p> <p>The Authority agreed an efficiency plan during 2016/17 with central government which is incorporated into the 10 Year Financial Strategy. This has given certainty of funding for the next four years and highlights the need to continue to identify efficiency savings and generate income.</p>
Governance Committee	<p>Audit, Governance and Standards Committee - This Committee is an essential part of good governance. Internal and External Audit both have direct access to and support the Committee including the ability to have direct contact, without Officers of the Authority being present.</p> <p>The detailed matters reviewed by the Audit, Governance and Standards Committee can be viewed at the quarterly meetings located at: http://democracy.hambleton.gov.uk/ieListMeetings.aspx?CId=149&Year=0</p>
Link to Governance Issue Action Plan	
2 - Financial Sustainability	

Principle E – Developing the entity’s capacity including the capability of its leadership and the individuals within it.

Assessment of Compliance	It is considered that the Council’s arrangements meet Principle E of ‘the framework’.	
Senior Management Structure	<p>Senior Management Structure - The Chief Executive restructured the Senior Management Team in December 2016 with a view to providing additional capacity. This structure provides a Director and Head of Service to manage each of the two operational Directorates – Economy & Planning and Leisure & Environment - with support and oversight from the Deputy Chief Executive appointed in December 2017 replacing the Executive Director role. The Deputy Chief Executive and both Statutory Directors (Monitoring Officer and S151 officer) report directly to the Chief Executive. The new structure is operating effectively and is delivering both service improvement and the corporate projects.</p>	
Performance Coaching	<p>Performance Coaching - In 2017 the Council embarked on a programme of individual performance management coaching for the whole organisation. The purpose of this is to achieve a balance between achieving organisational performance goals and personal development. The aim is that by encouraging individuals to take responsibility for their areas of work and own development, capacity will be released within the organisation, whilst empowering decision making and ownership.</p>	
Staff Development	<p>Staff Development - The Council has designed a bespoke Masters/MBA qualification with Teesside University aimed at middle and senior managers in the organisation. It is hoped that by equipping the organisation’s management with the requisite skills and training to manage effectively – by better understanding the requirements of coaching and leadership skills - the organisation will become more effective. The Council also supports individuals to review their own training requirement in the area at work where both the individual and the organisation will benefit.</p>	
Training Requirements	<p>Training Requirements – The HR Strategy supports a variety of training techniques including the Induction training, Member training, Individual Performance Management coaching, Learning & Development training calendar, online learning, bespoke courses and presentations to employees and Members alike.</p>	
Link to Governance Issue Action Plan	None significant	

Principle F – Managing risks and performance through robust internal control and strong public management

Assessment of Compliance	It is considered that the Council's arrangements meet Principle F of 'the framework' with clarification provided in the Governance Issues Action Plan.
Public Scrutiny of Risk Management	The Audit, Governance and Standards Committee have responsibility for overseeing the Risk Management Strategy and has delegated to the Scrutiny Committee to oversee the strategic risk register on a quarterly basis. Significant changes to the risk management process are reported to both Committees. 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. Risks are reported to Management Team on a quarterly basis with a full review occurring annually.
Risk Register	The Risk Register incorporates strategic, project and operational risks associated with delivery of the Council's corporate objectives under each Council Plan priority and key projects.
Risk Training	Members of the Cabinet, the Audit, Governance and Standards Committee, Members, Risk Owners and other selected staff have received specialist training, which can be refreshed when required. The Risk Management Guidance Manual is revised annually and the revised version is available to all employees on the intranet.
Development of Risk Management	With the measures mentioned above in place the Council is able to identify, assess and manage the risks to the Council's corporate objectives. Further development of risk management across the Council is being reviewed to clearly understand the exposure to risk that the Council faces. All risks are further being analysed for Quarter 1 2018/19 as inherent or gross risks as well as residual or net risks. A Strategic Risk Management Group has also been set up in March 2018 to further challenge risks consistently.
Partnership Risks	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.
Link to Governance Issue Action Plan	3 – Risk Management

Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability	
Assessment of Compliance	It is considered that the Council's arrangements meet Principle G of 'the framework'- with clarification provided in the Government Issues Action Plan
Effective Accountability	The Cabinet and Council - There is a hierarchy of decision making at Hambleton District Council to ensure reporting delivers effective accountability. 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.
Effective Corporate Governance	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	Scrutiny Committee - Part of the function of the Council's Scrutiny Committee is to scrutinise Council policies. It does not have a specific role in dealing with Governance, although it reviews the Council's strategic risks on a quarterly basis.
Assurance Services	Internal Audit and Fraud - The Council also operates internal audit and fraud investigation functions which comply with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. The service in 2017/18 was provided by Veritau North Yorkshire Limited. Veritau's internal audit and counter fraud teams undertake an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to members and managers on the effectiveness of the governance, risk management and control environment operating within the Council. Through its work Veritau also provides assurance to the Section 151 Officer in discharging her statutory review and reporting responsibilities. In addition the team: <ul style="list-style-type: none"> • provides advice and assistance to managers in the design, implementation and operation of controls • helps to maintain the council's counter fraud arrangements including policy framework • supports managers in the prevention and detection of fraud, corruption and other irregularities.
Link to Governance Issue Action Plan	4 – Business Continuity Planning

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 Council recognises an ongoing need to review its governance arrangements and to respond to external reports and changes in legislation to ensure it continues to learn, improve systems and ensure compliance with relevant regulations.

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 Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

In 2017/18, the overall opinion of the Head of Internal Audit from Veritau North Yorkshire Limited on the governance, risk management and control framework operating in the Council is that it provides Substantial Assurance.

The Council invited the Local Government Association to undertake a Corporate Peer review to challenge the way the Council operates and identify areas for improvement. The final report was presented in June 2017 and the main actions included are incorporated into the Governance Issues Action Plan.

Governance Issues Action Plan

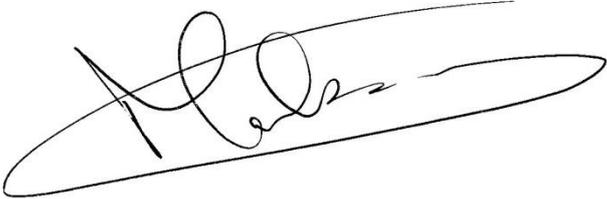
This Annual Governance Statement identifies the following governance issues and major risks for the Authority. These are:

Issue	Principle	Action taken/proposed
Key Council Projects not delivered could result in reputational damage to the Council or increased financial pressure in the future	C	Key dates on projects are reported quarterly to Management Team. Capital Monitoring Group and Management Team receive regular update reports. The Director of Finance considers the risks and reflects this in the 10 year Financial Strategy. <ul style="list-style-type: none"> In 2018/19 the Council's Project Management process will be reviewed
Financial Sustainability - Significant reductions in government funding leading to the inability to sustain the Council's services at the current level.	D	£400k savings target achieved in 2017/18 for 2018/19 budget. <ul style="list-style-type: none"> In 2018/19 further saving of £200k to be identified for 2019/20 Commercial Strategy approved at Cabinet November 2017 <ul style="list-style-type: none"> In 2018/19 increase income to be generated to support services 2020/21, more funding information to be provided from Central Government in due course.
Inability to identify strategic risks leaves the Council exposed	F	New risk management framework drafted to assist in more accurately identifying risks during 2017/18 and Strategic Risk Management Group established to provide consistent challenge. <ul style="list-style-type: none"> In 2018/19 increased training to be provided to identify Inherent and Residual risk; to be reported at Quarter 1 2018/19
Ineffective business continuity plans leading to loss of service	G	Programme of work commenced in 2017 to update individual and the corporate businesses continuity plans. Training and advice provided from external source <ul style="list-style-type: none"> 2018/19 will see the completion of all the Council's business continuity plans.

Summary

This statement provides an opinion on the level of assurance with regards to the Council's governance arrangements which enables stakeholders to be satisfied that proper arrangements are in place to govern spending and safeguarding of assets. The governance issues will be addressed in the 'action plan' on an ongoing basis to further enhance the governance arrangements. The evaluation on the effectiveness of arrangements provides assurance that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Annual Governance Statement signed by:



Signed: ----- **Date:** 25th May 2018
Councillor Mark Robson
Leader of the Council



Signed: ----- **Date:** 25th May 2018
Justin Ives BA, MA, DBA, FCMI, FCCA
Chief Executive

STATEMENT OF ACCOUNTS

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. The Council raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/2017				2017/2018		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
9,556,586	(4,285,333)	5,271,253	Leisure & Environment	9,843,307	(4,974,351)	4,868,956
8,765,090	(4,973,328)	3,791,762	Economy & Planning	6,898,674	(7,119,301)	(220,627)
21,955,226	(17,988,690)	3,966,536	Finance	19,793,935	(15,981,224)	3,812,711
1,284,562	(353,751)	930,811	Law & Governance	1,290,877	(434,499)	856,378
41,561,464	(27,601,102)	13,960,362	Net Cost Of Services	37,826,793	(28,509,375)	9,317,418
2,167,067	(846,853)	1,320,214	Other Operating Expenditure (Note 10)	4,638,596	(1,321,431)	3,317,165
2,341,176	(2,900,150)	(558,974)	Financing and Investment Expenditure/(Income) (Note 11)	2,317,268	(2,909,277)	(592,009)
	(11,959,950)	(11,959,950)	Taxation and Non-Specific Grant (Income) (Note 12)	-	(12,861,239)	(12,861,239)
46,069,707	(43,308,055)	2,761,652	(Surplus) or Deficit on Provision of Services	44,782,657	(45,601,322)	(818,665)
		(1,491,373)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment (Note 26)			(697,732)
		4,872,000	Actuarial (Gains) / Losses on Pension Assets / Liabilities (Note 42)			(1,378,000)
		3,380,627	Other Comprehensive Income and Expenditure			(2,075,732)
		6,142,279	Total Comprehensive Income and Expenditure			(2,894,397)

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The (increase)/decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

2017/2018

	General Fund Balance £	Earmarked General Fund Reserves £	Capital Receipts Reserve £	Capital Grants Unapplied Account £	Total Usable Reserves £	Unusable Reserves £	Total Council Reserves £
Balance at 31 March 2017	(2,000,000)	(11,642,005)	(1,866,845)	(729,692)	(16,238,542)	(12,622,273)	(28,860,815)
Movement in reserves during 2017/18							
Total Comprehensive Income and Expenditure	(818,665)	-	-	-	(818,665)	(2,075,732)	(2,894,397)
Adjustments between accounting basis & funding basis under regulations (Note 8)	(1,011,625)	-	(210,739)	(733,681)	(1,956,045)	1,956,045	-
(Increase)/ Decrease in 2017/18	(1,830,290)	-	(210,739)	(733,681)	(2,774,710)	(119,687)	(2,894,397)
Transfer (to) / from Earmarked Reserves (Note 9)	1,830,290	(1,830,290)	-	-	-	-	-
Balance at 31 March 2018 carried forward	(2,000,000)	(13,472,295)	(2,077,584)	(1,463,373)	(19,013,252)	(12,741,960)	(31,755,212)

2016/2017 Comparative Figures

	General Fund Balance £	Earmarked General Fund Reserves £	Capital Receipts Reserve £	Capital Grants Unapplied Account £	Total Usable Reserves £	Unusable Reserves £	Total Council Reserves £
Balance at 31 March 2016	(2,000,000)	(12,827,682)	(2,438,256)	(92,889)	(17,358,827)	(17,644,267)	(35,003,094)
Movement in reserves during 2016/17							
Total Comprehensive Income and Expenditure	2,761,652	-	-	-	2,761,652	3,380,627	6,142,279
Adjustments between accounting basis & funding basis under regulations (Note 8)	(1,575,975)	-	571,411	(636,803)	(1,641,367)	1,641,367	-
(Increase)/ Decrease in 2016/17	1,185,677	-	571,411	(636,803)	1,120,285	5,021,994	6,142,279
Transfer (to) / from Earmarked Reserves (Note 9)	(1,185,677)	1,185,677	-	-	-	-	-
Balance at 31 March 2017 carried forward	(2,000,000)	(11,642,005)	(1,866,845)	(729,692)	(16,238,542)	(12,622,273)	(28,860,815)

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, i.e. 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 2017 £	Balance Sheet	Notes	31 March 2018 £
33,692,469	Property, Plant & Equipment	13	33,650,939
109,000	Investment Property	15	109,000
520,631	Intangible Assets	16	456,982
2,520	Long Term Investments	46	2,520
26,200,000	Long Term Debtors	17	28,902,180
60,524,620	Long Term Assets		63,121,621
57,810	Inventories	18	57,966
2,519,228	Short Term Debtors	20	4,104,669
1,750,284	Cash and Cash Equivalents	21	2,682,535
102,328	Assets Held for Sale	22	620,018
4,429,650	Current Assets		7,465,188
(5,500,633)	Short Term Borrowing	17	(5,001,514)
(7,033,483)	Short Term Creditors	23	(8,200,811)
(723,366)	Short Term Provisions	24	(545,357)
(140,776)	Other Short Term Liabilities		(169,947)
(13,398,258)	Current Liabilities		(13,917,629)
-	Long Term Creditors		(2,350,000)
(1,200,898)	Long Term Borrowing	17	(1,200,898)
-	Long Term Provisions	24	-
(18,299)	Other Long Term Liabilities	17	(15,870)
(21,476,000)	Pension Liability	42	(21,347,200)
(22,695,197)	Long Term Liabilities		(24,913,968)
28,860,815	Net Assets		31,755,212
(16,238,542)	Usable Reserves	25	(19,013,252)
(12,622,273)	Unusable Reserves	26	(12,741,960)
(28,860,815)	Total Reserves		(31,755,212)

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.

