

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
24 September 2014

From: Director of Support Services & Deputy Chief Executive

Subject: **STATUTORY AUDITOR – REPORT TO THE AUDIT COMMITTEE ON THE 2013/14 AUDIT**

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to present the Statutory Auditor's report on the 2013/14 Audit. This report should be read alongside the Council's Financial Report which includes the Statement of Accounts for 2013/14 and the Annual Governance Statement which is presented for approval.
- 1.2 The Audit Commission's statutory code of practice for Local Government Bodies (The Code) requires a report to be issued to those charged with governance, summarising the conclusions reached from their audit work.
- 1.3 Each year the Council produces its Financial Report which is required to be approved by a statutory auditor appointed by the Audit Commission for this purpose. The auditor's report on the audit of the accounts is attached as Annex 1. A member of Deloitte's will be at the meeting to present the report.
- 1.4 As part of the annual Audit, the Council is required to write to the Audit Commission confirming the position regarding issues such as compliance with regulations and the accuracy of records etc. This letter, known as the management representation letter, is attached as Annex 2. It is appropriate that the management representation letter be discussed and agreed by those charged with governance and signed on their behalf by the Council's Director of Support Services and Deputy Chief Executive, acting in the capacity of S151 Officer.
- 1.5 Finally, attached as Annex 3 is the Financial Report for 2013/14. The Accounts and Audit Regulations 2011 now require either Full Council or a Committee to approve the Council's Annual Governance Statement and Statement of Accounts. At Hambleton it is the Audit and Governance Committee that is charged with this responsibility (along with receiving the Auditor's report). The Financial Report has been approved by the Council's Director of Support Service and Deputy Chief Executive and by the Council's statutory auditor, Deloitte.

2.0 RISK ANALYSIS:

- 2.1 There are no risks associated with approving this report.

3.0 RECOMMENDATIONS:

- 3.1 It is recommended that the Committee:-

- 1) accept the attached Report to the Audit and Governance Committee on the 2013/14 Audit, prepared by Deloitte's and attached at Annex 1;

- 2) approve the signing of the Management Representation Letter at Annex 2 by the Council's Director of Support Services and Deputy Chief Executive, acting in the capacity of S151 Officer; and
- 3) approve the audited Statement of Accounts for 2013/14 and the Annual Governance Statement at Annex 3.

JUSTIN IVES

Background papers: None

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Hambleton District Council

Report to the Audit, Governance and Standards Committee on the 2014 Audit

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

Dear Sirs

We have pleasure in setting out in this document our report to the Audit, Governance and Standards Committee of Hambleton District Council ("the Council") for the year ended 31 March 2014, for discussion at the meeting scheduled for 24 September 2014. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2014.

In summary:

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

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



Paul Thomson

Engagement Lead

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A reminder of our audit plan:

- We determined materiality as £626k and a reporting threshold of £31k
- We identified 4 significant risks in our Audit Plan and have not made any changes from the scope set out in the Audit Plan.
- A controls based audit approach has not been considered appropriate for the current year. Instead, we have taken a substantive approach to testing the financial statements.



The big picture

The Big Picture

We anticipate issuing an unmodified audit opinion upon completion of our work.

We have pleasure in setting out in this document our findings from our audit of the Hambleton District Council for the year ended 31 March 2014. This report has been prepared to inform the Members about how we have discharged our responsibilities as your external auditors and responded to the significant audit risks identified and communicated to you in our Audit Plan.

Audit work

- We have discussed our initial comments on the draft financial statements with management.
- From our audit work on the financial statements we have not identified any material misstatements or significant deficiencies in internal controls at the Council, a small number of disclosure deficiencies have been identified which we understand will be corrected by management.
- We have undertaken a risk assessment in line with the Audit Commission guidance on assessing the delivery of Value for Money and have concluded that there are no specific risks to the delivery of Value for Money.
- A representation letter will be circulated separately for consideration by management.

From our work undertaken so far we expect to issue an unmodified opinion in line with your specified deadlines.

We have the following principal matters to complete:

- Our Whole of Government Accounts work;
- Completion of disclosure testing including the segmental reporting note and the pension note;
- Receipt of assurance from NYCC Pension Fund auditors;
- Final review of financial statements;
- Completion of final reviews and close down procedures;
- Subsequent events review;
- Receipt of letter of representation; and
- Receipt of one outstanding bank confirmation letter,

Significant audit risks

This section explains the nature of significant risks, how these risks have been addressed by our audit work and our conclusions. We also explain related presentational and/or disclosure matters within the financial statements.

Summary of significant audit risks

Key areas of audit focus for 2013/14



Key

- 1 – Revenue recognition of grant income
- 2 – Valuation of property, plant and equipment
- 3 – NNDR appeals provisioning
- 4 – Management override of controls

Our significant risks for 2013/14 are presented in the graph above. These risks are similar to those raised in 2012/13 and have been identified on the basis of our understanding of the Council, its objectives and the environment in which it operates. The risk relating to NNDR appeals has been added for 2013/14, reflecting the new responsibility the Council has in this area, following the localisation of business rates. Further details on each of the identified significant risks are presented later in this report.

Deloitte view

In our view, management have prepared financial statements which demonstrate fair and balanced judgement. Our independent assessment of these judgements is outlined in this section

1. Revenue Recognition

Revenue recognition is consistent with the Code.

Nature of risk

We have identified recognition of Grant Income as a significant risk due to:

- Grant income being recognised only once any conditions attached to grants have been met.
- Management judgement over determining if there are any conditions attached to a grant, and if conditions have been met.
- Complex accounting for grant income as the basis for revenue recognition in the accounts will depend on any attached conditions for each grant.

The key judgement areas and their potential impact on the financial statements

The key judgement area is in relation to identifying and recognising when conditions have been met. Inaccurate identification of these could result in inappropriate recognition of income.

Audit work completed to address the significant risk

We have carried out detailed testing on a sample of grant income to check that recognition of income properly reflects the grant scheme conditions, that entitlement is in agreement with the draft or final grant claim and that the grant control account balance has been properly reconciled.

We reviewed correspondence attached to specific grants and used this to assess whether the Council's accounting treatment is appropriate.

Deloitte view

We conclude that grant income has been recognised appropriately in line with any conditions in the financial statements for the year ended 31 March 2014.

We do not consider there to be evidence of management bias in the revenue recognition policies adopted.

2. Management override of controls

Assessment of management estimates for bias or fraud

Nature of risk

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

The key judgement areas and their potential impact on the financial statements

Management is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Management may override controls through:

- recording fictitious journal entries;
- applying inappropriate judgment;
- omitting, advancing, or delaying recognition of events and transactions;
- engaging in complex transactions that are structured to misrepresent financial position or financial performance;
- omitting disclosure of related parties and transactions; and
- altering records related to significant and unusual transactions.

Audit work completed to address the significant risk

We have performed the following audit procedures:

- reviewed the processes and performed design and implementation work on the controls management have in place;
- reviewed Committee minutes to identify any unusual or complex transactions;
- used our 'Audit Analytics' software to test a risk focused sample of journals to ensure the appropriateness of journal entries;
- reviewed accounting estimates for evidence of bias; and
- reviewed the business rationale for significant transactions that are outside the normal course of business for the Council.

Deloitte view

From our testing of a risk based sample of journals and review of Committee minutes, we do not consider management's estimates to be unreasonable and nor have we identified any evidence of bias.

3. Valuation of non-current assets

This is a key accounting estimate, which can result in large movements within the accounts.

Nature of risk

We have considered the nature of the Property, Plant and Equipment (PPE) balance and concluded that a significant risk exists in relation to the valuation of Land and Buildings. This is because:

- The Council holds significant amounts of Land and Buildings (£18m net book value as at 31/3/14);
- Whilst the property market is recovering, there remain uncertainties around the valuation of a number of assets; and
- Effective valuations require the use of expert knowledge to maintain materially accurate valuations, and the assessment of market values is inherently judgemental. Management has contracted with Mouchel to complete the valuations in 2013/14.

The key judgement areas and their potential impact on the financial statements

The valuation of Property, Plant and Equipment is inherently judgemental due to the assumptions that are involved. Inappropriate assumptions could result in a misstatement of PPE balances.

Audit work completed to address the significant risk

We have obtained a copy of the latest valuation report and considered whether there is indication of any impairment from the valuations and whether any noted impairment should be applied more widely to other assets that have not been valued in the current year. We have considered key movements in revaluations and whether there is any impact noted on the wider asset base.

The valuation resulted in a decrease to investment properties of £71k and a net reduction in operational land and buildings of £139k, with increases in the value of Stokesley and Bedale Leisure Centres offset by a decrease in value the Civic Centre and Caretaker's House. We challenged the assumptions and basis of valuation used by the valuer and have no comments to make.

We have tested the disclosure of PPE balances in the accounts and note no issues.

Deloitte view

We have completed our work in respect of non current assets and conclude that the valuation of assets in the accounts is appropriately stated.

4. Completeness of NNDR appeal provisions

The localisation of business rates places new responsibilities on the Council

Nature of risk

From our initial inquiries, we understand a number of significant business ratepayers have appealed against the ratings provided by the Valuation Office Agency (VOA).

We are also aware that other Council's have recently paid out significant appeals following instruction by the VOA. It follows that if this was to occur at Hambleton, there would be a significant impact on the resources of the Council.

We understand the Council entered a risk pooling arrangement for NNDR with a number of North Yorkshire councils from the 1st April 2014. Whilst this is not directly relevant to our audit this year, we will consider the impact this has on the accounting disclosures, and discuss with management its oversight of the new arrangements.

We have identified the completeness of any provision for NNDR appeals as a significant risk. This is because:

- The localisation of business rates passes the risks and rewards associated with National Non-Domestic Rates (NNDR) on the Council for the first time;
- Previously the Council was responsible for collecting the rates due, paying these to central government and receiving grant income to fund services;
- From 1 April 2013, the Council now faces the risk relating to declining business rate income, the cost of appeals as well as the benefits from any business rate growth; and
- This represents a significant unusual transaction, and the accounting entries arising from NNDR appeals have significant management judgement in determining their appropriateness.

The key judgement areas and their potential impact on the financial statements

The key judgement is in relation to the assumptions underlying the provision in relation to potential recovery rates. Incorrect assumptions could result in an over or under provision in the financial statements.

Audit work completed to address the significant risk

We have challenged management's methodologies and assumptions used to calculate the appeals provision and the evidence to support the approach and recalculated what we believe is a reasonable estimate of the provision and compared this to the provision provided by management.

We have considered whether provisions appropriately reflect the historical trends for NNDR claims of this nature.

We have reviewed VOA data and trends, in order to formulate a best-estimate of the provision and use this to determine whether management's approach is reasonable.

Deloitte view

From our testing we have identified a difference of £34k between the NNDR appeal provision calculated by the council and by Deloitte. This is a judgemental difference which results in the potential overstatement of the provision.

Value for money and the Annual Governance Statement

Value for Money Conclusion

Requirement

Under the Audit Commission Code of Audit practice, as appointed auditors, we are required to draw a conclusion regarding the Council's arrangements to secure economy, efficiency and effectiveness of its use of resources (the Value for Money (VfM) conclusion). As was the case in previous years, there are no specific criteria and we will meet our VfM duty by addressing the areas of focus determined by the Commission as set out below.

Area of Focus

In reaching our Value for Money conclusion our work is focused around:

- reviewing the Annual Governance Statement;
- reviewing the results of the work of other relevant regulatory bodies, to consider whether there is any impact on the auditors responsibilities at the audited body; and
- undertaking other local risk-based work as appropriate, or any work mandated by the Commission.

Audit work completed

Value for Money

Following the Government's Comprehensive Spending Review in 2010 and subsequent local government finance settlements each year, the Council is facing financial pressures over the next few years. In addition, the changes encompassed in the suite of new Acts – the Localism Act 2011, the Welfare Reform Act 2012 and the Local Government Finance Act 2012 - will put further strains on the planning and budgeting processes.

Progress in developing the budget for 2015/16 is on-going. We are currently completing our review of a sample of savings proposed by the Council for 2014/15. Whilst the Council has coped well with previous government funding cuts, the anticipated future reductions in funding from 2015/16 onwards will be a significant challenge involving difficult decisions around resource prioritisation.

We completed our risk assessment and concluded that there were no specific risks to the Value for Money conclusion for 2013/14 and, as a consequence, have not undertaken any locally determined risk based work.

We have considered the results of our work on the Annual Governance Statement, the results of our audit work, the findings of internal audit and concluded that there are no specific risks or issues to prevent us drawing a positive conclusion on the delivery of Value for Money.

Value for Money Conclusion (continued)

The VFM Conclusion

Under the Code, auditors are required to include a positive conclusion in their statutory audit report as to whether they are satisfied that, in all significant respects, the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The conclusion has regard to the criteria specified by the Commission and we do not consider all aspects of the Council's arrangements. This conclusion is given within our audit report on the Council's accounts. We are required to report if, in our judgement, matters come to our attention which are significant enough to prevent us from concluding that proper arrangements are in place in the areas considered. In such a circumstance, we qualify our conclusion in relation to particular criteria, either on an 'except for' basis (i.e. the Council has put in place proper arrangements except for...) or in the form of an 'adverse' conclusion (i.e. the Council has not put in place arrangements in that...). For 2013/14, as at the time of writing this report, we have assessed the Council for both the financial resilience and the economy, efficiency and effectiveness criteria as having proper arrangements in place. We will update on this verbally at our meeting on 24 September 2014 and confirm whether we will be issuing a positive conclusion, as is currently anticipated.

Deloitte view

From our work to date, we anticipate issuing a positive Value for Money conclusion, we will confirm this verbally at the meeting on 24 September 2014, pending completion of our work.

The Annual Governance Statement

Requirement

In respect of the Annual Governance Statement, we are required to review the statement for compliance with the prescribed format and content and to report where the Statement is inconsistent with our understanding of the Council.

Area of Focus

Our review is directed at:

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

We have performed the following work in relation to the Annual Governance Statement (AGS):

- ensured that it complies with the requirements as set out in the Code of Practice on Local Council Accounting in the United Kingdom 2013/14.
- reviewed the Governance Statement to confirm that it is consistent with internal audit reports, committee minutes, the Internal Audit Annual Report and Opinion and our work on the financial statements.

Audit work completed

Annual Governance Statement

In June 2007, CIPFA in conjunction with the Society of Local Authority Chief Executives ("SOLACE") published 'Delivering Good Governance in Local Government: A Framework'. This framework replaced the previous CIPFA/SOLACE framework 'Corporate Governance in Local Government – A Keystone for Community Governance: A Framework' which was published in 2001. The framework introduced, from 2007/08, an integrated Annual Governance Statement. The AGS covers all significant corporate systems, processes and controls, spanning the whole range of a Council's activities, including in particular those designed to ensure that:

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

Deloitte view

We are satisfied that the Annual Governance Statement is consistent with the prescribed format and our understanding of the Council.

In this section we set out our comments regarding your internal control and risk management processes. We communicate any significant deficiencies in the internal control environment to the Governance and Audit Committee.

Insight - Internal control and risk management

Internal control and risk management



We are required to provide a view, based on our audit procedures, on the effectiveness of your system of internal control relevant to risks that may affect financial reporting; and other risks arising from the entity's business model and the effectiveness of related internal controls.

| Significant Risk | Internal Controls | Current position |
|---------------------------------|---|---|
| Revenue Recognition | <ul style="list-style-type: none"> Grant documentation reviewed for conditions and retained on file to ensure release is in line with conditions. | G |
| Management override of controls | <ul style="list-style-type: none"> Regular financial reporting to the Council, including progress against budget (quarterly). Budget holders responsible for monitoring progress against budget. Segregation of duties and separate approval for journals postings | G |
| Valuation of non-current assets | <ul style="list-style-type: none"> Valuations are provided by Mouchel (third party). Valuations are reviewed and discussed at Council meetings. The Mouchel reports are used as the basis of asset revaluations. | G |
| NNDR appeal provision | <ul style="list-style-type: none"> Use of VOA (third party) data as basis for provision calculation. Ultimate approval of NNDR provision through sign-off of NNDR1 submission. | G |
| G No issues noted | A Acceptable but could be improved | R Requires significant improvement |

Liaison with internal audit

The audit team, following an assessment of the independence and competence of the internal audit department, reviewed the work of internal audit and adjusted our audit approach as deemed appropriate. We did not place direct reliance on the work of internal audit however the findings influence the formation of our views on the risk and accuracy of the Annual Governance Statement.

Responsibility Statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

The Audit Commission published a 'Statement of responsibilities of auditors and of audited bodies' alongside the Code of Audit Practice. The purpose of this statement is to assist auditors and audited bodies by summarising where, in the context of the usual conduct of the audit, the different responsibilities of auditors and of the audited body begin and end, and what is expected of the audited body in certain areas. The statement also highlights the limits on what the auditor can reasonably be expected to do. Our audit plan has been prepared on the basis of, and our audit work carried out in accordance with the Code and the Statement of Responsibilities, copies of which have been provided to the Authority by the Audit Commission.

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

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

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

Deloitte LLP
Chartered Accountants



Leeds
3 September 2014

Appendices

Appendix 1: Audit adjustments

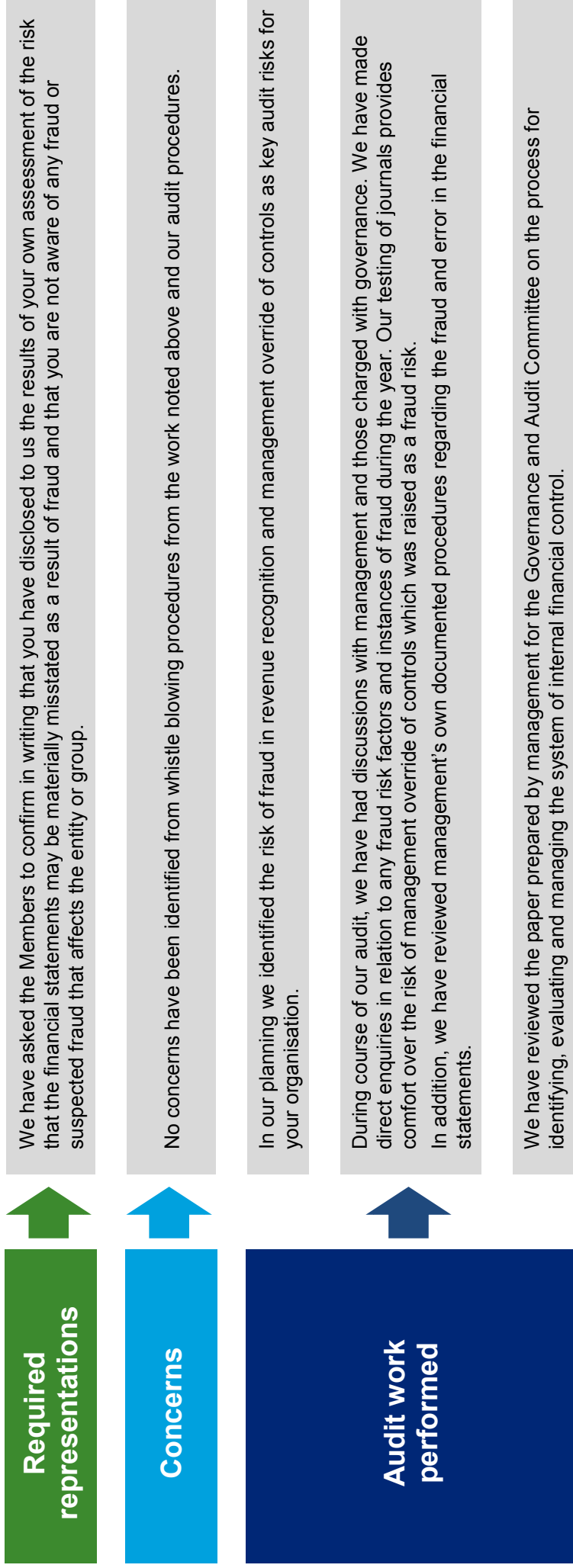
Unadjusted misstatements detail

Recorded audit adjustments – Uncorrected misstatements

The following uncorrected misstatements (above reportable threshold of £31,301) were identified during the course of our audit. We will obtain written representations from the Audit, Governance and Standards Committee confirming that after considering all these uncorrected items, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

| | Comprehensive income and expenditure statement | | Reserves | Balance sheet |
|---|---|---|-------------------------------|---|
| | (Credit)/ charge to deficit on provision of services £ | (Credit)/ charge to other comprehensive income £ | Brought forward reserves £ | Increase/ (decrease) in net assets £ |
| Judgemental Misstatement | | | | |
| Overstatement of NNDR Appeals Provision | (34,414) | - | - | 34,414 |
| Total uncorrected misstatements relating to current year items | (34,414) | | - | 34,414 |

Appendix 2: Fraud: responsibilities and representations



The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Appendix 3: Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland), the Listing Rules and the Companies Act, we are required to report to you on the matters listed below:

Independence confirmation

We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.

Fees

We have not provided any non-audit services in the period from 1 April 2013 to 31 March 2014

Non-audit services

In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or of any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

There are no other relationships with Hambleton District Council which would impact on our objectivity and independence.

The professional fees earned by Deloitte in the period from 1 April 2012 to 31 March 2014 are as follows:

| | Current year £000 | Prior year £000 |
|--|----------------------|--------------------|
| Audit of Hambleton District Council (Financial Statements) | 53 | 53 |
| Certification of Grant Claims | 15 | 20 |
| Total | 68 | 73 |

Appendix 4: Our approach to audit quality

Recognition of and further impetus for our quality agenda

Audit quality is our number one priority. We pride ourselves on our commitment to quality and our quality control procedures. We have an unyielding pursuit of quality in order to deliver consistent, objective and insightful assurance.

The Financial Reporting Council (“FRC”) issues an Annual Report on Audit Quality Inspections, providing an overview of the activities of its Audit Quality Review (“AQR”) team for the year.

*“The firm places considerable emphasis on its overall systems of quality control and, in most areas, has appropriate policies and procedures in place for its size and the nature of its client base. Nevertheless, we have identified certain areas where improvements are required to those policies and procedures...
The firm took a number of steps in response to our prior year findings to achieve improvements in audit quality. This included enhanced guidance, technical communications and audit training on the recurring themes. However, issues continued to arise in some of these areas.”*

AQR Report on Deloitte for 2013/14
<https://www.frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Audit-Quality-Inspection-Report-May-2014-Deloitte.pdf>

We will inform you if the AQR team selects your audit as part of their review for this year and will share its final report with you when it is complete.

Deloitte response

- Our strategic objective is to execute high quality, distinctive audits.
- We adopt an open and communicative approach with the regulator and their contribution to audit quality is respected and supported at all levels of our firm.
- We consider that the AQR’s report provides a balanced view of the focus and results of its inspections and its recognition of the emphasis we place on our overall systems of quality control is welcome.
- We value the regulator’s inspection and comments, and the review performed by the AQR forms an important part of our overall inspection process.
- As part of our agenda of continuous improvement we have given careful consideration to each of the FRC’s comments and recommendations. This has included investigation of the root causes of each finding. This has enabled us to develop, in conjunction with findings arising from our own quality review procedures, an effective response to the themes arising.
- Following the AQR review, we have implemented improvements to our audit procedures and our system of quality control.
- Deloitte’s Audit Transparency Report provides further information regarding our approach to delivering quality and is available on our website: http://www.deloitte.com/view/en_GB/uk/about/annual-reports/index.htm

Twelve of the audits reviewed by the AQR were performed to a good standard with limited improvements required and four audits required improvements. We were disappointed that one audit was assessed as requiring significant improvements in relation to the testing of the collective and individual loan loss provisions although this did not cause the AQR to doubt the validity of our audit opinion. The overall analysis of the AQR file reviews by grade for the last five years evidences that, among the largest firms, Deloitte remains at the forefront of audit quality with 67% of audits achieving the top grade from the AQR, the highest proportion amongst our peers.

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Member of Deloitte Touche Tohmatsu Limited

Deloitte LLP
1 City Square
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24 September 2014

Our Ref: PT/DW/HDC14

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Hambleton District Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Hambleton District Council "the Council" as of 31 March 2014 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework.

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

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework which give a true and fair view.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole.
6. We confirm that the financial statements have been prepared on the going concern basis. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the company's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. The financial statements are free from material misstatement.
8. The disclosures related to accounting estimates under the entity's applicable financial reporting framework are complete and appropriate.

9. There have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.
10. We confirm that:
- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.
11. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets may not be recoverable.

Information provided

12. We have provided you with:
1. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 2. additional information that you have requested from us for the purposes of the audit; and
 3. unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
13. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
14. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
15. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
16. We are not aware of any fraud or suspected fraud that affects the entity or group and involves:
- (i) management;
 - (ii) members of the Council;

- (iii) employees who have significant roles in internal control; or
 - (iv) others where the fraud could have a material effect on the financial statements.
17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
 18. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements
 19. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
 20. No claims in connection with litigation have been or are expected to be received.
 21. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
 22. Where required, the value at which assets and liabilities are recorded in the balance sheet is, in the opinion of the Members, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council. Any significant changes in those values since the balance sheet date have been disclosed to you.
 23. There have been no irregularities involving members or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
 24. There have been no events since the balance sheet date which require adjustment of or a disclosure in the financial statements or notes thereof. Should further material events occur, which may necessitate revision of the figures included in the annual accounts or inclusion of a note thereto, we will advise you accordingly.
 25. The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets.
 26. We recognise that we are responsible for ensuring that the statement of accounts as published on the website properly presents the financial information and your auditor's report and for the controls over, and security of, the website. We also recognise that we are responsible for establishing and controlling the process for electronically distributing other information.
 27. All minutes of members and management meetings during and since the financial year have been made available to you.
 28. All known material liabilities have been properly included in the annual accounts and all material contingent liabilities have been disclosed.
 29. We are not aware of any potential claw back by grant payers of grants that have been released to income.

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

Yours faithfully

Signed on behalf of Hambleton District Council

Hambleton District Council**Annual Financial Report****2013/2014**

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Explanatory Foreword

1. Introduction

The Statement of Accounts shows the Council's financial position as at 31st March 2014. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14', which is based upon International Financial Reporting Standards (IFRS). The 'Code' constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2011 and the Local Government and Housing Act 1989.

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

2. Financial Statements

Certain financial statements and accompanying disclosures are required to be prepared under the 'Code' which is set out at pages 1 to 97. They consist of:-

Statement of Responsibilities for the Statement of Accounts

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

Movement in Reserves Statement

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

Comprehensive Income & Expenditure Statement

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

Balance Sheet

This sets out the financial position of the Council on 31st March 2014. It shows the balances and reserves at the Council's disposal, its long-term indebtedness, the non-current and net current assets employed in its operations and summarised information on the non-current assets held. The net assets held by the Council at the balance sheet date are matched by reserves.