2016/2017 £		2017/2018 £
2,761,652	Net (surplus)/deficit on the provision of services	(818,665)
11,602,650	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements (Note 27)	(4,522,527)
2,112,433	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities (Note 28)	5,254,894
16,476,735	Net cash (inflows)/outflows from Operating Activities	(86,298)
(4,840,658)	Investing Activities (Note 29)	(1,150,150)
(7,291,352)	Financing Activities (Note 30)	304,197
4,344,725	Net (increase)/decrease in cash and cash equivalents	(932,251)
(6,095,009)	Cash and cash equivalents at the beginning of the year	(1,750,284)
(1,750,284)	Cash and cash equivalents at the end of the year (Note 21)	(2,682,535)

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 *Accounts and Audit (England) Regulations 2015*, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 and the Service Reporting Code of Practice 2017/2018, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The Statement of Accounts summarise the Council's transactions for the 2017/2018 financial year and its position at the year ending 31 March 2018.

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 will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest 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 a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

vi) Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited in the Comprehensive Income and Expenditure Statement with the following amounts to record the 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; and
- 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 a 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 are 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 wholly 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 wage 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 entitlements 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund 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 termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment 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

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

- The liabilities of the North Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality 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 following components:

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of

Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contribution paid to the North Yorkshire Local Government Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and 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, 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) Fair Value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

x) 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 respectively 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the 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
- Equity shares with no quoted market prices – independent appraisal of company valuations

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 Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

xi) 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.

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 the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport 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.

xii) Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. 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 Council'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 the Capital Receipts Reserve.

xiv) Interests in Companies and Other Entities

The Council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. In the Council's 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 a material financial relationship with the Central Northallerton Development Limited Company so is required to prepare Group Accounts. Within the Group Accounts, the financial statements of Central Northallerton Development Company have been recorded on an equity basis under IFRS11 – Joint Arrangements and IAS28 – Investments in Associates and Joint Ventures.

xv) Inventories and Long-term Contracts

Inventories, 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 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 ventures 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 ventures (TSSBC), with the assets being used to obtain benefits for the ventures (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 to the lessee. All other leases are classified as operating leases.

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant 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.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid 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

Finance Leases

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 (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the 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 (i.e. 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.

xii) Overheads and Support Services

The costs of support services are charges in their own right and represent a service area in the Council in line with the Council's departmental management structure. They are therefore accounted for as separate headings, or within the headings to which they relate, in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Net Cost of Services

xiii) 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 or 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; and
- 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 current 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 current value. The difference between current 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
- Surplus assets – fair value, determined by the measurement of the highest and best use value of the asset.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use at existing use value – EUV.

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current 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 current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as minimum every five years.

The freehold and leasehold properties which comprise of the Council's property portfolio are valued on a 5 year rolling programme by external independent valuer, Kier 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; and
- 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 Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

- Where there is a balance 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 valuations 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:

- Other 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

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure 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.

All amounts received from the disposal of assets are categorised as capital receipts, there is no deminimus. If any housing receipts are received then a proportion of receipts relating to the housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to Government. This Council does not have any housing stock, therefore this does not occur. 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.

xiv) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the 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 recovered by another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the 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 either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed 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 Council.

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

xv) 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 in the Movement in Reserve Statement. 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 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.

xvi) 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 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.

xxiv) 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

The Code of Practice of Local Authority Accounting in the United Kingdom (The Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of new or amended standards within the 2018/19 Code. New standards introduced in the 2018/19 Code that apply from 1 April 2018 are:

- **IFRS 9 Financial Instruments;**

IFRS 9 introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on contractual cashflows and the business model for holding the assets. It is not expected that the Council’s assets will require a change to their current classification, therefore it is unlikely to have a material impact on the financial statements.

- **IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers;**

The new requirements of this standard are that an entity should recognise income in a manner that depicts the pattern of transfer of goods and services to customers. The amount recognised should reflect the amount to which it expects to be entitled to in exchange for the goods and services. This recognition includes an assessment of the performance obligations under the contract and distinguishes between performance obligations that are satisfied at a ‘point in time’ and those ‘over time’. The council does not have any material revenue streams within the scope of the new standard.

- **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative;**

Amendments to IAS 7 may require additional disclosures around changes in liabilities arising from financing activities. It is not considered that this will have a material impact on the financial statements.

- **IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses;**

This requirement applies to deferred tax assets related to debt instruments measured at fair value. The Council has no such debt instruments.

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

Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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 2018, for which there is a significant risk of material adjustments 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 in these circumstances. For example, if the useful life of all the PPE assets would reduce by five years, the Council's depreciation charge would increase by £346,922 per year.
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 an increase in the pension liability of £1,829,000. However the assumptions interact in complex ways. During 2017/2018, the Council's actuaries advised that the net pensions liability had decreased by £1,378,000 as a result of estimates being corrected as a result of experience and decreased by £1,249,200 attributable to updating of the assumptions.
Business Rate Provisions	The introduction of the Business Rates Retention Scheme on 1 April 2013 results in Local Authorities being liable for successful appeals against business rates charged to businesses in 2017/18 and earlier financial years in their proportionate share. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2018. The estimate has been calculated using the Valuation Office (VO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2018.	If a greater amount of appeals occurs than has been estimated then this will be an increased cost on the collection fund, which could cause an increased deficit position on the collection fund in the future. Further information on provision for appeals is included in the Collection Fund Statement

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2018, the Council had a balance for sundry debtors of £4,657,982. A review of significant balances suggested that an impairment of doubtful debts of 16.01% (£745,713) 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 £745,713 to be set aside as an allowance.
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Notes 15 and 17 below.</p>	<p>The Council uses the discounted cash flow (DCF) model and Reversion valuation to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth (for investment properties) and discount rates – adjusted for regional factors (for financial assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>

5. Material Items of Income and Expense

The Comprehensive Income and Expenditure Statement shows the Council'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 is authorised by the Section 151 Officer and will be approved by Audit, Governance and Standards Committee on 24 July 2018. Events taking place after this date will not be reflected in the financial statements or notes. Where events take place before this date and information is provided on conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Currently, there are no specific events that have taken place after the 31 March 2018 and therefore there have been no adjustments to the financial statements or to the notes for any non-adjusting events. This will be reviewed up until the accounts are approved on 24 July 2018 and published.

7. Expenditure and Funding Analysis

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

2016/17 Expenditure and Funding Analysis			2017/18 Expenditure and Funding Analysis			
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund reporting in year	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£	£	£		£	£	£
4,653,052	618,201	5,271,253	Leisure & Environment	3,821,541	1,047,415	4,868,956
1,444,898	2,346,864	3,791,762	Economy & Planning	(1,940,601)	1,719,974	(220,627)
3,733,320	233,216	3,966,536	Finance	3,362,899	449,812	3,812,711
932,000	(1,189)	930,811	Law & Governance	810,358	46,020	856,378
10,763,270	3,197,092	13,960,362	Net Cost Of Services	6,054,197	3,263,221	9,317,418
(9,577,593)	(1,621,117)	(11,198,710)	Other Income and Expenditure	(7,884,487)	(2,251,596)	(10,136,083)
1,185,677	1,575,975	2,761,652	(Surplus) or Deficit	(1,830,290)	1,011,625	(818,665)
(2,000,000)			Opening General Fund	(2,000,000)		
1,185,677			Less/Plus Surplus or (Deficit) on General Fund in Year	(1,830,290)		
(1,185,677)			Transfer (to) / from Earmarked Reserve (Note 9)	1,830,290		
(2,000,000)			Closing General Fund at 31 March	(2,000,000)		

7(a) Note to the Expenditure and Funding Analysis

2016/17 Note 7 (a) to the Expenditure and Funding Analysis: Adjustments between the Funding and Accounting Basis					2017/18 Note 7 (a) to the Expenditure and Funding Analysis: Adjustments between the Funding and Accounting Basis			
Adjustment for Capital purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments		Adjustment for Capital purposes	Net change for the Pension Adjustments	Other Differences	Total Adjustments
£	£	£	£		£	£	£	£
641,729	(14,746)	(8,782)	618,201	Leisure & Environment	710,980	323,556	12,879	1,047,415
2,346,851	(6,149)	6,162	2,346,864	Economy & Planning	1,576,023	128,164	15,787	1,719,974
222,618	2,595	8,003	233,216	Finance	252,977	201,602	(4,767)	449,812
5,871	(1,700)	(5,360)	(1,189)	Law & Governance	5,871	34,878	5,271	46,020
3,217,069	(20,000)	23	3,197,092	Net Cost Of Services	2,545,851	688,200	29,170	3,263,221
(2,159,174)	545,000	(6,943)	(1,621,117)	Other Income and Expenditure from the Funding Analysis	(3,009,855)	561,000	197,259	(2,251,596)
1,057,895	525,000	(6,920)	1,575,975	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit	(464,004)	1,249,200	226,429	1,011,625

7(b) Segmental Income

Income received on a segmental basis is analysed below:

2016/17 £	Income from Services	2017/18 £
2,815,109	Leisure Services	2,718,176
941,739	Development Control	792,930
776,984	Premises Development	793,217
650,507	Off Street Parking	714,780
141,893	Local Taxation	154,361
181,762	Markets	169,838
163,960	Licensing	177,712
94,232	Land Charges	115,492
104,202	Environmental Services	129,971
31,626	Planning Services	73,176
125,130	Waste Collection	873,731
6,027,144	Total income analysed on a segmental basis	6,713,384

7(c) Expenditure and Income analysed by Nature

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

2016/17 £	Expenditure / (Income)	2017/18 £
	Expenditure	
12,080,196	Employee benefits expenses	12,432,397
27,102,075	Other services expenses	24,247,855
2,238,599	Depreciation, amortisation, impairment	580,557
27,176	Interest payments	25,268
1,330,755	Precepts & Levies	1,400,746
(7,069)	Gain on disposal of assets	1,907,948
42,771,732	Total Expenditure	40,594,771
	Income	
(5,406,495)	Fees, charges and other service income	(7,238,651)
(1,131,150)	Interest and investment income	(1,178,277)
(4,657,787)	Income from council tax, non-domestic rates, district rate income	(4,947,587)
(28,814,648)	Government grants and contributions	(28,048,921)
(40,010,080)	Total Income	(41,413,436)
2,761,652	(Surplus) or Deficit on the Provision of Services	(818,665)

8. 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 arrive at 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 and 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 2017/2018 and comparative year 2016/2017 can be seen on the following pages.

2017/2018	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	(1,178,879)	-	-	1,178,879
Revaluation losses on Property Plant and Equipment	(27,899)			27,899
Movements in the fair value of Investment Properties	-	-	-	-
Amortisation of Intangible Assets	(153,518)	-	-	153,518
Capital Grants and Contributions applied	4,104,001	-	-	(4,104,001)
Revenue Expenditure funded from Capital Under Statute	(1,185,555)	-	-	1,185,555
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	(3,058,840)	-	-	3,058,840
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Capital Expenditure charged against the General Fund Balance	80,120	-	-	(80,120)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	895,382	-	(895,382)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(161,701)	-	161,701	-

2017/2018	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
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	1,150,893	(1,150,893)	-	-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	940,154	-	(940,154)
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(2,869,000)	-	-	2,869,000
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	1,619,800	-	-	(1,619,800)
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	(197,259)	-	-	197,259
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	(29,170)	-	-	29,170
Total Adjustments	(1,011,625)	(210,739)	(733,681)	1,956,045

2016/2017	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	(1,122,232)	-	-	1,122,232
Revaluation losses on Property Plant and Equipment	(1,497,348)	-	-	1,497,348
Movements in the fair value of Investment Properties	-	-	-	-
Amortisation of Intangible Assets	(123,864)	-	-	123,864
Capital Grants and Contributions applied	1,448,042	-	-	(1,448,042)
Revenue Expenditure funded from Capital Under Statute	(473,625)	-	-	473,625
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	(657,322)	-	-	657,322
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Capital Expenditure charged against the General Fund Balance	67,260	-	-	(67,260)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	636,803	-	(636,803)	-
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	664,391	(664,391)	-	-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	1,235,802	-	(1,235,802)

2016/2017	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	(2,255,000)	-	-	2,255,000
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	1,730,000	-	-	(1,730,000)
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	6,943	-	-	(6,943)
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	(23)	-	-	23
Total Adjustments	(1,575,975)	571,411	(636,803)	1,641,367

9. 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 2017/2018.

	Balance at 31 March 2016	Transfers Out 2016/2017	Transfers In 2016/2017	Balance at 31 March 2017	Transfers Out 2017/2018	Transfers In 2017/2018	Balance at 31 March 2018
	£	£	£	£	£	£	£
Council Taxpayers Reserve	3,165,355	(386,547)	2,123,789	4,902,597	(3,021,123)	3,138,501	5,019,975
Community Safety Partnership	53,041	(14,877)	-	38,164	(10,628)	-	27,536
Local Plan Reserve	407,539	(308,808)	-	98,731	(226,821)	187,630	59,540
Strategic Forum Reserve	10,046	-	-	10,046	(10,046)	-	-
Grants Fund	364,012	(103,064)	-	260,948	(69,114)	-	191,834
One Off Fund	1,383,167	(1,503,574)	556,323	435,916	(723,500)	1,002,061	714,477
Repairs & Renewals Fund	2,980,511	(530,637)	-	2,449,874	(352,067)	-	2,097,807
Make a Difference Fund	5,555	(72,970)	119,445	52,030	(113,229)	125,000	63,801
Take That Step	6,180	(6,180)	3,436	3,436	(34,534)	31,098	-
Winter Weather Campaign	9,191	(9,191)	-	-	-	-	-
Economic Development Fund	3,237,979	(1,060,796)	1,876	2,179,059	(734,239)	20,275	1,465,095
Computer Fund	1,198,017	(188,118)	-	1,009,899	(221,550)	400,000	1,188,349
Arts Grants Reserve	7,089	(1,190)	138	6,037	(6,540)	503	-
North Northallerton Bridge Reserve	-	(2,138,997)	2,138,997	-	(1,678,221)	4,044,000	2,365,779
Community Infrastructure Levy (CIL) 5% Admin Reserve	-	-	-	-	(41,273)	41,273	-
Community Housing Fund Reserve	-	-	195,268	195,268	(15,037)	-	180,231
Swimming Project Reserve	-	-	-	-	(72,220)	170,091	97,871
Total Earmarked Reserves	12,827,682	(6,324,949)	5,139,272	11,642,005	(7,330,142)	9,160,432	13,472,295
General Fund	2,000,000	-	-	2,000,000	-	-	2,000,000
Capital Grants Unapplied	92,889	-	636,803	729,692	(161,701)	895,382	1,463,373
General Capital Receipts	2,438,256	(571,411)	-	1,866,845	-	210,739	2,077,584
Total General Fund	17,358,827	(6,896,360)	5,776,075	16,238,542	(7,491,843)	10,266,553	19,013,252

The purposes of the above reserves are as follows:

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.

Strategic Forum Reserve – To assist in the funding of a strategic Forum programme in relation to broadband funding projects; this reserve will be transferred to the Economic Development Fund which also supports these types of schemes. Therefore the Strategic Forum Reserves is no longer required.

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

One Off Fund - To improve or sustain service delivery.

Repairs & Renewals Fund – To fund expenditure in relation to Repairs and Renewals

Make a Difference Grants Fund – To invest in worthy local community projects which help improve life in neighbourhoods and which support the work of the voluntary sector.

Take That Step – A Lifestyle Referral service by GPs, for patients where a healthy lifestyle would improve their physical or mental condition.

Winter Weather Campaign – To give advice and guidance relating to the issues of cold winter weather.

Economic Development Fund – Established to comply with a key strategic priority for the Council of Economic Development and increasing business within the District.

Computer Fund – To fund ICT expenditure.

Arts Grants Reserve – To fund Arts Development projects as grants and contribution are received on an on-going basis.

North Northallerton Bridge Reserve – Established to fund the cost of the North Northallerton Bridge with funds from the Local Enterprise Partnership.

Community Infrastructure Levy (CIL) 5% Admin Reserve – Established to fund expenditure relating to administration of the CIL scheme.

Community Housing Fund Reserve – Established to use on community led housing from funding from the Ministry of Housing, Communities & Local Government in accordance with grant guidelines.

Swimming Project Reserve – Established to encourage swimming participation in the district with funds from Sport England.

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

10. Other Operating Expenditure

2016/2017 £	Other Operating Expenditure	2017/2018 £
1,330,755	Parish Council Precepts	1,400,746
107,487	Drainage Board Levies	112,293
(110,959)	(Surplus)/Deficit from Trading Activities	(103,822)
(7,069)	(Gains)/Losses on the disposal of Non-Current Assets	1,907,948
1,320,214	Total	3,317,165

11. Financing and Investment Income and Expenditure

2016/2017 £	Finance and Investment Income and Expenditure	2017/2018 £
27,176	Interest Payable and Similar Charges	25,268
545,000	Pensions Interest Cost & Expected Return on Pensions Assets	561,000
(1,126,147)	Interest Receivable and Similar Income	(1,173,277)
(5,003)	Income & Expenditure in relation to Investment Properties and Changes in their Fair Value	(5,000)
(558,974)	Total	(592,009)

12. Taxation and Non Specific Grant Income

2016/2017 £	Taxation and Non Specific Grant Income	2017/2018 £
(4,657,787)	Council Tax Income	(4,947,587)
(2,496,003)	Non Domestic Rates	(3,463,841)
(4,085,861)	Non-Ringfenced Grants	(3,132,531)
(720,299)	Capital Grants and Contributions	(1,317,280)
(11,959,950)	Total	(12,861,239)

13. Property, Plant and Equipment

Movement in 2017/2018	Other Land and Buildings £	Vehicles, Plant Furniture & Equipment £	Infrastructure Assets £	Community Assets £	Assets Under Construction £	Total £
Cost or Valuation						
at 1 April 2017	27,297,735	9,010,891	4,538,240	76,776	2,421,742	43,345,384
Additions	3,134,121	506,784	55,836	20,210	327,096	4,044,047
Accumulated Depreciation & Impairment Written Out to Gross Carrying Amount	(306,369)	-	-	-	-	(306,369)
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	697,732	-	-	-	-	697,732
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on Provision of Services	(27,899)	-	-	-	-	(27,899)
Derecognition – Disposals	(552,300)	(84,345)	-	-	(2,440,224)	(3,076,869)
Assets reclassified (to)/from Held for Sale	(619,568)	-	-	-	-	(619,568)
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-
Other movements in Cost or Valuation	20,733	-	(20,733)	-	-	-
At 31 March 2018	29,644,185	9,433,330	4,573,343	96,986	308,614	44,056,458
Accumulated Depreciation and Impairment						
At 1 April 2017	(701,308)	(7,314,139)	(1,636,031)	(940)	(497)	(9,652,915)
Depreciation Charge	(674,711)	(423,586)	(79,642)	(940)	-	(1,178,879)
Accumulated Depreciation Written Out to Gross Carrying Amount	306,369	-	-	-	-	306,369
Depreciation Written out in the Surplus/Deficit on the provision of Services	-	-	-	-	-	-
Derecognition – Disposals	43,184	76,225	-	-	497	119,906
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-
Other movements in Cost or Valuation	-	-	-	-	-	-
At 31 March 2018	(1,026,466)	(7,661,500)	(1,715,673)	(1,880)	-	(10,405,519)
Net Book Value						
At 31 March 2017	26,596,427	1,696,752	2,902,209	75,836	2,421,245	33,692,469
At 31 March 2018	28,617,719	1,771,830	2,857,670	95,106	308,614	33,650,939

Movement in 2016/2017	Other Land and Buildings	Vehicles, Plant Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£	£	£	£	£	£
Cost or Valuation at 1 April 2016	29,482,504	8,911,980	4,172,219	71,751	105,194	42,743,648
Additions	1,408,083	199,053	366,021	5,025	151,028	2,129,210
Accumulated Depreciation & Impairment Written Out to Gross Carrying Amount	(788,975)	-	-	-	-	(788,975)
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	1,491,373	-	-	-	-	1,491,373
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on Provision of Services	(1,497,348)	-	-	-	-	(1,497,348)
Derecognition – Disposals	(631,932)	(100,142)	-	-	-	(732,074)
Assets reclassified (to)/from Held for Sale	(450)	-	-	-	-	(450)
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-
Other movements in Cost or Valuation	(2,165,520)	-	-	-	2,165,520	-
At 31 March 2017	27,297,735	9,010,891	4,538,240	76,776	2,421,742	43,345,384
Accumulated Depreciation and Impairment at 1 April 2016	(835,853)	(7,010,680)	(1,568,137)	-	-	(9,414,670)
Depreciation Charge	(654,927)	(398,471)	(67,894)	(940)	-	(1,122,232)
Accumulated Depreciation Written Out to Gross Carrying Amount	788,975	-	-	-	-	788,975
Depreciation Written out in the Surplus/Deficit on the provision of Services	-	-	-	-	-	-
Derecognition – Disposals	-	95,012	-	-	-	95,012
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-
Other movements in Cost or Valuation	497	-	-	-	(497)	-
At 31 March 2017	(701,308)	(7,314,139)	(1,636,031)	(940)	(497)	(9,652,915)
Net Book Value						
At 31 March 2016	28,646,651	1,901,300	2,604,082	71,751	105,194	33,328,978
At 31 March 2017	26,596,427	1,696,752	2,902,209	75,836	2,421,245	33,692,469

Depreciation

Assets are depreciated on the opening asset value, on a straight line basis over the expected life of the 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 2017/2018, the Council did not make any material changes to its accounting estimates for Property, Plant and Equipment.

Capital Commitments

At 31 March 2018, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £147,078.

The major commitments are at Dalton Bridge of £147,078.

At 31 March 2018 there were no significant capital commitments.

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 Kier 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.

In addition the Council has also instructed its valuers to undertake a review of all assets held in the other land and buildings category to ensure that the carrying value of assets in previous years is not materially different from their fair value. All other asset classes are unaffected.

In order to perform this exercise the other land and building category was split into the sub-categories detailed in the table below:

Asset Class	Net Book Value as at 31 March 2017 £	Net Book Value as at 31 March 2018 £
Sports – Leisure Centres	10,287,177	12,943,110
Community Buildings	368,800	434,000
Depots	534,000	560,558
Off Street Parking	4,436,500	4,436,500
Offices	2,691,575	2,773,491
Workspaces	7,163,652	6,341,564
Other	1,114,723	1,128,496
Total Cost or Valuation	26,596,427	28,617,719

The review concluded that for the fair value for assets valued at Depreciated Replacement Cost (DRC) there has been no significant change in values.

14. Heritage Assets

Hambleton District Council held no assets that fall under the Heritage Asset category for either the 2017/2018 or 2016/2017 financial year.

15. Investment Properties

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

2016/2017 £	Investment Properties	2017/2018 £
5,003	Rental Income from Investment Property	5,000
-	Direct Operating Expenses from Investment Property	-
5,003	Net Gain	5,000

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.