Cash Flow Statement

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

Notes to the Core Financial Statements

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

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

Collection Fund

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

Glossary of Terms

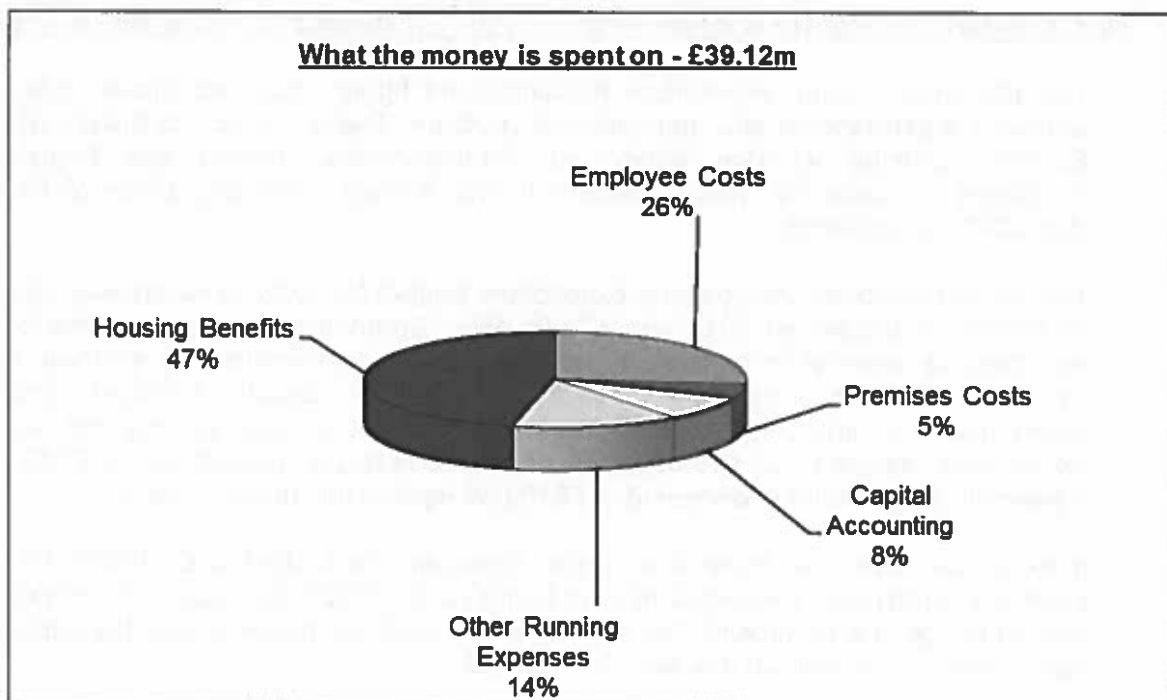
Explaining the meaning of the terms used in the Statement of Accounts.

3. Revenue Expenditure for the Financial Year 2013/2014

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 2013/2014 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 20 shows gross expenditure on all of the Council's services for 2013/14 is £39,126,182 (2012/13 is £42,414,659). The following chart shows what the Council's money is spent on.



The chart above shows that 46.48% (£18.19m) of the Council's expenditure is on Housing and Council Tax Benefit payments and 26.31% (£10.3m) is spent on Employee costs. The remaining spend is made up of 14.12% (£5.52m) on Other Running expenses which include the costs of operating vehicles and purchasing various external supplies and services, 7.97% (£3.11m) relates to capital charges for depreciation of the Council's assets and 5.12% (2.0 m) is spent on maintaining the Council's buildings and leisure facilities.

Revenue Expenditure in 2013/14 Compared to the Agreed Budget

The main components of the 2013/14 budget and how these compare with actual income and expenditure are set out below. The latest approved budget reflects changes made to the Council's budget during the financial year.

| | Latest Approved Budget £ | Actual £ | Difference £ |
|--|-----------------------------------|--------------------|------------------|
| Net Expenditure by Business Theme: | | | |
| Customer Services & Asset Management | 1,700,670 | 1,628,286 | (72,384) |
| Housing & Planning & Waste Management | 3,790,410 | 3,614,888 | (175,522) |
| Leisure & Health | 1,292,420 | 1,492,023 | 199,603 |
| Support Services & Economic Development | 746,540 | 770,843 | 24,303 |
| Internal Drainage Boards | 89,590 | 89,585 | (5) |
| Net Expenditure | 7,619,630 | 7,595,625 | (24,005) |
| Financed by: | | | |
| Council Tax | (2,992,379) | (2,855,531) | 136,848 |
| Revenue Support Grant | (2,741,517) | (2,741,302) | 215 |
| Business Rates | (1,687,068) | (2,509,351) | (822,283) |
| | (7,420,964) | (8,106,184) | (685,220) |
| Funding Surplus Transferred to Reserves | 198,666 | (510,559) | (709,225) |

The Business Theme expenditure headings and figures reported above reflect the Council's organisational and management structure. These are not consistent with the Service headings reported within the Comprehensive Income and Expenditure Statement on page 20, which conform to the Service Reporting Code of Practice (SerCOP) requirements.

The original estimated net revenue expenditure budget for 2013/14 which was approved by Council in December 2012 was £7,691,460. 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 2014 reduced the net revenue expenditure budget to £7,619,630. The final net revenue expenditure of £7,595,625 represents a significant underspend of £510,559 against this revised budget.

It should be noted that there is an under spend on the budget of £510,599, however there is a variation on the overall revised budget of £709,225 because in the original and revised budget it was forecast that a contribution would be required from the council tax payers reserve. At outturn this was not required.

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

| | Expenditure £ |
|---|--------------------------|
| Expenditure per Council's Accounts (as above) | 7,595,625 |
| Other required accounting entries reflected in the Comprehensive Income & Expenditure Statement | |
| - Capital Accounting | 3,167,324 |
| - Council Tax Collection Fund Accounting | 55,689 |
| - NNDR Collection Fund Accounting | (533,420) |
| - Pensions Accounting | 1,178,000 |
| Less Funding | (7,628,453) |
| Deficit on Provision of Services per Comprehensive Income & Expenditure Statement | 3,834,765 |

4. Capital Expenditure for the Financial Year 2013/2014

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

In 2013/14 the Council spent £2,158,304 (2012/13 £1,128,686) on capital schemes. An analysis of where the money was spent and the sources of funding is shown in the tables below:-

| 2012/2013 % | 2012/2013 £000's | Capital Expenditure | 2013/14 % | 2013/14 £000's |
|----------------|---------------------|---|--------------|-------------------|
| 22 | 246 | Customer Services & Asset Management | 22 | 471 |
| 22 | 249 | Housing, Planning & Waste Management | 17 | 361 |
| 36 | 404 | Leisure & Health | 33 | 724 |
| 20 | 230 | Support Services & Economic Development | 28 | 602 |
| 100 | 1,129 | Total Capital Expenditure | 100 | 2,158 |

| 2012/2013 % | 2012/2013 £000's | Where the Money Came From | 2013/14 % | 2013/14 £000's |
|----------------|---------------------|----------------------------------|--------------|-------------------|
| 34 | 386 | Grants & Contributions | 82 | 1781 |
| 66 | 743 | Capital Receipts | 16 | 343 |
| - | - | Direct Revenue Contributions | 2 | 34 |
| 100 | 1,129 | Total Capital Expenditure | 100 | 2,158 |

The major schemes over £50,000 where the Council's capital expenditure in 2013/14 occurred were:

- Housing Renovations
- Domestic Violence Refuge
- Improvement schemes at Thirsk, Stokesley and Bedale Leisure Centres
- Re-laying of Thirsk cobbles
- Public Lighting Energy reduction
- ICT projects and improvements

5. Borrowing

The Council's ability to borrow is governed by the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is able to determine its own programme for capital investment in fixed assets that will assist in the delivery of its services to the people of the Hambleton District subject to that programme being affordable, prudent and sustainable. Throughout 2013/14 the Council remained debt free with no requirement for external borrowing.

6. Employee Benefits and Pension Liabilities

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

- The total cost of pensions that are being paid out to former employees who have retired.
- The total sum of the pension entitlements earned to date for current employees.

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

The Balance Sheet includes a Pensions Reserve, which shows a net liability to the Pension Fund of £11,752,000 as at 31 March 2014. 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 £12,904,000 (52%) in 2013/2014.

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

7. Changes to the Accounting Practice

During the 2013/2014 financial year there have been no major changes to the way Local Government accounts are presented. Local Authorities are present their statements in accordance with International Financial Reporting Standards (IFRS). Prior to 1 April 2010, Local Authorities presented their financial statements in accordance with UK GAAP.

8. Changes to Accounting Policies and Presentation to the Accounts

There have been no changes to accounting policies during 2013/14. As regards presentation to the financial statements, the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom includes the revisions for IAS19 Employee Benefits to be applied from 1 April 2013.

The change introduces new classes of components of defined benefit cost to be recognised in the financial statements (i.e. net interest on the defined benefit liability or asset and remeasurements of the net defined liability or asset) together with new definitions of recognition of service cost and also termination benefits.

In respect of the Local Government Pension Scheme, the following comparative figures within the 2012/13 primary financial statements have been restated:

| Comprehensive Income & Expenditure Statement: | Published 2012/13 £ | Restated 2012/13 £ | Difference £ |
|--|------------------------------------|-----------------------------------|-------------------------|
| <u>Cost of Services:</u> | | | |
| Current service cost | (31,000) | (1,000) | 30,000 |
| <u>Financing & Investment Income & Expenditure:</u> | | | |
| Pensions Interest Cost and expected return on pensions assets | 741,000 | | |
| Net interest on the net defined benefit liability | | 973,000 | 232,000 |
| Net Impact on (Surplus) or Deficit on Provision of Services | | | 262,000 |
| <u>Other Comprehensive Income & Expenditure</u> | | | |
| Actuarial gains / (losses) on pension assets / liabilities | 3,912,000 | | |
| Remeasurements of the net defined benefit liability | | 3,650,000 | (262,000) |
| Net impact on Total Comprehensive Income & Expenditure | | | - |

Comparative 2012/13 figures within all relevant disclosure notes have also been restated.

9. Review of the Council's Current Financial Position

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

At the start of the financial year, 1 April 2013, the Council's revenue reserves stood at £17.818m. By the end of the financial year, 31 March 2014, balances on revenue reserves totalled £18.262m.

The balance sheet position as at 31 March 2014 shows an increase in the Council's net worth of £12.006m. This is largely due to the decrease in the pension liability.

10. Other Sources of Information

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

11. Inspection and Audit of Accounts

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

Deloitte LLP
1 City Square
Leeds
LS1 2AL

12. Further Information

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



**Dr Justin Ives BA MA DBA FCMI FCCA
Director of Support Services & Deputy Chief Executive**

Independent Auditor's Report to Members of Hambleton District Council

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

Opinion on the Authority financial statements

We have audited the financial statements of Hambleton District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund and related notes 1 to 47. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hambleton District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in

place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, *Hambleton District Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

Paul Thomson (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor
Leeds, United Kingdom
24 September 2014

Hambleton District Council **ANNUAL GOVERNANCE STATEMENT 2013 – 2014**

Scope of Responsibility

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

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

Hambleton District Council has approved and adopted a code of corporate governance. The code has been updated to embrace the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the existing code is on our website at www.hambleton.gov.uk or can be obtained from Customer Services on (01609) 779977 or by email from customer.services@hambleton.gov.uk. This statement explains how Hambleton District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on its governance and internal control arrangements.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Hambleton District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Hambleton District Council for the year ended 31 March 2014 and up to the date of the approval of the Statement of Accounts.

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

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

Senior Management is able to use this information to vire money/resources between service areas to provide additional resources where performance is below an acceptable level. The Council also uses benchmarking information to compare unit costs; however this information is limited and does not cover all service areas.

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

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

The Audit Governance and Standards Committee considers amendments to the Constitution.

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

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

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

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

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

- The Head of Legal and Information Services has access to all draft Cabinet and Council reports and approves the minutes;
- The Legal Section monitor legal developments and notify 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 2013/14);
- The Monitoring Officer, Legal Section, the S151 Officer and Veritau North Yorkshire Limited have good working relations and often cross-refer matters;
- The CIPFA Statement on the role of the Chief Finance Officer (CFO) recommends that the CFO should report directly to the Chief Executive and be a member of the 'Leadership' Team. Furthermore that the AGS should assess the position of the CFO against these criteria and report on a 'comply or explain' basis. The Director of Support Services and Deputy Chief Executive is the Council's designated S151 Officer, is a member of the Senior Management Team and reports directly to the Chief Executive.
- The CFO has unfettered access to information, to the Chief Executive and to Members of the Council. Therefore we consider that there are processes and procedures in place which provide assurance that the role of the CFO (Director of Support Services and Deputy Chief Executive) in Hambleton District Council meets the Statement's expectations.

- All Directors have completed an Assurance Statement for the 12 months to 31 March 2014; and
- The Chairman of the Council, Leader of the Council (as Chairman of Cabinet) and the Chairmen of the Council's main Committees have each completed an Assurance Statement for the 12 months to 31 March 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

Review of Effectiveness

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

The Cabinet and Council:

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

The Audit, Governance and Standards Committee:

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

Scrutiny Committees:

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

Internal Audit:

During the year April 2013 to March 2014 the Council's internal audit service was provided by the Veritau North Yorkshire Limited (VNY), which is part of the Veritau group. It operates in accordance with the statements, standards and guidelines published by CIPFA (particularly the 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom) and the Chartered Institute of Internal Auditors.

The Company provides an independent review service, and the work of internal audit is determined using a risk assessment model from which a Strategic Plan and a detailed Annual Internal Audit Plan are developed. The Audit, Governance and Standards Committee considers and approves both the strategic and annual plans and receives regular updates of actual performance against the plan and an Annual Internal Audit report at the year end which will contain an opinion or assurance statement from Internal Audit on the operation of the overall Governance Framework, incorporating the system of internal control.

Other explicit review/assurance mechanisms:

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

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

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

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



Signed: _____
Councillor Mark Robson
Leader of the Council



Signed: _____
Philip Morton
Chief Executive



Signed: _____
Dr Justin Ives
Director of Support Services and Deputy Chief Executive

STATEMENT OF ACCOUNTS

Statement of Responsibilities for the Statement of Accounts

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ('The Code of Practice')

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

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

The Chief Financial Officer has also:

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

Statement by the Chief Financial Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of Hambleton District Council at 31 March 2014 and its income and expenditure for the year then ended.