2016/2017 £	Investment Properties	2017/2018 £
109,000	Balance at 1 April	109,000
-	Additions – Purchases	-
-	Disposals	-
-	Net Gains/(losses) from Fair Value Adjustments	-
-	Transfers: (To) / From Property, Plant and Equipment	-
109,000	Balance at 31 March	109,000

Fair Value Hierarchy

The Council's investment property has been value assessed as Level 3 on the fair value hierarchy for valuation purposes (See Note 1 Accounting Policies (ix) for an explanation of the fair value levels).

Significant Unobservable Inputs – Level 3

The commercial land located in our area is measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the Council's own data.

The Council's commercial land is therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

	As at 31/03/2018 £	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Commercial Land	-	Reversion Value	Rent	0%	Significant changes in rental income and rent growth; vacancy levels or discount rate will result in a significantly lower or higher fair value
	-				

Valuation Process for Investment Properties

The fair value of the Council's investment properties is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

16. 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 purchased licenses.

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.

2016/2017 £	Intangible Assets	2017/2018 £
	Balance at 1 April	
3,020,756	Gross Carrying Amounts	3,169,025
(2,524,530)	Accumulated Amortisation	(2,648,394)
496,226	Net Carrying Amounts at 1 April	520,631
148,269	Additions – Purchases	89,869
(123,864)	Amortisation for the Year	(153,518)
520,631	Balance at 31 March	456,982

Comprising:

3,169,025	Gross Carrying Amounts	3,258,894
(2,648,394)	Accumulated Amortisation	(2,801,912)
520,631	Balance at 31 March	456,982

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

17. Financial Instruments

Categories of Financial Instruments

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

2016/2017		Category of Financial Instruments	2017/2018	
Long Term £	Short Term £		Long Term £	Short Term £
2,520	-	Investments Loans and receivables	2,520	-
26,200,000	2,519,228	Debtors Financial assets carried at contract amount	28,624,580	2,837,195
(1,200,898)	(5,500,633)	Borrowings Financial liabilities at amortised cost	(1,200,898)	(5,001,514)
(18,299)	(7,033,483)	Creditors Financial liabilities carried at contract amount	(2,365,870)	(6,470,674)

Income, Expenses, Gains and Losses

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

	2016/2017 Financial Assets				2017/2018 Financial Assets			
	Financial Liabilities Measured at Amortised Cost £	Loans and Receivables £	Available-For-Sale-Assets £	Total £	Financial Liabilities Measured at Amortised Cost £	Loans and Receivables £	Available-For-Sale-Assets £	Total £
Interest Expense	-	27,177	-	27,177	-	25,268	-	25,268
Total Expense in Surplus or Deficit on the Provision of Service	-	27,177	-	27,177	-	25,268	-	25,268
Gains on Derecognition	-	(1,123,527)	-	(1,123,527)	-	(1,170,657)	-	(1,170,657)
Total income in the Surplus or Deficit on the Provision of Services	-	(1,123,527)	-	(1,123,527)	-	(1,170,657)	-	(1,170,657)
Net Gain/(Loss) for the Year	-	(1,096,350)	-	(1,096,350)	-	(1,145,389)	-	(1,145,389)

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:

- 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; and
- 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:

2016/17		Financial Liabilities	2017/2018	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
5,500,000	5,500,544	Short Term Borrowing	5,000,000	5,002,993
1,200,000	1,194,700	Long Term Borrowing	1,200,000	1,174,633
18,299	18,299	Long Term Creditors	15,870	15,870
6,718,299	6,713,543	Total	6,215,870	6,193,496

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a fixed rate loan where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders lower than current market rates.

The fair value of the Public Works Loan Board (PWLB) loan of £1,174,633 measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced interest that the authority will pay over the remaining terms of the loan under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £1,200,000 would be valued at £1,174,633. But, if the Council were to seek to avoid the projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1.21m.

2016/2017		Financial Assets	2017/2018	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
-	-	Loans and receivables	-	-
26,200,000	29,085,955	Long term debtors	28,902,180	31,628,395

The fair value of the assets – Long term debtors - 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 2018) 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.

18. Inventories

Inventories	Central Stocks		Operational Services		Leisure Facilities		Total	
	2016/2017 £	2017/2018 £	2016/2017 £	2017/2018 £	2016/2017 £	2017/2018 £	2016/2017 £	2017/2018 £
Balance outstanding at 1 April	7,767	9,511	12,221	16,978	23,058	31,321	43,046	57,810
Purchases	85,667	75,134	271,236	263,241	89,837	90,785	446,740	429,160
Recognised Expense in Year	(83,864)	(75,355)	(266,479)	(267,281)	(81,574)	(85,719)	(431,917)	(428,355)
Written Off Balances	(59)	(80)	-	(569)	-	-	(59)	(649)
Balance Outstanding at 31 March	9,511	9,210	16,978	12,369	31,321	36,387	57,810	57,966

19. Construction Contracts

At 31 March 2018 (and 31 March 2017) the Council had no construction contracts in progress.

20. Short Term Debtors

31 March 2017 £	Short Term Debtors	31 March 2018 £
285,222	Central Government Bodies	799,740
378,565	Other Local Authorities	558,601
47,095	Public Corporations and Trading Funds	51,243
2,525,512	Other Entities and Individuals	3,440,798
3,236,394	Short term Debtors before provision for Doubtful Debt	4,850,382
(717,166)	Less Provision For Doubtful Debts	(745,713)
2,519,228	Net Short Term Debtors	4,104,669

Movement in Provision for Doubtful Debts	£
Brought Forward at 1 April 2017	(717,166)
Written off during the Year	100,838
Charged to Comprehensive Income & Expenditure Statement	(129,385)
Carried Forward at 31 March 2018	(745,713)

21. Cash and Cash Equivalents

31 March 2017 £	Cash and Cash Equivalents	31 March 2018 £
3,440	Cash Held by the Council	3,415
176,154	Bank Current Accounts	498,142
1,570,690	Short-term deposits	2,180,978
1,750,284	Total Cash and Cash Equivalents	2,682,535

22. Assets Held for Sale

2016/2017 £	Current	2017/2018 £
122,138	Balance Outstanding at 1 April	102,328
450	Assets Newly classified as Held for Sale	619,568
-	Property, Plant & Equipment	-
-	Revaluation Losses recognised in the Revaluation Reserve	-
-	Revaluation Losses recognised in the Provision of Services	-
(20,260)	Assets Sold	(101,878)
102,328	Balance Outstanding at 31 March	620,018

23. Short Term Creditors

31 March 2017 £	Creditors	31 March 2018 £
(943,942)	Central Government Bodies	(386,070)
(930,784)	Other Local Authorities	(1,211,943)
(12,744)	Public Corporations and Trading Funds	(15,617)
(5,146,013)	Other Entities and Individuals	(6,587,181)
(7,033,483)	Total Creditors	(8,200,811)

24. Provisions

Short Term Provision	Provision for Business Rate Appeals	Redundancy Provision	Other Provisions	Total
Balance at 1 April 2017	(584,205)	(94,114)	(45,047)	(723,366)
Additional provision made in 2017/2018	(342,446)	-	(12,566)	(355,012)
Amounts used in 2017/2018	438,678	83,453	229	522,360
Unused amounts reversed in 2017/2018	-	10,661	-	10,661
Balance at 31 March 2018	(487,973)	-	(57,384)	(545,357)

Provision for Business Rate Appeals

This provision is to cover the future loss of income following business rate appeals.

Redundancy Provision

This provision covers committed redundancy costs known to the Council. In 2017/18 two employees strain on the pension costs were charged to the provision and one employee's provision was not required. There are no committed redundancies as at 31 March 2018.

Other Provision

This provision includes the Land Charges Fees Provision of £27,384 and Leisure Holiday Pay Provision of £30,000.

25. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 9.

26. Unusable Reserves

31 March 2017 £	Unusable Reserves	31 March 2018 £
(7,824,808)	Revaluation Reserve	(8,339,927)
(26,468,079)	Capital Adjustment Account	(26,170,276)
21,476,000	Pension Reserve	21,347,200
53,838	Collection Fund Balance	251,097
140,776	Accumulating Compensated Absences/Adjustment Acc.	169,946
(12,622,273)	Total Unusable Reserves	(12,741,960)

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

2016/2017 £	Revaluation Reserve	2017/2018 £	2017/2018 £
(6,621,758)	Balance at 1 April		(7,824,808)
-	Disposal of Assets Held for Sale	-	
(1,518,236)	Upward Revaluation of Fixed Assets	(968,075)	
26,863	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	270,343	
-	Downward Revaluation of Assets Reversal and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	-	
(1,491,373)	Surplus or Deficit on Revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(697,732)
134,563	Difference between fair value depreciation and historic cost depreciation	178,613	
153,760	Accumulated gains on asset sold or scrapped	4,000	
288,323	Amount written off to the Capital Adjustment Account		182,613
(7,824,808)	Balance at 31 March		(8,339,927)

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 8 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/2017 £	Capital Adjustment Account	2017/2018 £	2017/2018 £
(27,303,043)	Balance at 1 April		(26,468,079)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
1,122,232	Charges for Depreciation and Impairment of Non-Current Assets	1,178,879	
1,497,348	Revaluation Losses on Property, Plant and Equipment	27,899	
123,864	Amortisation of Intangible Assets	153,518	
473,625	Revenue Expenditure funded from Capital Under Statute	1,185,555	
657,322	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	3,058,840	
3,874,391			5,604,691
(288,323)	Adjusting amounts written out of the Revaluation Reserve	(182,613)	
3,586,068	Net Written Out Amount of the cost on Non-Current Assets Consumed in the Year.		5,422,078
(1,235,802)	Capital Financing Applied in the Year: Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(940,154)	
(1,448,042)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(4,104,001)	
	- Application of Grants to Capital Financing from the Capital Grants Unapplied Account	-	
	- Statutory Provision for the Financing of Capital Investment charged against the General Fund Balance	-	
(67,260)	Capital Expenditure charged against the General Fund Balance	(80,120)	
(2,751,104)	- Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement	-	(5,124,275)
(26,468,079)	Balance at 31 March		(26,170,276)

Pension Reserve

The Pension 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 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 Pension 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.

2016/2017 £	Pension Reserve	2017/2018 £
16,079,000	Balance at 1 April	21,476,000
4,872,000	Actuarial Gains or (Losses) on Pensions Assets and Liabilities	(1,378,000)
2,255,000	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	2,869,000
(1,730,000)	Employer's Pensions Contributions and Direct Payments to Pensioners payable in the Year	(1,619,800)
21,476,000	Balance Carried Forward at 31 March	21,347,200

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 Taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2016/2017 £	Collection Fund Adjustment Account	2017/2018 £
60,781	Balance at 1 April	53,838
(6,943)	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	197,259
53,838	Balance at 31 March	251,097

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.

2016/2017 £	Accumulating Compensated Absences Adjustment Account	2017/2018 £
140,753	Balance at 1 April	140,776
(140,753)	Settlement or Cancellation of Accrual made at the end of the Preceding Year	(140,776)
140,776	Amounts Accrued at the end of the Current Year	169,946
140,776		169,946
-	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	-
140,776		169,946

27. Cash Flow Statement – Operating Activities: Non-cash Movements

The cash flows for operating activities include the following items:

31 March 2017 £	Information relating to Interest Received and Interest Paid	31 March 2018 £
(1,131,150)	Interest Received	(1,178,277)
22,173	Interest Paid	25,268
(1,108,977)	Total	(1,153,009)

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

31 March 2017 £	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non Cash Movements	31 March 2018 £
(1,122,232)	Depreciation	(1,178,879)
(1,497,348)	Impairment and downward valuations	(27,899)
-	Movement in the Fair Value of Investment Properties	-
(123,864)	Amortisation	(153,518)
(483,248)	(Increase) / Decrease in Creditors	(3,336,890)
15,407,079	Increase / (Decrease) in Debtors	4,287,621
14,764	Increase / (Decrease) in Inventories	156
(525,000)	Movement in Pension Liability	(1,249,200)
(657,322)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,058,840)
589,821	Other non-cash items charged to the net surplus or deficit on provision of services	194,922
11,602,650	Total	(4,522,527)

28. Cash Flow Statement – Operating Activities: Adjustments for Investing & 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 March 2017 £	Adjustments to Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities	31 March 2018 £
1,448,042	Grants applied to the financing of Capital Expenditure	4,104,001
664,391	Proceeds from the sale of Property, Plant and Equipment, Investment property and Intangible assets	1,150,893
-	Capital Receipts Received	-
-	Any other Items for which the cash effects are investing or financing cash flows	-
2,112,433	Total Cash Flows from Operating Activities	5,254,894

29. Cash Flow Statement – Investing Activities

31 March 2017 £	Investing Activities	31 March 2018 £
2,751,104	Purchase of Property, Plant and Equipment, Investment Property and Intangible assets	5,319,471
(473,625)	Revenue Expenditure Financed From Capital Under Statute (REFCUS)	(1,185,555)
104,781,888	Purchase of Short Term and Long Term Investments	87,450,286
(664,391)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,150,893)
-	Capital Receipts Received	-
(109,787,592)	Proceeds from Short Term and Long Term investments	(87,479,458)
(1,448,042)	Other receipts from investing activities	(4,104,001)
(4,840,658)	Net Cash Flows from Investing Activities	(1,150,150)

30. Cash Flow Statement – Financing Activities

31 March 2017 £	Cash Flow Statement – Financing Activities	31 March 2018 £
(6,701,531)	Cash receipts of short and long-term borrowing	499,119
(589,821)	Other (receipts) / Payments from financing activities	(194,922)
(7,291,352)	Net Cash Flows from Financing Activities	304,197

31. Trading Operations

The Council operates two market undertakings at Northallerton and Thirsk. The total income, which was largely rents from stallholders, amounted to £170,538 (2016/2017 £182,462), and the surplus credited to the General Fund was £103,822 (2016/2017 surplus £110,959).

2016/2017 £	Trading Activity	2017/2018 £
(110,959)	Markets	(103,822)
(110,959)	(Surplus) / Deficit	(103,822)

32. Pooled Budgets

The Authority has 3 pooled budget arrangements - Rural Housing Enablers, York, North Yorkshire and East Riding Strategic Housing Partnership and Community Led Housing - to meet the needs of people living in the Hambleton area.

The table below provides information on the Rural Housing Enablers pooled budget:

The Rural Housing Enablers arrangement is with 8 local authorities 1 National Park and 14 Housing Associations, where the agreement is in place to 31 March 2018. Contributions stand at a £6,500 annual fixed contribution from 8 local authorities, which include Hambleton District Council, and £5,000 from One National Park. The 14 Housing Associations contribute a total amount of £91,420 between them. This is calculated by a fixed retainer element of £3,000 per Housing Association with the remainder based on how many new rural homes are delivered by each association within the year.

2016/2017 £	Rural Housing Enablers	2017/2018 £
(6,500)	Funding provided to the pooled budget:	(6,500)
(144,949)	Hambleton District Council	(141,920)
(151,449)	Partners	(148,420)
154,784	Expenditure met from the pooled budget:	170,243
(129,011)	Funding brought forward from previous year	(125,676)
(125,676)	Net funding arising on the pooled budget during the year	(103,853)
(5,392)	For future use on the pooled budget scheme:	
	Hambleton District Council's Share of 4.29% of the net funding to be carried forward	
	Hambleton District Council's Share of 4.38% of the net funding to be carried forward	(4,549)

The North Yorkshire Strategic Housing Services arrangement is with 9 local authorities, where eight authorities contribute £3,650 on an annual basis. Furthermore, the Local Enterprise Partnership (LEP) contributes £8,000 on an annual basis. The North Yorkshire Strategic Housing Services Manager is a permanent post until such time that the 10 partners wish to cease the agreement.

The table below provides further detail:

2016/2017 £	North Yorkshire Strategic Housing Manager	2017/2018 £
(3,650)	Funding provided to the pooled budget:	
(40,050)	Hambleton District Council	(3,650)
(43,700)	Partners	(37,200)
		(40,850)
44,762	Expenditure met from the pooled budget:	54,915
(46,570)	Funding brought forward from previous year	(45,508)
(45,508)	Net funding arising on the pooled budget during the year	(31,443)
(3,800)	For future use on the pooled budget scheme:	
	Authority Share of 8.35% of the net funding to be carried forward	
	Authority Share of 8.94% of the net funding to be carried forward	(2,811)

The Community Led Housing budget is an arrangement, agreed by York, North Yorkshire & East Riding Housing Board, with 8 local authorities – each contributing a proportion (around 2%) of their locally allocated Community Housing Fund into a central pot to fund a support ‘Hub’ for Community Led Housing groups. Each local authority which receives an allocation will make a contribution to a central resource to support the programme base of 3%.

The table below provides further detail:

2016/2017 £	Community Led Housing	2017/2018 £
	Funding provided to the pooled budget:	
-	Hambleton District Council	(5,858)
-	Partners	(179,792)
-		(185,650)
-	Expenditure met from the pooled budget:	49,719
-	Funding brought forward from previous year	-
-	Net funding arising on the pooled budget during the year	(135,931)
	For future use on the pooled budget scheme:	
-	Authority Share of 0% of the net funding to be carried forward	
	Authority Share of 3.16% of the net funding to be carried forward	(4,295)

33. Members Allowances

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

2016/2017 £	Members Allowances	2017/2018 £
257,770	Allowances	259,904
12,266	Expenses	11,801
270,036	Total Member allowances	271,705

34. Officers' Remuneration

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

Total Emoluments	Number of Employees	
	2016/2017	2017/2018
£50,000 - £54,999	-	-
£55,000 - £59,999	2	2
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£160,000-£164,999	1	-
Total	3	2

The remuneration paid to the Council's Senior Officers is as followed:

Post Title	Salary (including fees & allowances)	Performance Related Pay	Car Allowances	Compensation for Loss of Office	Total Remuneration excl. Pension Contributions	Employers Pension Contributions	Total Remuneration (+ pension contributions)
	2017/2018 £	2017/2018 £	2017/2018 £	2017/2018 £	2017/2018 £	2017/2018 £	2017/2018 £
Chief Executive	115,370	-	-	-	115,370	19,036	134,406
Deputy Chief Executive	95,370	-	-	-	95,370	15,736	111,106
Director of Finance – S151 Officer	66,000	-	-	-	66,000	10,890	76,890
Director of Law & Governance – Monitoring Officer	66,000	-	-	-	66,000	10,890	76,890
Director of Economy & Planning	66,000	-	-	-	66,000	10,890	76,890
Director Leisure & Environment	66,000	-	-	-	66,000	10,890	76,890
	474,740	-	-	-	474,740	78,332	553,072

Post Title	Salary (including fees & allowances)	Performance Related Pay	Car Allowances	Compensation for Loss of Office	Total Remuneration excl. Pension Contributions	Employers Pension Contributions	Total Remuneration (+ pension contributions)
	2016/2017 £	2016/2017 £	2016/2017 £	2016/2017 £	2016/2017 £	2016/2017 £	2016/2017 £
Chief Executive	115,370	-	-	-	115,370	15,460	130,830
Executive Director	95,370	-	-	-	95,370	12,780	108,150
Director of Finance – S151 Officer	61,188	-	-	-	61,188	8,199	69,387
Director of Law & Governance – Monitoring Officer	61,188	-	-	-	61,188	8,199	69,387
Director of Economy & Planning	58,414	-	-	-	58,414	7,827	66,241
Director Leisure & Environment	59,583	-	-	-	59,583	7,984	67,567
Director Customer & Leisure Services (1)	47,685	-	-	359,781	407,466	6,390	413,856
	498,798	-	-	359,781	858,579	66,839	925,418

Notes:

(1) The Director of Customer and Leisure Services accepted voluntary redundancy with effect from 30 September 2016.

The number 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) Exit Package cost band (including Special Payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018
							£	
£0-£20,000	-	-	-	-	-	-	-	-
£20,001 - £40,000	-	-	1	-	1	-	20,000	-
£40,001 - £60,000	-	-	1	-	1	-	42,500	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	1	-	1	-	129,441	-
£150,000 - £200,000 plus	-	-	1	-	1	-	359,781	-
Total	-	-	4	-	4	-	551,722	-

35. External Audit Costs

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

2016/2017 £	Audit Fees	2017/2018 £
40,754	Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year.	40,754
11,228	Fees payable to the External Auditors for the certification of grant claims and returns for the year.	11,286
8,000	Fees payable in respect of other services provided by the External Auditor during the year. ¹	-
59,982	Total Audit Fees	52,040

36. Grant Income

The grants and contributions in the Comprehensive Income and Expenditure Statement in 2017/2018 which were credited to Services are:

2016/2017 £	Grant Income - Credited to Services	2017/2018 £
	Capital Grants	
(241,694)	Disabled Facilities Capital Grant	(409,002)
(16,476)	Contribution to Dalton Bridge from NYCC	-
(258,170)		(409,002)
	Revenue Grants	
(17,853,210)	Housing Benefits	(15,688,124)
-	Housing Benefits – Universal Credits	(83,012)
(154,784)	Rural Housing Enablers Grant	(170,243)
(44,762)	Strategic Housing Contribution	(54,915)
-	Community Led Housing	(49,719)
(24,400)	Sport Funding	-
(1,956,000)	LEP Grant for North Northallerton Bridge	(4,044,000)
(4,363)	Disability Sports	-
(1,489)	NYS Running Hub	-
(56,323)	Take That Step Grant	-
(22,984)	Community Safety Partnership Grant	-
(3,279)	Dance Development Grant	-
-	CIL 5% Revenue Contribution	(22,336)
-	Coach Education	(800)
-	Ex-Forces Support - Primetime	(2,000)
-	Satellite Clubs	(816)
-	Swim Local Pilot Project	(270,847)
-	Land Charges	(12,566)
(20,121,594)		(20,399,378)
(20,379,764)	Total	(20,808,380)

¹ Tax services relating to the redevelopment of the former prison site in Northallerton

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18 which were credited to Taxation and Non Specific Grant Income:

2016/2017	Grant Income	2017/2018
	Credited to Taxation and Non-Specific Grant Income	
(4,657,787)	Council Tax Income	(4,947,587)
(2,496,003)	National Non Domestic Rates Pool	(3,463,841)
(1,020,748)	Revenue Support Grant	(621,640)
	<u>Non ring-fenced Grants and Contributions:</u>	
(624,961)	DCLG Grant – Rural Services Delivery Grant	(504,627)
	DCLG Grant - New Burdens Grant – Changes to Work Related Activity Group	(749)
	- DCLG Grant – Right Benefit Grant	(15,271)
	- DCLG Grant – Local Council Tax Support Grant	(71,685)
(73,459)	DCLG Grant – Council Tax New Burdens Grant	-
(156,084)	DCLG Grant – NNDR Cost of Collection	(154,954)
	- DCLG Grant – Business Rates Relief New Burdens	(12,000)
(8,103)	DCLG Grant – Transparency Grant	(8,103)
	DCLG Grant – Capacity Support for Self-Build and Custom House Building Register	-
(5,850)	DCLG Grant – Self & Custom Build Grant	(30,000)
(195,278)	DCLG Grant – Community Housing Funding	-
(1,831,928)	DCLG New Homes Bonus	(1,538,325)
	DCLG Grant – Business Rates Revaluation 2017 Letter to Named Ratepayers Grant Determination	-
(2,029)	- DCLG Grant – Overhauling Statutory Homelessness Data Grant	(9,202)
	- DCLG Grant – Homelessness Reduction Act New Burdens	(10,149)
	- DCLG Grant – Flexible Homelessness Support Grant	(45,377)
	- DCLG Grant – Private Sector Data Collection	(336)
(33,955)	DCLG Grant – Council Tax Relief Family Annexes	(46,168)
(3,164)	DCLG Grant – New Burdens - Property Searches	-
(160)	DCLG Grant – Section 31 Grant Reimbursement	-
(477)	DCLG Grant – English Language Requirement Grant	-
	DCLG Grant – New Burden Funding for the Brownfield register and PIP LA	(5,485)
(14,645)	DWP Grant - New Burdens Funding Welfare Reform	(19,529)
(12,645)	DWP Grant - Removal of Temporary Accommodation Management Fee in Housing	-
(884)	DWP Grant – Housing Benefit Review Programme	-
(237)	DWP Grant – Local Authority Data Share Programme	(10,033)
(19,358)	DWP Grant – Single Fraud Investigation	(835)
(1,215)	DWP Grant - RTI New Burdens Grant	(5,572)
(5,629)	DWP Grant - Universal Credits	-
(33,810)	DWP Grant – Start up Fund – Housing Benefit Fraud and Error Reduction Scheme	(9,341)
(3,551)	DWP Grant – New Burdens Benefit Cap Changes	-
(8,303)	DWP Grant – New Burdens Payment 2016/17 Pensions Credit Assessed Income Period Reform	-
(586)	Cabinet Office IER S31 Electoral Grant	(12,389)
(13,041)	Transparency & Redress scheme	(761)
(761)		
(11,239,651)	<u>Total Revenue Grants</u>	(11,543,959)