.....
Dr Justin Ives BA MA DBA FCCA
Chief Financial Officer
Date: 19 June 2014

The Council's Responsibilities

The Council is required:

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

I confirm that the Audit and Governance Committee of Hambleton District Council approved the Statement of Accounts at the meeting held on 24 September 2014.

.....
Chair of Audit and Governance Committee
Date: 24 September 2014

MOVEMENT IN RESERVES STATEMENT

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

2013/2014

| | General Fund Balance | Earmarked General Fund Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|---|----------------------|---------------------------------|--------------------------|--------------------------|-----------------------|---------------------|------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Balance at 31 March 2013 | (2,000,000) | (15,818,277) | (4,567,306) | (76,586) | (22,462,169) | (6,198,481) | (28,660,650) |
| (Deficit)/Surplus on the provision of services | 3,834,765 | - | - | - | 3,834,765 | - | 3,834,765 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | (15,840,979) | (15,840,979) |
| Total Comprehensive Income and Expenditure | 3,834,765 | - | - | - | 3,834,765 | (15,840,979) | (12,006,214) |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (4,278,551) | - | 1,174,522 | (23,434) | (3,127,463) | 3,127,463 | - |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | (443,786) | - | 1,174,522 | (23,434) | 707,302 | (12,713,516) | (12,006,214) |
| Transfers (to)/from Earmarked Reserves (Note 8) | 443,786 | (443,786) | - | - | - | - | - |
| Increase/(Decrease) in 2013/14 | - | (443,786) | 1,174,522 | (23,434) | 707,302 | (12,713,516) | (12,006,214) |
| Balance at 31 March 2014 carried forward | (2,000,000) | (16,262,063) | (3,392,784) | (100,020) | (21,754,867) | (18,911,997) | (40,666,864) |

2012/2013 Comparative Figures

| | General Fund Balance | Earmarked General Fund Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|---|----------------------|---------------------------------|--------------------------|--------------------------|-----------------------|---------------------|------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Balance at 31 March 2012 | (2,000,000) | (15,411,457) | (5,190,126) | (76,586) | (22,678,169) | (17,497,194) | (40,175,363) |
| (Deficit)/Surplus on the provision of services | 4,766,119 | - | - | - | 4,766,119 | - | 4,766,119 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | 6,748,594 | 6,748,594 |
| Total Comprehensive Income and Expenditure | 4,766,119 | - | - | - | 4,766,119 | 6,748,594 | 11,514,713 |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | (5,172,939) | - | 622,820 | - | (4,550,119) | 4,550,119 | - |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | (406,820) | - | 622,820 | - | 216,000 | 11,298,713 | 11,514,713 |
| Transfers (to)/from Earmarked Reserves (Note 8) | 406,820 | (406,820) | - | - | - | - | - |
| Increase/(Decrease) in 2012/13 | - | (406,820) | 622,820 | - | 216,000 | 11,298,713 | 11,514,713 |
| Balance at 31 March 2013 carried forward | (2,000,000) | (15,818,277) | (4,567,306) | (76,586) | (22,462,169) | (6,198,481) | (28,660,650) |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

| 2012/2013 | | | | 2013/2014 | | |
|-------------------|---------------------|-------------------|--|-------------------|---------------------|---------------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £ | £ | £ | | £ | £ | £ |
| 7,350,921 | (6,145,271) | 1,205,650 | Central Services to the Public | 2,960,103 | (998,901) | 1,961,202 |
| 6,029,353 | (2,984,389) | 3,044,964 | Cultural and Related Services | 4,569,952 | (2,879,773) | 1,690,179 |
| 4,742,933 | (1,843,161) | 2,899,772 | Environmental & Regulatory Services | 5,921,789 | (1,775,139) | 4,146,650 |
| 2,663,327 | (1,771,022) | 892,305 | Planning Services | 3,217,513 | (1,578,716) | 1,638,797 |
| 443,665 | (518,248) | (74,583) | Highways and Transport Services | 530,972 | (659,060) | (128,088) |
| 19,665,992 | (18,987,631) | 678,361 | Other Housing Services | 20,363,930 | (19,049,438) | 1,314,492 |
| 1,585,602 | (2,911) | 1,582,691 | Corporate and Democratic core | 1,501,169 | (2,940) | 1,498,229 |
| (67,224) | (6,865) | (74,089) | Non Distributed Costs | 60,754 | (7,280) | 53,474 |
| 42,414,569 | (32,259,498) | 10,155,071 | Net Cost Of Services | 39,126,182 | (26,951,247) | 12,174,935 |
| 1,489,851 | (214,702) | 1,275,149 | Other Operating Expenditure (Note 9) | 1,671,449 | (700,810) | 970,639 |
| 3,315,290 | (217,845) | 3,097,445 | Net Financing and Investment Expenditure/(Income) (Note 10) | 1,102,417 | (315,129) | 787,288 |
| - | (9,761,546) | (9,761,546) | Taxation and Non-Specific Grant Expenditure/(Income) (Note 11) | | (10,098,097) | (10,098,097) |
| 47,219,710 | (42,453,591) | 4,766,119 | (Surplus) or Deficit on Provision of Services | 41,900,048 | (38,065,283) | 3,834,765 |
| | | 3,098,594 | (Surplus) or Deficit on Revaluation of Property, Plant & Equipment (Note 25) | | | (1,758,979) |
| | | 3,650,000 | Actuarial (Gains)/Losses on Pension Assets / Liabilities (Note 42) | | | (14,082,000) |
| | | 6,748,594 | Other Comprehensive Income and Expenditure | | | (15,840,979) |
| | | 11,514,713 | Total Comprehensive Income and Expenditure | | | (12,006,214) |

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 2013 | | Notes | 31 March 2014 |
|---------------------|------------------------------|-------|---------------------|
| £ | | | £ |
| 20,598,239 | Property, Plant & Equipment | 12 | 21,631,673 |
| 9,900,090 | Investment Property | 14 | 9,111,256 |
| 260,670 | Intangible Assets | 15 | 428,123 |
| 7,682 | Long Term Investments | 46 | 11,942 |
| 23,653 | Long Term Debtors | 16 | 11,174 |
| 30,790,334 | Long Term Assets | | 31,194,168 |
| 17,637,339 | Short Term Investments | 16 | 18,119,874 |
| 50,739 | Inventories | 17 | 54,390 |
| 3,051,081 | Short Term Debtors | 19 | 2,562,311 |
| 5,136,086 | Cash and Cash Equivalents | 20 | 5,546,735 |
| 358,138 | Assets Held for Sale | 21 | 222,138 |
| 26,233,383 | Current Assets | | 26,505,448 |
| (3,582,430) | Short Term Creditors | 22 | (4,364,984) |
| | Short Term Provisions | 23 | (565,540) |
| (119,199) | Other Short Term Liabilities | 25 | (96,000) |
| (3,701,629) | Current Liabilities | | (5,026,524) |
| - | Long Term Borrowing | 16 | - |
| | Long Term Provisions | 23 | (246,072) |
| (5,438) | Other Long Term Liabilities | 16 | (8,156) |
| (24,656,000) | Pension Liability | 41 | (11,752,000) |
| (24,661,438) | Long Term Liabilities | | (12,006,228) |
| 28,660,650 | Net Assets | | 40,666,864 |
| | | | |
| (22,462,169) | Usable Reserves | 24 | (21,754,867) |
| (6,198,481) | Unusable Reserves | 25 | (18,911,997) |
| (28,660,650) | Total Reserves | | (40,666,864) |

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.

| Restated 2012/2013 | | 2013/2014 |
|-----------------------|--|-------------|
| £ | | £ |
| 4,766,119 | Net (surplus)/deficit on the provision of services | 3,834,765 |
| (5,460,814) | Adjustments to net (surplus)/deficit on the provision of services for non-cash movements (Note 26) | (6,095,111) |
| 505,865 | Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities (Note 27) | 950,028 |
| (188,830) | Net cash (inflows)/outflows from Operating Activities | (1,310,318) |
| (1,351,857) | Investing Activities (Note 28) | 1,115,772 |
| (229,218) | Financing Activities (Note 29) | (216,103) |
| (1,769,905) | Net (increase)/decrease in cash and cash equivalents | (410,649) |
| (3,366,181) | Cash and cash equivalents at the beginning of the year | (5,136,086) |
| (5,136,086) | Cash and cash equivalents at the end of the year (Note 20) | (5,546,735) |

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

i) General Principles

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, 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 2013/2014 financial year and its position at the year ending 31 March 2014.

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

ii) Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as 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 change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

Service revenue accounts, support services and trading accounts are debited in the Comprehensive Income and Expenditure Statement with the following amounts to record the real cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation 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 within 12 months of the year end. They include such benefits as salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and as far as practicable will be recognised in the year in which the service is rendered by the employees to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary and wages rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination Benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accrual basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority 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 is accounted for as a defined benefits scheme:

- The liabilities of the North Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on high quality corporate bond [iBoxx Sterling AA corporate bond]).
- The assets of the North Yorkshire Pension Fund attributable to the Council are included in the balance sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price

- Property – market value
- The change in the net pensions liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
 - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – 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 appropriations between the General Fund and the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

viii) Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the Balance Sheet date this will be classed as an adjusting event and the Statement of Accounts will be amended to reflect this event. A disclosure will also be made in the Events After Balance Sheet date (note 6).
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure will be made in the Events After the Balance Sheet Date (note 6) giving the nature of the event and an estimate of the financial effect or statement that an estimate cannot be reliably made.

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

ix) Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

Available-for-sale Assets

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

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

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and the grants or contributions will be received.

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

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

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

xi) Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments to the Council) with appropriate planning consent. The Council charges for and collects 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.

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

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 & 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 Authority's goods or services.

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

the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £6,000) the Capital Receipts Reserve.

xiv) Interests in Companies and Other Entities

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

xv) Inventories and Long-term Contracts

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 (for any sales proceeds greater than £6,000) the Capital Receipts Reserve.

xvii) Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

xviii) Leases

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

xix) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice 2013/14(SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xx) Property, Plant and Equipment

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

Recognition

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated

Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

- not all properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purpose of the valuation
- for all properties of a similar nature, the "beacon" principle was adopted
- IT assets and Vehicle, Plant & Equipment assets are not revalued as almost all of them have an expected life of between 5 and 10 years.

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

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

- where there is a balance on the revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains.)
- where there is no balance in the Revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Componentisation

All property assets containing a building are split into two components – Land and Buildings. The buildings are then further reviewed to assess if there are additional components which should be recognised. This assessment is based on the value of the building and the value of the components. A materiality level has been set below which

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

Revaluation Loss

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight line allocation over the life of the asset, as advised by a suitably qualified officer
- infrastructure - straight line allocation over the life of the asset

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). Currently, this Council is debt free and has no borrowing. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

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

xxi) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be 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 wither it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent 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.

xxi) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund Balance 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.

xxiv) Revenue Expenditure Funded from Capital under Statute

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

xxv) VAT

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. This is in line with International Accounting Standard 8, which requires entities to disclose the expected impact of new standards that have been issued but not yet adopted. Local Authorities are now required to disclose information relating to the impact of the accounting change. For the financial year 2013/2014 it would mean that any standards issued on or before 1 January 2014 will need to be disclosed.

For 2013/14 the following accounting policy changes need to be reported:-

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosures of Involvement in Other Entities

IAS 27 Separate Financial Statements and IAS 28 Investments in Associates

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

IAS 1 Presentation of Financial Statements

If these had been adopted for the financial year 2013/14 there would be no material changes to the accounts. The standard changes are described below:

- **IFRS 10 Consolidated Financial Statements** – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. Further information is provided below in line with the new disclosure requirements of IFRS 12. The Council has no consolidated financial statements.
- **IFRS 11 Joint Arrangements** – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements.
- **IFRS 12 Disclosures of Involvement with Other Entities** – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has no arrangements with other entities under IFRS12.
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12 where the changes relate only to disclosures. This Council has no Investments in Associates and Joint Ventures.
- **IAS 32 Financial Instruments Presentation** – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- **IAS 1 Presentation of the Financial Statements** – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period.