2016/2017	Grant Income	2017/2018
	<u>Capital Grants & Contributions</u>	
(5,025)	Bedale Public Art	-
-	Sports England	(206,513)
(141,491)	Dalton BID Capital Grant	-
(402,229)	CIL Grants ²	(789,568)
-	S106 Capital Grants	(135,265)
(11,211)	Bedale Leisure Centre Hoist Grant	-
(67,260)	Revenue Contribution to Capital	(80,120)
(627,216)		(1,211,466)
(11,866,867)	Total	(12,755,425)

2016/2017 £	Grant Income - Capital Grants Received in Advanced	2017/2018 £
	Capital Grants	
(84,608)	Disabled Facilities Capital Grant	(163,594)
(8,475)	Bedale Public Art	-
-	Inspire Grant	(2,239)
(93,083)	Total	(165,833)

37. 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 36.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/2018 is shown in Note 33. A number of Members are also Parish and County Council Members and will also be involved in decision making at that level. During 2017/2018 there were no material transactions with organisations in which Members have an interest.

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. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Council Office during office hours.

² Community Infrastructure Levy planning charge.

North Yorkshire Pension Fund

Details of the Council's payment of employer's superannuation contribution to the pension fund are disclosed in Note 42 to the Statement of Accounts. Details of the Pension Fund creditors can also be found in Note 42.

Thirsk and Sowerby Swimming Baths Charity

Operationally this is run by Hambleton District Council, for a management fee of £86,438 that is paid by Hambleton District Council to Thirsk and Sowerby Swimming Bath Charity. The Charity is a separate entity but does have several Council Members who are Trustees of the Charity.

Central Northallerton Development Company Ltd

Central Northallerton Development Company Limited is a joint venture company between Hambleton District Council and Wykeland Properties Limited, where each party have a 50% share. The joint venture company was officially formed on 20 October 2017, having a company number of 9730539, where two directors, J Ives and P Wilkinson represent the Council and a further two directors, J Stubbs and D Gibbons represent Wykeland Properties Limited.

The Council has material financial transactions with the Central Northallerton Development Company Limited so is required to prepare Group Accounts.

38. 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.

2016/2017 £	Capital Expenditure and Capital Financing	2017/2018 £
10,000,000	Opening Capital Financing Requirement	26,200,000
	Capital Investment	
2,129,210	Property, Plant and Equipment	4,044,047
-	Investment Properties	-
148,269	Intangible Assets	89,869
473,625	Revenue Expenditure Funded from Capital under Statute	1,185,555
16,200,000	Long Term Debtor	-
	Sources of Finance	
(1,235,802)	Capital receipts	(940,154)
(1,448,042)	Government grants and other contributions	(4,104,001)
(67,260)	Direct Revenue Financing	(80,120)
26,200,000	Closing Capital Financing Requirement	26,395,196
	Explanation of movements in year	
16,200,000	Increase in underlying need to borrow	195,196
-	Repayment of Finance leases	

39. Leases

Council as Lessee

Finance Leases

The Council currently has no finance leases. It has no obligation to make lease payments under lease arrangements for long term liabilities and no assets are carried as Property, Plant and Equipment in the Balance Sheet.

Operating Leases

There are three different types of operating leases in the Council – franking machine, Vehicles and ICT hardware.

The refuse and recycling collection vehicles in 2017/18 are under operating leases with typical lives remaining of five years for four waste vehicles, four years for five waste vehicles and recycling vehicles three years. The franking machine has a remaining life of two years with the ICT hardware having between one and four years life remaining.

Therefore the future minimum lease payments due under non-cancellable operating leases in future years are:

31 March 2017 £	Minimum Lease Payments	31 March 2018 £
631,072	Not later than 1 Year	671,279
2,019,886	Later than 1 Year and not later than 5 Years	1,521,256
108,656	Later than 5 Years	109,812
2,759,614	Total Minimum Lease Payments	2,302,347

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2017 £	Minimum Lease Payments	31 March 2018 £
600,791	Minimum lease payment in year	
46,341	- Leisure & Environmental Services	595,956
	- Finance	60,052
647,132	Total Minimum Lease Payments	656,008

Council as Lessor

Finance leases

The Authority currently has no property leased out under a long term finance lease.

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 2017 £	Future Minimum Lease Payments Receivable	31 March 2018 £
12,204	Not Later than 1 Year	4,150
-	Later than 1 Year and not later than 5 Years	-
-	Later than 5 Years	-
12,204	Total Minimum Lease Payments	4,150

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 2017/2018 no contingent rents were receivable by the Council (2016/2017 £0).

40. Impairment 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 Note 13 reconciling the movement over the year in the Property, Plant and Equipment balance. 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 2017/2018 (or 2016/2017).

41. Termination Benefits

The Council did not terminate any contracts in 2017/2018, (4 incurring liabilities of £551,722 in 2016/2017) - see Note 34 for the number of exit packages and total cost per band.

42. Defined Benefit Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by North Yorkshire County Council – this is a funded defined benefit career average revalued earnings (CARE) 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.

The Council's pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of North Yorkshire County Council. Policy is determined in accordance with the Pension Funds Regulations. The Investment managers of the fund are appointed by the committee.

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund Balance via the Movement in Reserves Statement during the year:

2016/2017 £	Cost of Services	2017/2018 £
1,443,000	Service cost comprising: Current Service Cost	2,223,000
-	Past Service Cost	-
267,000	(Gain)/loss from settlements/curtailment	85,000
545,000	Financing and investment income and expenditure: Net interest expense	561,000
2,255,000	Total Post-employment Benefits charged to the (Surplus) or Deficit on Provision of Services	2,869,000
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of net defined benefit liability comprising:	
(12,416,000)	Return on plan assets (excluding the amount included in the net interest expense)	(3,515,000)
228,000	Actuarial (gains) and losses arising on changes in demographic assumptions	-
14,937,000	Actuarial (gains) and losses arising on changes in financial assumption	1,677,000
2,123,000	Other – Experience (gain)/loss	460,000
4,872,000	Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(1,378,000)
	Movement in Reserves	
(2,255,000)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the code	(2,869,000)
	Actual amount charged against the general fund balance for pensions in the year.	
1,730,000	Employers contributions payable to scheme	1,620,000

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit plan is as follows:

2016/2017 £	Local Government Pension Scheme	2017/2018 £
(87,765,000)	Present Value of defined benefit obligation	(92,889,000)
66,289,000	Fair value of plan assets	71,541,800
(21,476,000)	Net liability arising from defined benefit obligation	(21,347,200)

Reconciliation of the Movements in Fair Value of the Scheme (Plan) Asset

2016/2017 £	Local Government Pension Scheme	2017/2018 £
51,918,000	Opening fair value of scheme assets	66,289,000
1,769,000	Interest Income	1,731,000
	Remeasurement gains/(losses):	
12,416,000	The return on plan assets, excluding the amount included in the net interest expense	3,515,000
1,730,000	Contributions from employer	1,619,800
472,000	Contributions by Scheme Participants	499,000
(1,988,000)	Benefits Paid	(2,081,000)
(28,000)	Other – Administration expenses	(31,000)
66,289,000	Closing fair value of scheme assets	71,541,800

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2016/2017 £	Local Government Pension Scheme	2017/2018 £
67,997,000	Opening balance at April	87,765,000
1,443,000	Current service cost	2,223,000
2,286,000	Interest Income	2,261,000
472,000	Contributions from the scheme participants	499,000
	Remeasurement (gains)/losses:	
228,000	Actuarial (gains)/losses arising from changes in demographic assumptions	-
14,937,000	Actuarial (gains)/losses arising from changes in financial assumptions	1,677,000
2,123,000	Other	460,000
-	Past service cost	-
267,000	Losses/(gains) on curtailment	85,000
(1,988,000)	Benefits paid	(2,081,000)
87,765,000	Closing fair value of scheme assets	92,889,000

Council's Pension Scheme

2016/2017		Fair value of scheme assets	2017/2018	
Quoted £	Unquoted £		Quoted £	Unquoted £
43,353,000	-	Equities	46,719,000	-
5,635,000	-	Property	5,768,000	-
9,413,000	-	Government Bonds	11,896,000	-
2,055,000	-	Corporate Bonds	-	-
66,000	-	Cash	144,000	-
5,767,000	-	Other	7,570,000	-
66,289,000	-	Total assets	72,097,000	-

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Council's Pension Scheme has been estimated by Aon Hewitt Limited, an independent firm of actuaries. The estimates for North Yorkshire Pension Fund are based on the valuation of the scheme as at 31 March 2018.

The significant assumptions used by the actuary have been:

2016/2017	Local Government Pension Scheme	2017/2018
	Mortality Assumptions:	
	Longevity at 65 for Current Pensioners:	
22.8 years	Men	22.9 years
26.3 years	Women	26.4 years
	Longevity at 65 for Future Pensioners	
25.0 years	Men	25.1 years
28.6 years	Women	28.7 years
3.10%	Rate of RPI Inflation	3.20%
3.25%	Rate of Increase in Salaries	3.35%
2.00%	Rate of Increase in Pensions	2.10%
2.60%	Rate for Discounting Scheme Liabilities	2.60%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the assumptions remain constant. The assumptions in longevity, for example, assume life expectancy increases and decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accountancy policies for the scheme, i.e. on an actuarial basis using the projected

credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme

2016/2017 £	Increase in assumption Deficit/(Surplus)	2017/2018 £
2,544,000	Longevity (increase in year)	2,725,000
-	Rate of inflation (increase by 0.1% p.a.)	-
(1,368,000)	Rate of increase in Pensions (increase by 0.1% p.a.)	(1,446,000)
(392,000)	Rate of increase in salaries (increase by 0.1% p.a.)	(416,000)
1,728,000	Rate for discounting scheme liabilities (increase by 0.1% p.a.)	1,829,000

43. Contingent Liabilities

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability.

The Council is currently reviewing its partial exemption limit and any potential associated costs.

44. Contingent Assets

There are currently no contingent assets (2016/17: nil).

45. 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.

The Council uses the creditworthiness service provided by Link Asset Services. This service has been progressively enhanced and uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, 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".

The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The Individual limit for UK Government backed institutions is 40% of total investments or £5m per counterparty whichever is the higher.

The Council annually approves a Treasury Management Strategy which, for 2017/18, determined that other than the United Kingdom where no limit will apply, a maximum of 30% of total investments or £3.0m whichever is the lower will be invested in a single institution of an AAA sovereign rated country. This limits the amount of credit risk exposure.

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 Council's maximum exposure to credit risk in relation to its investments in banks and building societies is £2,180,000 and 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 Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise. Therefore this is not included in the table below.

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 2018 £	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2018 %	Estimated maximum exposure to default and uncollectability at 31 March 2018 £	Estimated maximum exposure at 31 March 2018 £
Customers	4,850,382	2.12	2.12	68,695	102,828

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 £745,713 of the £4,657,982 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2017 £		31 March 2018 £
592	Debtors < 30 days	601
12,255	Debtors 31-60 days	7,607
14,221	Debtors 61-90 days	3,955
690,098	Debtors > 90 days	733,550
717,166		745,713

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 Council 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. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable rates.

The Council borrows to finance temporary short term cash flows and as at 31 March 2018 £5,000,000 borrowing was undertaken. The Council does set limits on the proportion of its fixed rate borrowing during specified periods, and at 31 March 2018 had borrowed £1,200,000 in accordance with the Treasury Management Strategy. The Council also has bank overdraft arrangements and is able to borrow from the money market.