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

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 2014, for which there is a significant risk of matter in the forthcoming financial year, are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-----------------------------|---|---|
| Property, Plant & Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful life assigned to assets. | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase in these circumstances.</p> <p>For example, if the useful life of all the PPE assets would reduce by five years, the Council's depreciation charge would increase by £108,978 per year.</p> |
| 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. | <p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1,082,000. However the assumptions interact in complex ways. During 2013/14, the Council's actuaries advised that the net pensions liability had decreased by - £14,082,000 as a result of estimates being corrected as a result of</p> |

| | | |
|----------------|---|--|
| | | experience and decreased by £1,178,000 attributable to updating of the assumptions. |
| Business Rates | 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 2012-13 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 2014. 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 2014. | 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 deficit position on the collection fund in the future. Further information on provision for appeals is included in the Collection Fund on page 91. |
| Arrears | At 31 March 2014, the Council had a balance for sundry debtors of £3,150,522. A review of significant balances suggested that an impairment of doubtful debts of 18.67% (£588,241) 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 £588,241 to be set aside as an allowance. |

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 was authorised by the Section 151 Officer and approved by Audit Governance and Standards Committee on 24 September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information on conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no specific events that took place after the 31 March 2104 and therefore there have been no adjustments to the financial statements.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

The tables for 2013/14 and comparative year 2012/13 can be seen on the following pages.

| 2013/14 | 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 | (873,779) | | | 873,779 |
| Revaluation losses on Property Plant and Equipment | (1,633,682) | | | 1,633,682 |
| Movements in the fair value of Investment Properties | (71,000) | | | 71,000 |
| Amortisation of Intangible Assets | (137,340) | | | 137,340 |
| Capital Grants and Contributions applied | 266,260 | | | (266,260) |
| Revenue Expenditure funded from Capital Under Statute | (578,779) | | | 578,779 |
| 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 | (346,650) | | | 346,650 |
| insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement | | | | |
| Capital Expenditure charged against the General Fund Balance | 122,167 | | | (122,167) |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 23,434 | | (23,434) | - |
| 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 | 606,554 | (606,554) | | - |
| Use of the Capital Receipts Reserve to finance new Capital Expenditure | | 1,781,076 | | (1,781,076) |

| 2013/14 | Usable Reserves | | | |
|---|----------------------|--------------------------|--------------------------|-------------------------------|
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £ | £ | £ | £ |
| Adjustments primarily involving the Pension Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 42) | (2,733,000) | | | 2,733,000 |
| Employer's Pensions Contributions and direct payments to Pensioners payable in the year | 1,555,000 | | | (1,555,000) |
| 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 | (477,731) | | | 477,731 |
| Adjustment involving the Accumulating Comprehensive Absences Adjustment Account: | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | - | | | - |
| Total Adjustments | (4,278,551) | 1,174,522 | (23,434) | 3,127,463 |

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

| 2012/13 | Usable Reserves | | | |
|---|-----------------------------|---------------------------------|---------------------------------|--------------------------------------|
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £ | £ | £ | £ |
| Adjustments involving the Pension Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 42) | (2,429,000) | - | - | 2,429,000 |
| Employer's Pensions Contributions and direct payments to Pensioners payable in the year | 1,457,000 | - | - | (1,457,000) |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| Amount by which Council Tax Income credited to the Comprehensive Income & Expenditure Statement is different from Council Tax Income calculated for the year in accordance with statutory requirements | 28,573 | - | - | (28,573) |
| Adjustment involving the Accumulating Comprehensive Absences Adjustment Account: | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | - | - | - | - |
| Total Adjustments | (5,172,939) | 622,820 | - | 4,550,119 |

8. Transfers To/ (From) Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/2014.

| | Balance at 31 March 2012 | Transfers Out 2012/2013 | Transfers In 2012/2013 | Balance at 31 March 2013 | Transfers Out 2013/2014 | Transfers In 2013/2014 | Balance at 31 March 2014 |
|---|-----------------------------|----------------------------|---------------------------|-----------------------------|----------------------------|---------------------------|-----------------------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Council Taxpayers Reserve | 8,308,970 | - | 137,957 | 8,446,927 | (6,180,447) | 1,506,995 | 3,773,475 |
| Community Safety Partnership | 103,131 | (31,632) | - | 71,499 | - | 2,828 | 74,327 |
| Local Plan Reserve | 8,376 | (8,376) | - | - | - | - | - |
| Hambleton Strategic Partnership Reserve | 8,000 | - | - | 8,000 | (8,000) | - | - |
| Strategic Forum Reserve | - | - | 11,974 | 11,974 | (145) | 2,570 | 14,399 |
| New Homes Bonus | 315,221 | (96,997) | 525,660 | 743,884 | (1,534,311) | 790,427 | - |
| Grants Fund | 465,407 | (52,832) | - | 412,575 | (79,492) | 187,425 | 520,508 |
| Cyclical Reserve | 1,029,216 | (1,029,216) | - | - | - | - | - |
| Service Improvement Reserve | 1,666,152 | (1,903,317) | 237,165 | - | - | - | - |
| Revenue Efficiency Reserve | 419,440 | (419,440) | - | - | - | - | - |
| Shared Service Efficiency Reserve | 1,222,366 | (1,222,366) | - | - | - | - | - |
| One Off Fund | - | (2,000,000) | 4,258,240 | 2,258,240 | (942,624) | 776,803 | 2,092,419 |
| Capital Fund | 1,865,178 | - | 2,000,000 | 3,865,178 | (3,865,178) | - | - |
| Repairs & Renewals Fund | - | - | - | - | (77,214) | 6,160,200 | 6,082,986 |
| Computer Fund | - | - | - | - | - | 3,698,000 | 3,698,000 |
| Arts Grants Reserve | - | - | - | - | - | 5,949 | 5,949 |
| Total Earmarked Reserves | 15,411,457 | (6,764,176) | 7,170,996 | 15,818,277 | (12,687,411) | 13,131,197 | 16,262,063 |
| General Fund | 2,000,000 | 406,820 | (406,820) | 2,000,000 | (443,786) | 443,786 | 2,000,000 |
| Capital Grants Unapplied | 76,586 | - | - | 76,586 | - | 23,434 | 100,020 |
| General Capital Receipts | 5,190,126 | (622,820) | - | 4,567,306 | (1,781,076) | 606,554 | 3,392,784 |
| Total General Fund | 22,678,169 | (6,980,176) | 6,764,176 | 22,462,169 | (14,912,273) | 14,204,971 | 21,754,867 |

The purposes of the above reserves are as follows:

General Fund – The General Fund is the statutory fund into which all the receipts of an authority are required to 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.

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

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

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

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

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

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

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

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

Service Improvement Reserve – To improve or sustain service delivery.

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

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

One Off Fund - To improve or sustain service delivery.

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

Computer Fund – To fund ICT expenditure

Arts Grants Reserve – To fund Arts Development projects

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

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

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

9. Other Operating Expenditure

| 2012/13 £ | Other Operating Expenditure | 2013/14 £ |
|------------------|--|----------------|
| 1,209,547 | Parish Council Precepts | 1,235,214 |
| 74,543 | Drainage Board Levies | 89,585 |
| (94,372) | (Surplus)/Deficit from Trading Activities | (94,257) |
| 85,431 | (Gains)/Losses on the disposal of Non-Current Assets | (259,903) |
| 1,275,149 | Total | 970,639 |

10. Financing and Investment Income and Expenditure

| Restated 2012/13 £ | Finance and Investment Income and Expenditure | 2013/14 £ |
|--------------------------|---|----------------|
| 39,916 | Interest Payable and Similar Charges | 4,417 |
| 973,000 | Pensions Interest Cost & Expected Return on Pensions Assets | 1,027,000 |
| (452,845) | Interest Receivable and Similar Income | (315,129) |
| 2,537,374 | Income & Expenditure in relation to Investment Properties and Changes in their Fair Value | 71,000 |
| 3,097,445 | Total | 787,288 |

11. Taxation and Non Specific Grant Income

| 2012/13 £ | Taxation and Non Specific Grant Income | 2013/14 £ |
|--------------------|--|---------------------|
| (4,463,944) | Council Tax Income | (4,202,123) |
| (4,150,243) | Non Domestic Rates | (1,975,931) |
| (1,026,433) | Non-Ringfenced Grants | (3,774,705) |
| (120,926) | Capital Grants and Contributions | (145,338) |
| (9,761,546) | Total | (10,098,097) |

12. Property, Plant and Equipment

| Movement in 2013/14 | Other Land and Buildings | Vehicles, Plant Furniture & Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Total |
|--|--------------------------|---------------------------------------|-----------------------|------------------|---------------------------|-------------------|
| | £ | £ | £ | £ | £ | £ |
| Cost or Valuation at 1 April 2013 | 20,411,262 | 7,748,504 | 3,222,764 | 50,750 | - | 31,433,280 |
| Additions | 598,882 | 350,428 | 291,778 | - | 21,828 | 1,262,916 |
| Revaluation Increases/(Decreases) recognised in the Revaluation Reserve | 1,758,979 | - | - | - | - | 1,758,979 |
| Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on Provision of Services | (1,619,694) | - | - | - | - | (1,619,694) |
| Derecognition – Disposals | (122,000) | (15,828) | - | - | - | (15,828) |
| Assets reclassified (to)/from Held for Sale | 625,000 | - | - | - | - | (122,000) |
| Assets reclassified (to)/from Investment Property | 21,652,429 | 8,083,104 | 3,514,542 | 50,750 | 21,828 | 625,000 |
| At 31 March 2014 | | | | | | 33,322,653 |
| Accumulated Depreciation and Impairment At 1 April 2013 | (3,208,379) | (6,292,728) | (1,332,675) | (1,259) | - | (10,835,041) |
| Depreciation Charge | (385,322) | (385,102) | (102,602) | (750) | - | (873,776) |
| Depreciation Written out in the Surplus/Deficit on the provision of Services | - | - | - | - | - | - |
| Derecognition – Disposals | 2,009 | 15,828 | - | - | - | 15,828 |
| Assets reclassified (to)/from Held for Sale | (3,591,692) | (6,662,002) | (1,435,277) | (2,009) | - | (11,690,980) |
| At 31 March 2014 | | | | | | 2,009 |
| Net Book Value At 31 March 2013 | 17,202,883 | 1,455,776 | 1,890,089 | 49,491 | - | 20,598,239 |
| At 31 March 2014 | 18,060,737 | 1,421,102 | 2,079,265 | 48,741 | 21,828 | 21,631,673 |

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

Depreciation

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

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

Effects of Changes in Estimates

In 2013/14, the Council did not make any material changes to its accounting estimates for Property, Plant and Equipment.

Capital Commitments

At 31 March 2014 (and 31 March 2013) the Council had no significant capital commitments outstanding, where significant means outstanding commitments over £250,000.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Property valuations are carried out by the Council's external valuer Mouchel Consulting Ltd. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

13. Heritage Assets

Hambleton District Council held no assets that fall under the Heritage Asset category for the either 2013/14 or 2012/13 financial year.

14. Investment Properties

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

| 2012/13 £ | Investment Properties | 2013/14 £ |
|----------------|--|----------------|
| 657,910 | Rental Income from Investment Property | 671,308 |
| (446,733) | Direct Operating Expenses from Investment Property | (442,950) |
| 211,177 | Net Gain | 228,358 |

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.

| 2012/13 £ | Investment Properties | 2013/14 £ |
|------------------|--|------------------|
| 12,420,092 | Balance at 1 April | 9,900,090 |
| 17,372 | Additions - Purchases | 11,816 |
| - | Disposals | (104,650) |
| (2,537,374) | Net Gains/(losses) from Fair Value Adjustments | (71,000) |
| | Transfers: (To) / From Property, Plant and Equipment | (625,000) |
| 9,900,090 | Balance at 31 March | 9,111,256 |

15. Intangible Assets

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

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

| 2012/13 £ | Intangible Assets | 2013/14 £ |
|----------------|--|----------------|
| 2,356,104 | Balance at 1 April | 2,405,134 |
| (1,834,026) | Gross Carrying Amounts | (2,144,464) |
| 522,078 | Accumulated Amortisation | 260,670 |
| 49,031 | Net Carrying Amounts at 1 April | 304,793 |
| (310,439) | Additions - Purchases | (137,340) |
| | Amortisation for the Year | |
| 260,670 | Balance at 31 March | 428,123 |

Comprising:

| | | |
|----------------|----------------------------|----------------|
| 2,405,134 | Gross Carrying Amounts | 2,709,927 |
| (2,144,464) | Accumulated Amortisation | (2,281,804) |
| 260,670 | Balance at 31 March | 428,123 |

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

16. Financial Instruments

Categories of Financial Instruments

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

| 2012/2013 | | Category of Financial Instruments | 2013/2014 | |
|----------------|-----------------|--|----------------|-----------------|
| Long Term £ | Short Term £ | | Long Term £ | Short Term £ |
| - | 17,637,339 | Investments Loans and receivables | 4,711 | 18,119,874 |
| 23,653 | 3,051,081 | Debtors Financial assets carried at contract amount | 11,174 | 2,562,311 |
| - | - | Borrowings Financial liabilities at amortised cost | - | - |
| (5,438) | (3,582,430) | Creditors Financial liabilities carried at contract amount | (8,156) | (4,364,464) |

Income, Expenses, Gains and Losses

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

| | 2012/2013 | | | | 2013/2014 | | | |
|--|---|--------------------------------|----------------------------|------------|---|--------------------------------|---|------------|
| | Financial Liabilities Measured at Amortised Cost £ | Financial Assets | | Total £ | Financial Liabilities Measured at Amortised Cost £ | Financial Assets | | Total £ |
| Loans and Receivables £ | | Available-For-Sale-Assets £ | Loans and Receivables £ | | | Available-For-Sale-Assets £ | | |
| Interest Expense | - | - | - | - | - | - | - | - |
| Total Expense in the Surplus or Deficit on the Provision of Services | - | - | - | - | - | - | - | - |
| Gains on Derecognition | - | (437,957) | - | (437,957) | - | (307,127) | - | (307,127) |
| Total income in the Surplus or Deficit on the Provision of Services | - | (437,957) | - | (437,957) | - | (307,127) | - | (307,127) |
| Net Gain/(Loss) for the Year | - | (437,957) | - | (437,957) | - | (307,127) | - | (307,127) |

Fair Value of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2014 of 0.47% to 0.54% for loans receivable based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be at the invoiced amount or at the billed amount

The fair values calculated are as follows:

| Fair Value of Financial Assets and Long Term Debtors | 2013/2014 | |
|---|------------------------|-------------------|
| | Carrying Amount | Fair Value |
| | £ | £ |
| Loans and receivables | 18,124,585 | 18,147,208 |
| Long term debtors | 11,174 | 11,174 |
| Long-term creditors | (8,156) | (8,156) |

The fair value of the assets – Loans and receivables - is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2014) attributable to the commitment to receive interest above current market rates.