31 March 2017 £		31 March 2018 £
5,500,000	Less than one year	5,000,000
-	Between one and two years	-
1,200,000	Between two and five years	1,200,000
-	More than five years	-
6,700,000		6,200,000

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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments would be reflected in Other Comprehensive Income and Expenditure.

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 rates 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 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

1% increase in interest rate risk assumption	31 March 2018 £
Increase in interest payable on variable rate borrowings	1,945
Increase in interest receivables on variable rate investments	(68,260)
Impact on (Surplus) or Deficit on the Provision of Services	(66,315)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	4,207

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 (CDs) 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 12.5% shareholding and has contributed £2,520 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 have no exposure to loss arising from movements in exchange rates.

46. Long Term Investments

2016/2017 £	Long Term Investments	2017/2018 £
2,520	Veritau North Yorkshire Ltd – 12.5%	2,520
2,520	Balance at 31 March	2,520

Veritau North Yorkshire Ltd is a private Limited Company where Veritau Ltd owns 50% of the share capital of Veritau North Yorkshire Ltd and 4 district councils own 12.5% each, of which Hambleton District Council is one. The Council is therefore a 12.5% shareholder and has contributed £2,520 to the share capital.

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 Business Rates. The transactions of the Collection Fund are wholly prescribed by legislation.

2016/2017			COLLECTION FUND 2017/2018	2017/2018		
Business Rates £	Council Tax £	Total £		Business Rates £	Council Tax £	Total £
-	(55,021,989)	(55,021,989)	INCOME	-	(57,836,874)	(57,836,874)
(27,305,505)	-	(27,305,505)	Council Tax Receivable	(27,204,014)	-	(27,204,014)
-	-	-	Business Rates Receivable	(152,889)	-	(152,889)
(27,305,505)	(55,021,989)	(82,327,494)	Transitional Protection Payments due to the Authority	(27,356,903)	(57,836,874)	(85,193,777)
			EXPENDITURE			
			Apportionment of Previous Years Surplus/(Deficit)			
(107,472)	-	(107,472)	Central Government	290,529	-	290,529
(85,978)	8,790	(77,188)	Hambleton District Council	232,424	6,710	239,134
(19,345)	76,650	57,305	North Yorkshire County Council	52,295	57,990	110,285
(2,149)	4,500	2,351	North Yorkshire Fire & Rescue Authority	5,811	3,340	9,151
-	14,830	14,830	Police & Crime Commissioner - North Yorkshire	-	11,000	11,000
56,974	-	56,974	Transitional Protection Payments due from the Authority	-	-	-
(157,970)	104,770	(53,200)		581,059	79,040	660,099
			Precepts, Demands and Shares			
13,722,879	-	13,722,879	Central Government	13,627,184	-	13,627,184
10,978,303	4,645,913	15,624,216	Hambleton District Council	10,901,748	4,946,175	15,847,923
2,470,118	40,136,286	42,606,404	North Yorkshire County Council	2,452,893	42,393,328	44,846,221
274,458	2,311,560	2,586,018	North Yorkshire Fire & Rescue Authority	272,544	2,394,626	2,667,170
-	7,614,196	7,614,196	Police & Crime Commissioner – North Yorkshire	-	7,887,761	7,887,761
-	-	-	Renewable Energy	43,431	-	43,431
27,445,758	54,707,955	82,153,713		27,297,800	57,621,890	84,919,690
			Charges to the Collection Fund			
133,615	100,525	234,140	Less: write offs of uncollectable amounts	107,439	81,045	188,484
27,983	74,323	102,306	Less: Increase / Decrease (-) in Bad Debt Provision	44,711	117,498	162,209
(309,934)	-	(309,934)	Less: Increase / Decrease (-) in Provision for Appeals	(240,580)	-	(240,580)
156,084	-	156,084	Less: Cost of Collection	154,954	-	154,954
320	-	320	Less: Interest on Refunds	-	-	-
8,068	174,848	182,916		66,524	198,543	265,067
(9,649)	(34,416)	(44,065)	(Surplus)/Deficit arising during the year	588,480	62,599	651,079
174,224	(106,236)	67,988	(Surplus)/Deficit brought forward 1 April	164,575	(140,652)	23,923
164,575	(140,652)	23,923	(Surplus)/Deficit carried forward 31 March	753,055	(78,053)	675,002

NOTES TO COLLECTION FUND ACCOUNT

Introduction

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 1992, for billing authorities (i.e. Hambleton District Council) to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non-Domestic rates (NNDR or uniform business rates).

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and NNDR. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionally charged to the relevant precepting bodies in the following year. For Hambleton District Council, the Council Tax precepting bodies are North Yorkshire County Council, the Police and Crime Commissioner for North Yorkshire and North Yorkshire Fire and Rescue Authority.

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.

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The Hambleton share is 40% with the remainder paid to precepting bodies and Central Government. The Central Government share is 50%, NYCC is 9% and NYFRA is 1%.

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

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 35,639.62 for 2017/2018 (35,088.46 for 2016/2017) 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
1,764.48	5,375.57	6,903.57	5,862.27	6,571.82	5,232.03	3,665.35	264.53	35,639.62

The average Council Tax for Hambleton at Band D was £1,616.79 made up as follows:

2016/2017 £	Precepting Authorities	2017/2018 £
94.48	Hambleton District Council	99.48
1,121.86	North Yorkshire County Council	1,144.62
22.00	North Yorkshire County Council – Adult Social Care	44.88
217.00	Police & Crime Commissioner – North Yorkshire	221.32
37.93	Parish (Average)	39.30
65.88	North Yorkshire Fire Authority	67.19
1,559.15	Total Average Band D Council Tax	1,616.79

National Non Domestic Rates (NNDR)

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

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

The business rates shares payable for 2017/18 were estimated before the start of the financial year as £13,627,184 to Central Government, £2,452,893 to NYCC and £272,544 to NYFRA. These sums have been paid in 2017/18 and charged to the collection fund in year.

In 2014/15 Hambleton District Council became part of the North Yorkshire Business Rates Pool along with Scarborough Borough Council (lead), Ryedale District Council, Craven District Council and Richmondshire District Council.

Joining a Pool gives scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. The pool is treated as a single entity for the purposes of calculating tariffs, top ups, levies and safety net payments. It is beneficial as the Levy rate of a Pool can be lower

than that for individual Pool members if they remain outside the Pool. Therefore increasing the amount of rates kept by Hambleton.

Tariffs due from authorities are used to finance the top ups to those authorities who do not achieve their target baseline funding. These were payable to Central Government however since joining the Pool, these are now paid directly to NYCC. In this respect Hambleton paid a Tariff of £8,471,625.

The total income from business rate payers collected in 2017/2018 was £27,204,014 (£27,305,505 in 2016/2017).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2018. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2017/2018 has been calculated at £1,096,696 and the total additional relief provided for is £856,116. Therefore the total balance for the 2017/2018 Provision for Appeals is £1,219,932.

Non-Domestic Rates are collected locally on the basis of a nationally determined rate in the pound of 47.9p for 2017/2018 (49.7p for 2016/2017) for all Businesses not entitled to Small Business Rate Relief and 46.6p (48.4p for 2016/2017) for those that are entitled to the relief, charged on the rateable value of the property. Small Business Rate Relief was introduced by Central Government from 1 April 2005.

The total non-domestic rateable value for the Council's area at 31 March 2018 was £73,199,050 (£68,253,691 in 2016/2017).

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 Police & Crime Commissioner – North Yorkshire.

2016/2017 Business Rates £	2016/2017 Council Tax £	2016/2017 Total £	Contributions to Collection Fund (Surpluses) and Deficits	2017/2018 Business Rates £	2017/2018 Council Tax £	2017/2018 Total £
82,288	-	82,288	Central Government	376,526	-	376,526
65,830	(11,999)	53,831	Hambleton District Council	301,223	(6,701)	294,522
14,811	(103,319)	(88,508)	North Yorkshire County Council	67,774	(57,419)	10,355
-	(19,434)	(19,434)	Police & Crime Commissioner – North Yorkshire	-	(10,683)	(10,683)
1,646	(5,900)	(4,254)	North Yorkshire Fire Authority	7,532	(3,250)	4,282
164,575	(140,652)	23,923		753,055	(78,053)	675,002

Council Tax / NNDR Bad Debt Provision and NNDR provision for Valuation appeals:

The Collection Fund provides for Bad Debts on arrears on the basis of prior years' experience and current year collection rates.

2016/2017 £	Collection Fund: Provision for Bad Debt – Council Tax	2017/2018 £
839,831	Balance at 1 April	914,154
(100,525)	Write-offs during year for previous years	(81,045)
174,848	Contributions to provisions during year	198,543
74,323	Net Increase in Provision	117,498
914,154	Balance at 31 March	1,031,652

The Council's proportion of these write offs and increase in provision are shown below:-

2016/2017 £	Council's Proportion: Provision for Bad Debt – Council Tax	2017/2018 £
71,320	Balance at 1 April	78,469
(8,629)	Write-offs during year for previous years	(6,954)
15,778	Contributions to provisions during year	16,586
7,149	Net Increase in Provision	9,632
78,469	Balance at 31 March	88,101

The Collection Fund account also provides for bad debts on NNDR arrears.

2016/2017 £	Collection Fund: Provision for Bad Debt – NNDR	2017/2018 £
205,994	Balance at 1 April	233,977
(133,616)	Write-offs during year for previous years	(107,439)
161,599	Contributions to provisions during year	152,150
27,983	Net Increase in Provision	44,711
233,977	Balance at 31 March	278,688

The Council's proportion of these write offs and increase in provision are shown below:

2016/2017 £	Council's: Provision for Bad Debt – NNDR	2017/2018 £
82,398	Balance at 1 April	93,591
(53,447)	Write-offs during year for previous years	(42,976)
64,640	Contributions to provisions during year	60,860
11,193	Net Increase in Provision	17,884
93,591	Balance at 31 March	111,475

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2018.

2016/2017 £	Collection Fund: Provision for appeals - NNDR	2017/2018 £
1,770,446	Balance at 1 April	1,460,512
(1,192,168)	Write-offs during year for previous years	(1,096,696)
882,234	Contributions to provisions during year	856,116
(309,934)	Net Decrease in Provision	(240,580)
1,460,512	Balance at 31 March	1,219,932

The Council's proportion of these write offs and decrease in provision are shown below:-

2016/2017 £	Council's proportion: Provision for appeals - NNDR	2017/2018 £
708,178	Balance at 1 April	584,205
(476,867)	Write-offs during year for previous years	(438,678)
352,894	Contributions to provisions during year	342,446
(123,973)	Net Decrease in Provision	(96,232)
584,205	Balance at 31 March	487,973

GROUP ACCOUNTS

Introduction

The CIPFA Code of Practice requires that where a Council has material financial interests and significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

Inclusion within the Group Accounts

The Council has a business relationship with Wykeland Properties Limited and this is classified as a joint venture arrangement. The meaning of this term is outlined below:

Joint Venture

"A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement"

Central Northallerton Development Company Limited

Central Northallerton Development Company Ltd (CNDCL) has no Ultimate Controlling Party. The Company has two shareholders, Wykeland Properties Limited and Hambleton District Council, each of which own 50% of the company. The registered address and location of the Company development site are based in Northallerton. The joint venture company was officially formed on 20 October 2017, having a company number of 9730539, where two directors, J Ives and P Wilkinson represent the Council and a further two directors, J Stubbs and D Gibbons represent Wykeland Properties Limited.

The objective of the Company is to develop the former Prison site at Northallerton, now referred to as The Treadmills. This forms part of the Council's strategy to enable economic development within the district. The Council transferred the former prison site of 3.5 acres of land and buildings at the agreed open market value of £2,350,000. The valuation was carried out by the Valuation Office.

The Council considers that CNDCL should be accounted for as a joint venture company (under IFRS11 – Joint Arrangements and IAS28 – Investments in Associates and Joint Ventures).