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

17. Inventories

| Inventories | Central Stocks | | Herriot Visitor Centre | | Operational Services | | Leisure Facilities | | Total | |
|--|----------------|---------------|------------------------|--------------|----------------------|---------------|--------------------|---------------|---------------|---------------|
| | 2012/13 £ | 2013/14 £ | 2012/13 £ | 2013/14 £ | 2012/13 £ | 2013/14 £ | 2012/13 £ | 2013/14 £ | 2012/13 £ | 2013/14 £ |
| Balance outstanding at 1 April | 17,661 | 17,462 | 16,169 | - | 16,529 | 16,366 | 15,129 | 16,911 | 65,488 | 50,739 |
| Purchases | 99,170 | 94,151 | - | - | 309,103 | 305,288 | 3,428 | 1,194 | 411,701 | 400,633 |
| Recognised Expense in Year | (98,816) | (86,172) | (7,000) | - | (309,266) | (308,580) | (1,646) | (1,986) | (416,728) | (396,738) |
| Written Off Balances | (553) | (244) | (9,169) | - | - | - | - | - | (9,722) | (244) |
| Balance Outstanding at 31 March | 17,462 | 25,197 | - | - | 16,366 | 13,074 | 16,911 | 16,119 | 50,739 | 54,390 |

18. Construction Contracts

At 31 March 2014 (and 31 March 2013) the Council had no construction contracts in progress.

19. Short Term Debtors

| 31 March 2013 £ | Short Term Debtors | 31 March 2014 £ |
|--------------------|--|--------------------|
| 252,758 | Central Government Bodies | 562,624 |
| 1,277,406 | Other Local Authorities | 492,675 |
| - | Public Corporations and Trading Funds | 53,400 |
| 1,926,216 | Other Entities and Individuals | 2,041,853 |
| 3,456,380 | Short term Debtors before provision for Doubtful Debt | 3,150,552 |
| (405,299) | Less Provision For Doubtful Debts | (588,241) |
| 3,051,081 | Net Short Term Debtors | 2,562,311 |

| Movement In Provision for Doubtful Debts | £ |
|---|------------------|
| Brought Forward at 1 April 2013 | (405,299) |
| Written off during the Year | 29,559 |
| Charged to Comprehensive Income & Expenditure Statement | (212,501) |
| Carried Forward at 31 March 2014 | (588,241) |

20. Cash and Cash Equivalents

| 31-Mar 2013 £ | Cash and Cash Equivalents | 31-Mar 2014 £ |
|------------------|--|------------------|
| 3,700 | Cash Held by the Council | 3,485 |
| 532,386 | Bank Current Accounts | 573,250 |
| 4,600,000 | Short-term deposits | 4,970,000 |
| 5,136,086 | Total Cash and Cash Equivalents | 5,546,735 |

21. Assets Held for Sale

| 2012/13 £ | Current | 2013/14 £ |
|----------------|--|----------------|
| 133,899 | Balance Outstanding at 1 April | 358,138 |
| | Assets Newly classified as Held for Sale | |
| 337,000 | Property, Plant & Equipment | 119,991 |
| (50,862) | Revaluation Losses recognised in the Revaluation Reserve | - |
| (44,138) | Revaluation Losses recognised in the Provision of Services | (13,991) |
| (17,761) | Assets Sold | (242,000) |
| 358,138 | Balance Outstanding at 31 March | 222,138 |

22. Short Term Creditors

| 31 March 2013 £ | Creditors | 31 March 2014 £ |
|-----------------------|---------------------------------------|-----------------------|
| (759,305) | Central Government Bodies | (259,990) |
| (590,382) | Other Local Authorities | (700,308) |
| (14,153) | Public Corporations and Trading Funds | (15,466) |
| (2,218,590) | Other Entities and Individuals | (3,389,220) |
| (3,582,430) | Total Creditors | (4,364,984) |

23. Provisions

| Short Term Provision | Provision for Business Rate Appeals | Redundancy Provision | Other Provisions | Total |
|---------------------------------------|--|-------------------------|---------------------|------------------|
| Balance at 1 April 2013 | 0 | (361,483) | 0 | (361,483) |
| Additional provision made in 2013/14 | (272,785) | (168,820) | (29,821) | (471,426) |
| Amounts used in 2013/14 | 0 | 267,369 | 0 | 267,369 |
| Unused amounts reversed in 2013/14 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2014 | (272,785) | (262,934) | (29,821) | (565,540) |

| Long Term Provision | Provision for Business Rate Appeals | Redundancy Provision | Other Provisions | Total |
|---------------------------------------|--|-------------------------|---------------------|------------------|
| Balance at 1 April 2013 | 0 | 0 | 0 | 0 |
| Additional provision made in 2013/14 | 0 | (246,072) | 0 | (246,072) |
| Amounts used in 2013/14 | 0 | 0 | 0 | 0 |
| Unused amounts reversed in 2013/14 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2014 | 0 | (246,072) | 0 | (246,072) |

Provision for Business Rate Appeals

This provision has been introduced to cover the future loss of income following business rate appeals.

Redundancy Provision

This provision covers committed redundancy costs known to the Council as at 31 March 2014 occurring over the next two years.

Other Provision

This provision includes outstanding legal cases and Injury damage compensation of which the Council has two of significance INGS Lane (legal case provision £19,821) and an employee injury (Injury compensation claim provision £10,000).

24. Usable Reserves

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

25. Unusable Reserves

| 31 March 2013 £ | Unusable Reserves | 31 March 2014 £ |
|-----------------------|---|-----------------------|
| (2,058,351) | Revaluation Reserve | (3,751,855) |
| 24,656,000 | Pension Reserve | 11,752,000 |
| (28,916,051) | Capital Adjustment Account | (27,509,795) |
| 23,921 | Collection Fund Balance | 501,653 |
| 96,000 | Accumulating Compensated Absences/Adjustment Acc. | 96,000 |
| (6,198,481) | Total Unusable Reserves | (18,911,997) |

Revaluation Reserve

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

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

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

| 2012/13 £ | Revaluation Reserve | 2013/14 £ | 2013/14 £ |
|--------------------|---|--------------|--------------------|
| (4,811,798) | Balance at 1 April | | (2,058,351) |
| - | Disposal of Assets Held for Sale | | |
| (191,570) | Upward Revaluation of Fixed Assets | (1,996,707) | |
| 2,111,429 | Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services | 237,728 | |
| 1,178,735 | Downward Revaluation of Assets Reversal and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services | - | |
| 3,098,594 | Surplus or Deficit on Revaluation of non-current assets not posted to the surplus/Deficit on the Provision of Services | | (1,758,979) |
| (404,908) | Difference between fair value depreciation and historic cost depreciation | 35,813 | |
| 59,761 | Accumulated gains on asset sold or scrapped | 29,662 | |
| (345,147) | Amount written off to the Capital Adjustment Account | | 65,475 |
| (2,058,351) | Balance at 31 March | | (3,751,855) |

Capital Adjustment Account

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

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

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

| 2012/13 £ | Capital Adjustment Account | 2013/14 | |
|---------------------|---|-------------|---------------------|
| | | £ | £ |
| (32,867,890) | Balance at 1 April | | (28,916,051) |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| 745,694 | Charges for Depreciation and Impairment of Non-Current Assets | 873,778 | |
| 770,284 | Revaluation Losses on Property, Plant and Equipment | 1,633,682 | |
| 310,439 | Amortisation of Intangible Assets | 137,340 | |
| 382,695 | Revenue Expenditure funded from Capital Under Statute | 578,779 | |
| 205,761 | 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 | 346,650 | |
| 2,414,873 | | | 3,570,229 |
| 345,147 | Adjusting amounts written out of the Revaluation Reserve | | (65,475) |
| | Net Written Out Amount of the cost on Non-Current Assets Consumed in the Year. | | 3,504,754 |
| 2,760,020 | | | |
| | Capital Financing Applied in the Year: | | |
| (743,150) | Use of the Capital Receipts Reserve to Finance New Capital Expenditure | (1,781,076) | |
| (385,535) | Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing | (266,260) | |
| | 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 | - | |
| (216,870) | Capital Expenditure charged against the General Fund Balance | (122,162) | |
| (1,345,555) | | | (2,169,498) |
| 2,537,374 | Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement | | 71,000 |
| (28,916,051) | Balance at 31 March | | (27,509,795) |

Pension Reserves

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements also require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2012/13 £ | Pension Reserves | 2013/14 £ |
|-------------------|--|-------------------|
| 20,034,000 | Balance at 1 April | 24,656,000 |
| 3,912,000 | Actuarial Gains or (Losses) on Pensions Assets and Liabilities | (14,082,000) |
| 2,167,000 | 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 | 2,733,000 |
| (1,457,000) | Employers' Pensions Contributions and Direct Payments to Pensioners payable in the Year | (1,555,000) |
| 24,656,000 | Balance Carried Forward at 31 March | 11,752,000 |

Collection Fund Adjustment Account

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

| 2012/13 £ | Collection Fund Adjustment Account | 2013/14 £ |
|---------------|--|----------------|
| 52,494 | Balance at 1 April | 23,922 |
| (28,573) | 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 | 477,731 |
| 23,921 | Balance at 31 March | 501,653 |

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.

| 2012/13 £ | Accumulating Compensated Absences Adjustment Account | 2013/14 £ |
|---------------|---|---------------|
| 96,000 | Balance at 1 April | 96,000 |
| (96,000) | Settlement or Cancellation of Accrual made at the end of the Preceding Year | (96,000) |
| 96,000 | Amounts Accrued at the end of the Current Year | 96,000 |
| 96,000 | Amount by which Officer Remuneration Charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is different from Remuneration chargeable in the Year in accordance with Statutory Requirements | 96,000 |
| - | | - |
| 96,000 | | 96,000 |

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

The cash flows for operating activities include the following items:

| 31-Mar 2013 £ | information relating to Interest Received and Interest Paid | 31-Mar 2014 £ |
|---------------------|---|---------------------|
| (452,845) | Interest received | (315,129) |
| 39,916 | Interest paid | 4,417 |
| (412,929) | Total | (310,712) |

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

| Restated 31-Mar 2013 £ | Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non Cash Movements | 31-Mar 2014 £ |
|---------------------------------|--|---------------------|
| (745,694) | Depreciation | (873,779) |
| (770,284) | Impairment and downward valuations | (1,633,682) |
| (2,537,374) | Movement in the Fair Value of Investment Properties | (71,000) |
| (310,439) | Amortisation | (137,340) |
| 580,015 | (Increase) / Decrease in Creditors | (1,596,364) |
| (774,523) | Increase / (Decrease) in Debtors | (501,249) |
| (14,749) | Increase / (Decrease) in Inventories | 3,651 |
| (972,000) | Movement in Pension Liability | (1,178,000) |
| (205,761) | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | (346,650) |
| 289,995 | Other non-cash items charged to the net surplus or deficit on provision of services | 239,302 |
| (5,460,814) | Total | (6,095,111) |

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

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

| 31-Mar 2013 £ | Adjustments to Net (Surplus)/Deficit on the Provision of Services that are investing and Financing Activities | 31-Mar 2014 £ |
|---------------------|---|---------------------|
| 385,535 | Grants applied to the financing of Capital Expenditure | 343,474 |
| 120,330 | Proceeds from the sale of Property, Plant and equipment, investment property and intangible assets | 606,554 |
| - | Capital Receipts Received | |
| - | Any other Items for which the cash effects are investing or financing cash flows | |
| 505,865 | Total Cash Flows from Operating Activities | 950,028 |

28. Cash Flow Statement – Investing Activities

| 31-Mar 2013 | Investing Activities | 31-Mar 2014 |
|--------------------|--|------------------|
| £ | | £ |
| 1,128,686 | Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets | 2,158,304 |
| (382,694) | Revenue Expenditure Financed From Capital Under Statute (REFCUS) | (578,779) |
| 124,788,016 | Purchase of ST and LT Investments | 121,511,275 |
| (120,330) | Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets | (606,554) |
| - | Capital Receipts Received | - |
| (126,380,000) | Proceeds from ST and LT investments | (121,025,000) |
| (385,535) | Other receipts from investing activities | (343,474) |
| (1,351,857) | Net Cash Flows from Investing Activities | 1,115,772 |

29. Cash Flow Statement – Financing Activities

| 31-Mar 2013 | Cash Flow Statement – Financing Activities | 31-Mar 2014 |
|------------------|---|------------------|
| £ | | £ |
| 60,777 | Cash payments for the reduction of the outstanding liabilities relating to finance leases | 23,199 |
| (289,995) | Other (receipts) / Payments from financing activities | (239,302) |
| (229,218) | Net Cash Flows from Financing Activities | (216,103) |

30. Amounts Reported for Resource Allocation Decisions

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

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

The income and expenditure of the Council's principal service units recorded in the budget reports for the year 2013/14 is as follows:

| Business Theme's income & Expenditure 2013/14 | Customer Services & Asset Management | Housing, Planning & Waste Management | Leisure & Health | Support Services & Economic Development | Total |
|--|---|---|-----------------------------|--|---------------------|
| | £ | £ | £ | £ | £ |
| Fees, Charges & Other Service Income | (862,778) | (1,520,259) | (3,150,491) | (1,143,262) | (6,676,790) |
| Government Grants | (163,441) | (1,803,690) | (151,886) | (19,698,148) | (21,817,165) |
| Total income | (1,026,219) | (3,323,949) | (3,302,377) | (20,841,410) | (28,493,955) |
| Employee Expenses | 1,066,161 | 3,147,967 | 2,227,444 | 3,702,690 | 10,144,262 |
| Other Service Expenses | 1,435,931 | 2,883,338 | 2,104,986 | 19,521,063 | 25,945,318 |
| Support Services Recharges | - | - | - | - | - |
| Total Expenditure | 2,502,092 | 6,031,305 | 4,332,430 | 23,223,753 | 36,089,580 |
| Net Expenditure | 1,475,873 | 2,707,356 | 1,030,053 | 2,382,343 | 7,595,625 |