Hambleton District Council's share of Central Northallerton Development Company Limited's balances is 50%. The company has been incorporated into the Group Accounts using the Equity method. Figures have been consolidated based on the draft statement of accounts for 31st March 2018. For 2017/18, Central Northallerton Development Company Limited had a total income of £0, total expenditure of £9,424, assets of £3,033,273 and liabilities of £3,042,693.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/2017				2017/2018		
Net Expenditure £	Adjustments for Joint Venture £	Group Expenditure £		Net Expenditure £	Adjustments for Joint Venture (Note G1) £	Group Expenditure £
5,271,253	-	5,271,253	Leisure & Environment	4,868,956	-	4,868,956
3,791,762	-	3,791,762	Economy & Planning	(220,627)	-	(220,627)
3,966,536	-	3,966,536	Finance	3,812,711	-	3,812,711
930,811	-	930,811	Law & Governance	856,378	-	856,378
13,960,362	-	13,960,362	Net Cost Of Services	9,317,418	-	9,317,418
1,320,214	-	1,320,214	Other Operating Expenditure (Note 10)	3,317,165	-	3,317,165
(558,974)	-	(558,974)	Financing and Investment Expenditure/(Income) (Note 11)	(592,009)	-	(592,009)
(11,959,950)	-	(11,959,950)	Taxation and Non- Specific Grant (Income) (Note 12)	(12,861,239)	-	(12,861,239)
2,761,652	-	2,761,652	(Surplus) or Deficit on Provision of Services	(818,665)	-	(818,665)
-	-	-	Share of the (Surplus) or Deficit on the Provision of Services by joint venture	-	4,710	4,710
			Group (Surplus)/Deficit	(818,665)	4,710	(813,955)
(1,491,373)	-	(1,491,373)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment (Note 26)	(697,732)	-	(697,732)
4,872,000	-	4,872,000	Actuarial (Gains) / Losses on Pension Assets / Liabilities (Note 42)	(1,378,000)	-	(1,378,000)
3,380,627	-	3,380,627	Other Comprehensive Income and Expenditure	(2,075,732)	-	(2,075,732)
6,142,279	-	6,142,279	Total Comprehensive Income and Expenditure	(2,894,397)	4,710	(2,889,687)

GROUP MOVEMENT IN RESERVES STATEMENT

2017/2018

	Total Usable Reserves – Hambleton District council £	Council's share of joint venture reserves (Note G1) £	Total Usable Reserves - Group £	Unusable Reserves - Group £	Total Group Reserves £
Balance at 31 March 2017	(16,238,542)	-	(16,238,542)	(12,622,273)	(28,860,815)
Movement in reserves during 2017/18					
Total Comprehensive Income and Expenditure	(818,665)	4,710	(813,955)	(2,075,732)	(2,889,687)
Adjustments between accounting basis & funding basis under regulations (Note 8)	(1,956,045)	-	(1,956,045)	1,956,045	-
(Increase)/ Decrease in 2017/18	(2,774,710)	4,710	(2,770,000)	(119,687)	(2,889,687)
Transfer (to) / from Earmarked Reserves (Note 9)	-	-	-	-	-
Balance at 31 March 2018 carried forward	(19,013,252)	4,710	(19,008,542)	(12,741,960)	(31,750,502)

2016/2017 Comparative Figures

	Total Usable Reserves – Hambleton District council £	Council's share of joint venture reserves (Note G1) £	Total Usable Reserves - Group £	Unusable Reserves - Group £	Total Group Reserves £
Balance at 31 March 2017	(17,358,827)	-	(17,358,827)	(17,644,267)	(35,003,094)
Movement in reserves during 2017/18					
Total Comprehensive Income and Expenditure	2,761,652	-	2,761,652	3,380,627	6,142,279
Adjustments between accounting basis & funding basis under regulations (Note 8)	(1,641,367)	-	(1,641,367)	1,641,367	-
(Increase)/ Decrease in 2017/18	1,120,285	-	1,120,285	5,021,994	6,142,279
Transfer (to) / from Earmarked Reserves (Note 9)	-	-	-	-	-
Balance at 31 March 2018 carried forward	(16,238,542)	-	(16,238,542)	(12,622,273)	(28,860,815)

GROUP BALANCE SHEET

Hambleton District Council 31 March 2017	Adjustments for Joint Venture	Group Accounts 31 March 2017	Group Balance Sheet	Notes	Hambleton District Council 31 March 2018	Adjustments for Joint Venture	Group Accounts 31 March 2018
£		£			£	£	£
33,692,469	-	33,692,469	Property, Plant & Equipment	13	33,650,939	-	33,650,939
109,000	-	109,000	Investment Property	15	109,000	-	109,000
520,631	-	520,631	Intangible Assets	16	456,982	-	456,982
2,520	-	2,520	Long Term Investments	46	2,520	-	2,520
-	-	-	Investment in Joint Venture	G4	-	(4,710)	(4,710)
26,200,000	-	26,200,000	Long Term Debtors	17	28,902,180	-	28,902,180
60,524,620	-	60,524,620	Long Term Assets		63,121,621	(4,710)	63,116,911
-	-	-					
57,810	-	57,810	Inventories	18	57,966	-	57,966
2,519,228	-	2,519,228	Short Term Debtors	20	4,104,669	-	4,104,669
1,750,284	-	1,750,284	Cash and Cash Equivalents	21	2,682,535	-	2,682,535
102,328	-	102,328	Assets Held for Sale	22	620,018	-	620,018
4,429,650	-	4,429,650	Current Assets		7,465,188	-	7,465,188
-	-	-					
(5,500,633)	-	(5,500,633)	Short Term Borrowing	17	(5,001,514)	-	(5,001,514)
(7,033,483)	-	(7,033,483)	Short Term Creditors	23	(8,200,811)	-	(8,200,811)
(723,366)	-	(723,366)	Short Term Provisions	24	(545,357)	-	(545,357)
(140,776)	-	(140,776)	Other Short Term Liabilities		(169,947)	-	(169,947)
(13,398,258)	-	(13,398,258)	Current Liabilities		(13,917,629)	-	(13,917,629)
-	-	-	Long Term Creditors		(2,350,000)	-	(2,350,000)
(1,200,898)	-	(1,200,898)	Long Term Borrowing	17	(1,200,898)	-	(1,200,898)
-	-	-	Long Term Provisions	24	-	-	-
(18,299)	-	(18,299)	Other Long Term Liabilities	17	(15,870)	-	(15,870)
(21,476,000)	-	(21,476,000)	Pension Liability	42	(21,347,200)	-	(21,347,200)
(22,695,197)	-	(22,695,197)	Long Term Liabilities		(24,913,968)	-	(24,913,968)
28,860,815	-	28,860,815	Net Assets		31,755,212	(4,710)	31,750,502
(16,238,542)	-	(16,238,542)	Usable Reserves	25	(19,013,252)	-	(19,013,252)
-	-	-	Usable Reserves – Group Accounts	G4	-	4,710	4,710
(12,622,273)	-	(12,622,273)	Unusable Reserves	26	(12,741,960)	-	(12,741,960)
(28,860,815)	-	(28,860,815)	Total Reserves		(31,755,212)	4,710	(31,750,502)

GROUP CASH FLOW STATEMENT

HDC 2016/2017	Adjust- ments for Joint Venture	Group 2016/17 £		HDC 2017/2018 £	Adjust- ments for Joint Venture	Group 2017/18
2,761,652	-	2,761,652	Net (surplus)/deficit on the provision of services	(818,665)	4,710	(813,955)
11,602,650	-	11,602,650	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements (Group Note 5)	(4,522,527)	(4,710)	(4,527,237)
2,112,433	-	2,112,433	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities (Note 28)	5,254,894	-	5,254,894
16,476,735	-	16,476,735	Net cash (inflows)/outflows from Operating Activities	(86,298)	-	(86,298)
(4,840,658)	-	(4,840,658)	Investing Activities (Note 29)	(1,150,150)	-	(1,150,150)
(7,291,352)	-	(7,291,352)	Financing Activities (Note 30)	304,197	-	304,197
4,344,725	-	4,344,725	Net (increase)/decrease in cash and cash equivalents	(932,251)	-	(932,251)
(6,095,009)	-	(6,095,009)	Cash and cash equivalents at the beginning of the year	(1,750,284)	-	(1,750,284)
(1,750,284)	-	(1,750,284)	Cash and cash equivalents at the end of the year (Note 21)	(2,682,535)	-	(2,682,535)

Notes to Group Accounts

G1. Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared. The notes give information on the areas that have materially changed on consolidation of the joint venture company into the Council's accounts.

G2. Accounting Policies

The Accounting Policies of the Council's joint venture company are in line with the Council's Accounting Policies. There is limited activity on the joint venture company due to its recent formation on 20 October 2017.

Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the joint venture company in 2017/18.

Notes within the group accounts have not been provided where there are no material differences except where there is a requirement for the reconciliation required for joint venture accounting as seen below.

As CNDCL has the same reporting date as the Council, year-end accounts to 31 March 2018 have been used for consolidation.

G3. Group Accounts: Consolidated of CNDCL

CNDCL 2016/2017 £	Group Accounts: Comprehensive Income and Expenditure Statement	CNDCL 2017/2018 £	HDC 'share (50%) 2017/18 £
-	Turnover	-	-
-	Operating Expenses	9,420	4,710
-	Interest and investment income	-	-
-	Distribution of surplus to member authorities	-	-
-	Net deficit for the year	9,420	4,710

G4. Investment included in Group Balance sheet

CNDCL 2016/2017 £	Group Accounts: Investment included in Group Balance Sheet	CNDCL 2017/2018 £	HDC 'share (50%) 2017/18 £
-	Assets:	-	-
-	Investment Properties	2,567,494	1,283,747
-	Plant & Equipment	-	-
-	Short Term debtors	3,986	1,993
-	Cash	461,794	230,897
-	Total Assets:	3,033,274	1,516,637
-	Liabilities:		
-	Creditors	(481,306)	(240,653)
-	Other Long Term liabilities	(2,561,388)	(1,280,694)
-	Total Liabilities	(3,042,694)	(1,521,347)
-	Net Investment in Joint Venture	(9,420)	(4,710)

G5. Group Accounts: Cash Flow Statement – Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non Cash Movements

31 March 2017 £	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non Cash Movements	31 March 2018 £
(1,122,232)	Depreciation	(1,178,879)
(1,497,348)	Impairment and downward valuations	(27,899)
-	Movement in the Fair Value of Investment Properties	-
(123,864)	Amortisation	(153,518)
(483,248)	(Increase) / Decrease in Creditors	(3,336,890)
15,407,079	Increase / (Decrease) in Debtors	4,287,621
14,764	Increase / (Decrease) in Inventories	156
(525,000)	Movement in Pension Liability	(1,249,200)
-	Reversal of share of loss or profit on joint venture	(4,710)
(657,322)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,058,840)
589,821	Other non-cash items charged to the net surplus or deficit on provision of services	194,922
11,602,650	Total	(4,527,237)

G6. Investment Property

The Group Accounts hold the investment property of the land of the former prison site which was an addition during 2017/18 at £2,350,000, which is material to the accounts. This was transferred from Hambleton District Council to the joint venture company.

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.

- **Levies** – If the Retained Rates Income of the Council is greater than the Funding Baseline central government take up to a maximum of 50% to fund any Safety Net Payments elsewhere in the country.
- **Precepting Shares** – Amounts paid to or from other precepting authorities the Council collects Council Tax / NNDR on behalf of on the basis of Precept amounts for council tax and the defined share for NNDR i.e. 40% Hambleton District Council, 50% Central Government, 9% North Yorkshire County Council and 1% North Yorkshire Fire and Rescue Authority.
- **Provision for Appeals** – Estimated change to the rateable value of properties due on outstanding appeals as at the end of the year by businesses with the Valuation Office.
- **Safety Net Payments** – If the Retained Rates Income of the Council is less than the Funding Baseline it is repaid by central government up to the safety net threshold of 92.5% of the baseline.
- **Small Business Rate Relief** – Relief for eligible businesses with a rateable value of below £12,000 to help small businesses meet the costs of their rates.
- **Target Baseline** - Estimate of the business rates element of the authorities “start-up funding” within the rates retention scheme.
- **Tariffs** – Excess Income above target baseline.
- **Top ups** - Reduced income below target baseline.
- **Transitional Protection Payments** – In year adjustment of a properties rateable value phased in over a number years.

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 arm's 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 (NDR):

NDR 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 its 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 reflects 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.