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

| Business Theme's Income & Expenditure 2012/13 | Corporate Management | Customer Services | Housing & Planning | Leisure & Health | Partnerships | Total |
|--|-----------------------------|--------------------------|-------------------------------|-----------------------------|---------------------|---------------------|
| | £ | £ | £ | £ | £ | £ |
| Fees, Charges & Other Service Income | (729,861) | (787,394) | (1,225,507) | (3,184,835) | (357,456) | (6,285,053) |
| Government Grants | (371,609) | (161,836) | (2,121,690) | (315,521) | (24,615,929) | (27,586,585) |
| Total income | (1,101,470) | (949,230) | (3,347,197) | (3,500,356) | (24,973,385) | (33,871,638) |
| Employee Expenses | 1,012,300 | 579,957 | 3,219,978 | 2,200,234 | 2,492,551 | 9,505,020 |
| Other Service Expenses | 1,260,831 | 1,740,115 | 1,635,238 | 2,376,152 | 24,209,129 | 31,221,465 |
| Support Services Recharges | - | - | - | - | - | - |
| Total Expenditure | 2,273,131 | 2,320,072 | 4,855,216 | 4,576,386 | 26,701,680 | 40,726,485 |
| Net Expenditure | 1,171,661 | 1,370,842 | 1,508,019 | 1,076,030 | 1,728,295 | 6,854,847 |

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

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

| 2012/13 £ | | 2013/14 £ |
|-------------------|--|-------------------|
| 6,854,847 | Net Expenditure in the Service Unit Analysis | 7,595,625 |
| - | Net Expenditure of Services and Support Services not included in the Analysis | |
| 2,779,069 | Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis | 3,386,616 |
| 491,155 | Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement | 1,192,694 |
| 10,125,071 | Cost of Services in the Comprehensive Income and Expenditure Statement | 12,174,935 |

Reconciliation to Subjective Analysis 2013/14

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

| 2013/14 | Service Unit Analysis £ | Services & Support Services Not in Analysis £ | Amounts not Reported to Management for Decision Making £ | Amounts not Included in I&E £ | Allocation of Recharges £ | Total £ |
|---|----------------------------|--|---|----------------------------------|------------------------------|---------------------|
| Fees, Charges & Other Service Income | (6,267,404) | - | - | - | - | (6,267,404) |
| Surplus from Trading Activities | (94,257) | - | - | - | - | (94,257) |
| Interest and Investment Income | (315,129) | - | - | - | - | (315,129) |
| Income from Council Tax | - | - | (4,146,434) | - | - | (4,146,434) |
| Government Grants and Contributions | (21,817,165) | - | (4,738,868) | - | - | (26,556,033) |
| Total Income | (28,493,955) | - | (8,885,302) | - | - | (37,379,257) |
| Employee Expenses | 10,144,262 | - | 1,178,000 | - | - | 11,322,262 |
| Other Service Expenses | 25,945,318 | - | - | - | - | 25,945,318 |
| Support Service Recharges | - | - | - | - | - | - |
| Depreciation, Amortisation & Impairment | - | - | 3,317,782 | - | - | 3,317,782 |
| Interest Payments | - | - | - | - | - | - |
| Precepts & Levies | - | - | 1,235,214 | - | - | 1,235,214 |
| Gain or Loss on Disposal of Non-current assets | - | - | (606,554) | - | - | (606,554) |
| Total Expenditure | 36,089,580 | - | 5,124,442 | - | - | 41,214,022 |
| Surplus or Deficit on the Provision of Service | 7,595,625 | - | (3,760,860) | - | - | 3,834,765 |

Reconciliation to Subjective Analysis 2012/13

| 2012/13 | Service Unit Analysis £ | Services & Support Services Not In Analysis £ | Amounts not Reported to Management for Decision Making £ | Amounts not Included in I&E £ | Allocation of Recharges £ | Total £ |
|---|----------------------------|--|--|-------------------------------------|---------------------------------|---------------------|
| Fees, Charges & Other Service Income | (5,737,836) | - | - | - | - | (5,737,836) |
| Surplus from Trading Activities | (94,372) | - | - | - | - | (94,372) |
| Interest and Investment Income | (452,845) | - | - | - | - | (452,845) |
| Income from Council Tax | (27,586,585) | - | (4,463,944) | - | - | (4,463,944) |
| Government Grants and Contributions | (33,871,638) | - | (4,311,684) | - | - | (31,898,269) |
| Total income | (33,871,638) | - | (8,775,628) | - | - | (42,647,266) |
| Employee Expenses | 9,505,020 | - | - | - | - | 9,505,020 |
| Other Service Expenses | 31,221,465 | - | (16,145) | - | - | 31,205,320 |
| Support Service Recharges | - | - | (163,458) | - | - | (163,458) |
| Depreciation, Amortisation & Impairment | - | - | 5,440,743 | - | - | 5,440,743 |
| Interest Payments | - | - | - | - | - | - |
| Precepts & Levies | - | - | 1,284,090 | - | - | 1,284,090 |
| Gain or Loss on Disposal of Non-current assets | - | - | (120,330) | - | - | (120,330) |
| Total Expenditure | 40,726,485 | - | 6,424,900 | - | - | 47,151,385 |
| Surplus or Deficit on the Provision of Service | 6,854,847 | - | (2,350,728) | - | - | 4,504,119 |

31. Trading Operations

The Council operates two market undertakings at Northallerton and Thirsk. The total income, which was largely rents from stallholders, amounted to £196,915 (2012/13 £191,414), and the surplus credited to the General Fund was £94,257 (2012/13 surplus £94,372).

| 2012/13 £ | Trading Activity | 2013/14 £ |
|--------------|---------------------|--------------|
| (94,372) | Markets | (94,257) |
| (94,372) | (Surplus) / Deficit | (94,257) |

32. Pooled Budgets

The Authority has 2 pooled budget arrangements - Rural Housing Enablers and North Yorkshire Strategic Housing Services - to meet the needs of people living in the Hambleton area.

The Rural Housing Enablers arrangement is with 10 local authorities and 12 Housing Associations, where the agreement is in place to 31 March 2015. Contributions stand at a £5,000 annual fixed contribution from 8 local authorities, which includes this Council and a £50,000 contribution from 2 others. The 12 Housing associations contribute a total amount of £100,000 between them. This is calculated by a 30% fixed retainer element and 70% basis on how many homes are delivered in their area within the year. The table below provides information on the Rural Housing Enablers pooled budget:

| 2012/13 £ | Rural Housing Enablers | 2013/14 £ |
|--------------|--|--------------|
| (5,000) | Funding provided to the pooled budget: | (5,000) |
| (224,505) | Hambleton District Council | (104,829) |
| (229,505) | Partners | (109,829) |
| 127,602 | Expenditure met from the pooled budget: | 130,404 |
| (54,983) | Funding brought forward from previous year | (156,886) |
| (156,886) | Net funding arising on the pooled budget during the year | (136,311) |
| (3,420) | For future use on the pooled budget scheme: Hambleton District Council's Share of 2.18% of the net funding to be carried forward Hambleton District Council's Share of 4.6% of the net funding to be carried forward | (6,270) |

The North Yorkshire Strategic Housing Services arrangement is with 9 local authorities, where each authority contributes £3,650 on an annual basis. The North Yorkshire Strategic Housing Services Manager is a permanent post until such time that the 9 partners wish to cease the agreement. The table below provides further detail:

| 2012/13 £ | North Yorkshire Strategic Housing Manager | 2013/14 £ |
|--------------|--|--------------|
| (3,650) | Funding provided to the pooled budget: | (3,650) |
| (29,200) | Hambleton District Council | (42,200) |
| (32,850) | Partners | (45,850) |
| 30,140 | Expenditure met from the pooled budget: | 27,369 |
| (42,954) | Funding brought forward from previous year | (45,664) |
| (45,664) | Net funding arising on the pooled budget during the year | (64,145) |
| (5,073) | For future use on the pooled budget scheme: | |
| | Authority Share of 11.11% of the net funding to be carried forward | |
| | Authority Share of 7.96% of the net funding to be carried forward | (5,106) |

33. Members Allowances

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

| 2012/13 £ | Members Allowances | 2013/14 £ |
|----------------|--------------------------------|----------------|
| 251,770 | Allowances | 246,613 |
| 16,105 | Expenses | 17,130 |
| 267,875 | Total Member allowances | 263,743 |

34. Officers' Remuneration

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) |
|-----------------------------------|--------------------------------------|-------------------------|----------------|---------------------------------|--|---------------------------------|--|
| | 2013/14 £ | 2013/14 £ | 2013/14 £ | 2013/14 £ | 2013/14 £ | 2013/14 £ | 2013/14 £ |
| Chief Executive | 107,100 | - | 158 | - | 107,258 | 22,226 | 129,484 |
| Director of Leisure & Health | 69,105 | - | 473 | - | 69,578 | 14,124 | 83,702 |
| Director of Resources | 69,116 | - | 202 | - | 69,318 | 14,127 | 83,445 |
| Director of Corporate Services | 69,105 | - | - | - | 69,105 | 14,124 | 83,229 |
| Director of Housing & Planning | 69,105 | - | 1,468 | - | 70,573 | 14,124 | 84,697 |
| Director of Customer Services (1) | 69,105 | - | 647 | 112,014 | 181,766 | 12,947 | 194,713 |
| - Mrs Sandra Walbran | | | | | | | |
| | 452,636 | - | 2,948 | 112,014 | 567,598 | 91,672 | 659,270 |

| 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) |
|---------------------|--------------------------------------|-------------------------|----------------|---------------------------------|--|---------------------------------|--|
| | 2012/13 £ | 2012/13 £ | 2012/13 £ | 2012/13 £ | 2012/13 £ | 2012/13 £ | 2012/13 £ |
| Chief Executive | 100,967 | - | 350 | - | 101,317 | 19,496 | 120,813 |
| Director | 65,500 | - | 1,218 | - | 66,718 | 12,649 | 79,367 |
| Director | 65,500 | - | 1,630 | - | 67,130 | 12,649 | 79,779 |
| Director | 65,500 | - | 1,694 | - | 67,194 | 12,649 | 79,843 |
| Director | 65,500 | - | - | - | 65,500 | 12,649 | 78,149 |
| Director | 38,208 | - | 222 | - | 38,430 | 7,388 | 45,818 |
| Assistant Director | 2,447 | 300 | 9 | - | 2,756 | 525 | 3,281 |
| Section 151 Officer | 2,714 | - | 225 | - | 2,939 | 519 | 3,458 |
| Head of Resources | 13,409 | - | 361 | - | 13,770 | 2,564 | 16,334 |
| | 419,745 | 300 | 5,709 | - | 425,754 | 81,088 | 506,842 |

Notes

(1) The Director of Customer Services was made redundant with effect from 28 February 2014.

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

| 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 | |
|--|---|----------|---|----------|---|----------|---|----------------|
| | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 |
| £0-£20,000 | 5 | - | 2 | 1 | 7 | 1 | 39,719 | 13,817 |
| £20,001 - £40,000 | - | - | - | 1 | - | 1 | - | 31,295 |
| £40,001 - £60,000 | - | - | - | - | - | - | - | - |
| £60,001 - £80,000 | - | - | - | - | - | - | - | - |
| £80,001 - £100,000 | - | - | - | - | - | - | - | - |
| £100,000 - £150,000 | - | - | - | 1 | - | 1 | - | 112,014 |
| £150,000 - £200,000 | - | - | - | - | - | - | - | - |
| Total | 5 | 0 | 2 | 3 | 7 | 3 | 39,719 | 157,126 |

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 to non-audit services provided by the Council's external auditors:

| 2012/13 £ | Audit Fees | 2013/14 £ |
|---------------|---|---------------|
| 53,438 | Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year. | 53,438 |
| - | Fees refundable from the Audit Commission. | (7,313) |
| 18,650 | Fees payable to the External Auditors for the certification of grant claims and returns for the year. | 21,120 |
| 1,520 | Fees payable in respect of other services provided by the Appointed Auditor during the year. | 1,555 |
| 73,608 | Total Audit Fees | 68,800 |

Fees payable to the external auditor are in relation to fees paid to Deloitte for Audit Commission Work.

The fees for other services payable relate to Thirsk and Sowerby Swimming Baths Charity £1,555 in 2013/14 and £1,520 in 2012/13.

36. Grant Income

The grants and contributions in the Comprehensive Income and Expenditure Statement in 2013/14 which were credited to Services are:

| 2012/13 £ | Grant Income - Credited to Services | 2013/14 £ |
|---------------------|---|---------------------|
| - | Capital Grants | |
| | Leader Scheme | (19,394) |
| (11,168) | S106 Thirsk leisure Centre Capital Contribution | - |
| (210,334) | Disabled Facilities Capital Grant | (158,717) |
| (221,502) | | (178,111) |
| | Revenue Grants | |
| (18,372,736) | Housing Benefits | (18,614,715) |
| (229,505) | Rural Housing Enablers Grant | (109,829) |
| (32,850) | Strategic Housing Contribution | (45,850) |
| - | Sport Funding | (1,982) |
| - | Thirsk Hockey Contribution | (2,200) |
| - | Sportivate Grants | (1,717) |
| - | Children's Play Fund | (500) |
| - | Warm Homes Healthy People | (245) |
| - | North Yorkshire Sport | (520) |
| - | Community Safety Partnership Grant | (55,698) |
| (18,635,091) | | (18,833,256) |
| (18,856,593) | Total | (19,011,367) |

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

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14 which were credited to Taxation and Non Specific Grant Income:

| 2012/13 £ | Grant income | 2013/14 £ |
|--------------------|---|---------------------|
| | Credited to Taxation and Non-Specific Grant Income | |
| (4,463,944) | Council Tax Income | (4,202,123) |
| (4,150,243) | National Non Domestic Rates Pool | (1,975,931) |
| (161,441) | Revenue Support Grant | (2,741,302) |
| | <u>Non ringfenced Grants and Contributions:</u> | |
| (84,000) | DCLG Grant - Council Tax | (71,268) |
| (13,420) | DCLG Grant - New Burdens Grant | (40,609) |
| (71,470) | DCLG Grant - Local Service Support Grant | - |
| (10,000) | DCLG Neighbourhood Planning Grant | - |
| (10,000) | DCLG Grants - Town Team Partner | - |
| (950) | DCLG GRANTS - Rent Allowances | (29,491) |
| - | DCLG Grant - Community Right to Bid | (16,402) |
| - | DCLG Grant – Transparency Grant | (2,588) |
| - | DCLG Grant – Capitalisation Grant | (14,454) |
| - | Cabinet Office Grant – Section 31 Grant (Electoral) | (10,672) |
| (3,000) | DCLG Grant | - |
| (525,660) | DCLG New Homes Bonus | (790,427) |
| (18,558) | Department for Works - Welfare Reform | - |
| - | Department for Works - Transitional Funding | (10,990) |
| - | Warm Healthy Homes Contribution | (7,000) |
| (4,889) | Olympic Project Contribution | - |
| (20,878) | REIP Funding | - |
| (3,529) | CCTV Grant | - |
| - | North Northallerton Masterplan contribution | (20,000) |
| (72,346) | Community Safety Partnership Grant | - |
| (21,985) | North Yorkshire Dance Hub Contribution | (5,232) |
| (512) | Grant for young peoples activities - Broadacres | (1,744) |
| (3,795) | Grants for Dance Development - Arts Council | (12,526) |
| | <u>Capital Grants & Contributions</u> | |
| (8,814) | Disabled Facilities Capital Grant | - |
| - | Section 31 New Burden Grant | (7,131) |
| - | Contribution to Civic Centre Car Park Resurface | (1,000) |
| - | Electoral Hardware Grant | (16,303) |
| - | ERDF – Capital Grants | (65,321) |
| - | Revenue Contributions | (33,755) |
| (112,112) | S106 Capital Grants | (21,828) |
| (9,761,546) | Total | (10,098,097) |

The revenue grants and contributions which were received in advance are detailed in the table below. There were no capital grants and contributions received in advance for either 2013/14 or 2012/13.

| 2012/13 £ | Grant Income – Received in Advance Credited to Current Liabilities | 2103/14 £ |
|----------------|---|--------------|
| (8,795) | North Yorkshire Dance Hub Contribution | - |
| (8,795) | Total | - |

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 2013/2014 is shown in Note 33. During 2013/2014 the following material transactions took place with organisations in which Members have an interest.

| Councillor | Organisation | Relationship | 2013/14 £ | Transaction |
|------------|-----------------------------|--------------|--------------|--------------------------|
| J Prest | J Prest Property Management | Director | 74,324 | Housing Benefit Payments |

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

North Yorkshire Pension Fund

Details of the Council's payment of employer's superannuation contribution to the pension fund are disclosed in Note 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 £73,188. The Charity is a separate entity but does have several Council Members who are Trustees of the Charity.

Richmondshire District Council

Richmondshire District Council is a related party. During 2013/14 Hambleton District Council had a number of Service Level Agreements with Richmondshire District Council. The transactions taking place in the year and the outstanding balances with Richmondshire District Council at 31 March 2014 are shown below.

| | Service Recharge from RDC to HDC (Creditors) £ | Service Recharge from HDC to RDC (Debtors) £ |
|--|--|--|
| Communications | | 67,700 |
| Improvement | | 10,686 |
| Legal | | 100,928 |
| Information | | 5,097 |
| Revenue & Benefits | | 325,326 |
| Footway Lighting | | 20,952 |
| Operational Service | | 66,226 |
| Reprographics | | 35970 |
| Licensing | 85,767 | |
| Pest Control | 117,123 | |
| Community Safety | 31,923 | |
| Human Resources | 134,473 | |
| Environmental Health | 520,015 | |
| TOTAL | 889,301 | 632,885 |
| Amounts due to RDC at 31 March 2014 | 32,350 | |
| Amounts due from RDC at 31 March 2014 in regards to SLA's | | 48,167 |
| Total amounts due from RDC at 31 March 2014 | | 138,104 |

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

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.

| 2012/13 £ | Capital Expenditure and Capital Financing | 2013/14 £ |
|--------------|---|--------------|
| - | Opening Capital Financing Requirement | - |
| | Capital Investment | |
| 679,589 | Property, Plant and Equipment | 1,262,916 |
| 17,372 | Investment Properties | 11,816 |
| 49,030 | Intangible Assets | 304,793 |
| 382,695 | Revenue Expenditure Funded from Capital under Statute | 578,779 |
| | Sources of Finance | |
| (743,150) | Capital receipts | (1,781,076) |
| (385,536) | Government grants and other contributions | (266,260) |
| - | Direct Revenue Financing | (110,968) |
| - | Closing Capital Financing Requirement | - |
| | Explanation of movements in year | |
| - | Increase in underlying need to borrow | - |
| (216,870) | Repayment of Finance leases | (11,194) |

39. Leases

Council as Lessee

Finance Leases

The Council in the past has acquired a number of photocopiers and refuse collection vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet and as seen in the table below in 2013/14 there were no finance leases and therefore there are no future minimum lease payments.

| 31 March 2013 £ | Leases | 31 March 2014 £ |
|-----------------------|--|-----------------------|
| 23,199 | Vehicles, Plant, Furniture and Equipment | - |
| 23,199 | Total Leases | - |

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years

while the liability remains outstanding. The minimum lease payments are made up of the following amounts and as explained above there are no future minimum lease payments:

| 31 March 2013 £ | Leasing Liabilities | 31 March 2014 £ |
|-----------------------|--|-----------------------|
| | Finance Lease Liabilities (Net present value of minimum lease payments): | |
| 22,199 | Current | - |
| 1,999 | Finance costs payable in future years | - |
| 24,198 | Total Minimum Lease Payments | |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|--|------------------------|-----------------------|---------------------------|-----------------------|
| | 31 March 2013 £ | 31 March 2014 £ | 31 March 2013 £ | 31 March 2014 £ |
| Not later than 1 Year | 24,198 | - | 23,199 | - |
| Later than 1 Year and not later than 5 Years | - | - | - | - |
| Later than 5 Years | - | - | - | - |
| | 24,198 | - | 23,199 | - |

Council as Lessor

Operating Leases

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

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

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

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

| 31 March 2013 £ | Future Minimum Lease Payments Receivable | 31 March 2014 £ |
|-----------------------|--|-----------------------|
| 60,472 | Not Later than 1 Year | 51,030 |
| 28,650 | Later than 1 Year and not later than 5 Years | 0 |
| - | Later than 5 Years | - |
| 89,122 | Total Minimum Lease Payments | 51,030 |

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 2013/14 no contingent rents were receivable by the Council (2012/13 £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 Notes 12 reconciling the movement over the year in the Property, Plant and Equipment. A revaluation loss is a reduction in the market value of an asset, in comparison to an impairment loss which is where a physical loss to an individual asset occurs. No impairment losses occurred during 2013/14 or 2012/13.

41. Termination Benefits

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £157,126 (£39,719 in 2012/13) - see Note 34 for the number of exit packages and total cost per band. The officers leaving the Council consisted of 1 Director and 2 Personal Assistants who all agreed to take redundancy as part of the Council's rationalisation of services.

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 final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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:

| Restated 2012/13 £ | Cost of Services | 2013/14 £ |
|--------------------------|---|---------------------|
| 1,269,000 | Service cost comprising: | 1,393,000 |
| - | Current Service Cost | - |
| 187,000 | Past Service Cost | 313,000 |
| | (gain)/loss from settlements/curtailment | |
| 973,000 | Financing and investment income and expenditure: | 1,027,000 |
| | Net interest expense | |
| 2,429,000 | Total Post-employment Benefits charged to the Surplus or Deficit on Provision of Services | 2,733,000 |
| | Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | |
| | Remeasurement of net defined benefit liability comprising: | |
| (4,122,000) | Return on plan assets (excluding the amount included in the net interest expense) | (1,721,000) |
| 663,000 | Actuarial (gains) and losses arising on changes in demographic assumptions | (126,000) |
| 7,109,000 | Actuarial (gains) and losses arising on changes in financial assumption | (6,432,000) |
| | Other – Experience (gain)/loss | (5,803,000) |
| 3,650,000 | Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure | (14,082,000) |
| | Movement in Reserves | |
| (2,429,000) | Reversal of net charges made to the Surplus of Deficit on the Provision of Services for post-employment benefits in accordance with the code | (2,733,000) |
| | Actual amount charged against the general fund balance for pensions in the year. | |
| 1,457,000 | Employers contributions payable to scheme | 1,555,000 |

Pension Assets and Liabilities Recognised in the Balance Sheet

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

| 2012/13 £ | Local Government Pension Scheme | 2013/14 £ |
|-------------------|--|-------------------|
| 66,560,000 | Present Value of defined benefit obligation | 57,313,000 |
| (41,904,000) | Fair value of plan assets | (45,561,000) |
| 24,656,000 | Net liability arising from defined benefit obligation | 11,752,000 |

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

| Restated 2012/13 £ | Local Government Pension Scheme | 2013/14 £ |
|--------------------------|--|-------------------|
| 35,939,000 | Opening fair value of scheme assets | 41,904,000 |
| 1,764,000 | Interest Income | 1,764,000 |
| | Remeasurement gains/(loss): | |
| 4,122,000 | The return on plan assets, excluding the amount included in the net interest expense | 1,721,000 |
| 1,457,000 | Contributions from employer | 1,555,000 |
| 427,000 | Contributions by Scheme Participants | 407,000 |
| (1,778,000) | Benefits Paid | (1,765,000) |
| (27,000) | Other – Administration expenses | (25,000) |
| 41,904,000 | Closing fair value of scheme assets | 45,561,000 |

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

| Restated 2012/13 £ | Local Government Pension Scheme | 2013/14 £ |
|--------------------------|---|-------------------|
| 55,973,000 | Opening balance at April | 66,560,000 |
| 1,269,000 | Current service cost | 1,393,000 |
| 2,710,000 | Interest Income | 2,766,000 |
| 427,000 | Contributions from the scheme participants | 407,000 |
| | Remeasurement (gains)/losses: | |
| 663,000 | Actuarial (gain)/losses arising from changes in demographic assumptions | (126,000) |
| 7,109,000 | Actuarial (gain)/losses arising from changes in financial assumptions | (6,432,000) |
| - | Other | (5,803,000) |
| - | Past service cost | - |
| 187,000 | Losses/(gains) on curtailment | 313,000 |
| (1,778,000) | Benefits paid | (1,765,000) |
| 66,560,000 | Closing fair value of scheme assets | 57,313,000 |

The Council's Pension Scheme assets comprised:

| 2012/13 £ | Fair value of scheme assets | 2013/14 £ |
|-------------------|------------------------------------|-------------------|
| | Cash: | |
| - | Cash instruments (FX) | 68,000 |
| 168,000 | Cash accounts | 159,000 |
| 42,000 | Net current assets | - |
| 210,000 | | 227,000 |
| | Equities: | |
| 7,249,000 | UK quoted | 9,295,000 |
| 11,063,000 | UK quoted (Unitised) | 12,529,000 |
| 7,249,000 | Global quoted | 7,518,000 |
| 1,257,000 | Emerging Markets (Unitised) | 1,185,000 |
| 26,818,000 | | 30,527,000 |
| | Bonds: | |
| 2,891,000 | UK Government fixed | 2,324,000 |
| 1,928,000 | UK Government indexed | 3,007,000 |
| 754,000 | Overseas Government fixed | 228,000 |
| 210,000 | Overseas Government indexed | 91,000 |
| 3,017,000 | UK Corporate (Unitised) | 3,007,000 |
| 587,000 | Euro Corporate (Unitised) | 228,000 |
| 293,000 | International Corporate (Unitised) | 182,000 |
| 9,680,000 | | 9,067,000 |
| | Property: | |
| 1,550,000 | UK (Unitised) | 2,141,000 |
| 1,550,000 | | 2,141,000 |
| | Alternatives: | |
| 3,646,000 | DGF (UK Unitised) | 3,599,000 |
| 3,646,000 | | 3,599,000 |
| 41,904,000 | Total assets | 45,561,000 |

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 Mercer Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2014.

The significant assumptions used by the actuary have been:

| 2012/13 | Local Government Pension Scheme | 2013/14 |
|------------|--|------------|
| | Long-term Expected Rate of Return on Assets in the Scheme | |
| 0.5% | Cash | 0.5% |
| 7.0% | Equities | 7.0% |
| 2.8% | Government Bonds | 3.4% |
| 3.9% | Other Bonds | 4.3% |
| 5.7% | Property | 6.2% |
| 7.0% | Other | 0.0% |
| | Mortality Assumptions: | |
| | Longevity at 65 for Current Pensioners: | |
| 22.6 years | Men | 23 years |
| 25.3 years | Women | 25.5 years |
| | Longevity at 65 for Future Pensioners | |
| 24.4 years | Men | 25.3 years |
| 27.2 years | Women | 27.8 years |
| 2.40% | Rate of CPI Inflation | 2.40% |
| 4.15% | Rate of Increase in Salaries | 3.90% |
| 2.40% | Rate of Increase in Pensions | 2.40% |
| 4.20% | Rate for Discounting Scheme Liabilities | 4.50% |
| | Take-up of Option to convert Annual Pension into | |

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

| Increase in assumption Deficit/(Surplus) | 2013/14 £ |
|---|--------------|
| Longevity (increase in year) | 1,097,000 |
| Rate of inflation (increase by 0.1% p.a.) | 1,102,000 |
| Rate of increase in salaries (increase by 0.1% p.a.) | 280,000 |
| Rate for discounting scheme liabilities (increase by 0.1% p.a.) | (1,082,000) |

43. Contingent Liabilities

At 31 March 2014, the Council had two contingent liabilities:

Past Insurance Claims – Prior to 1992, Hambleton District Council was insured with Municipal Mutual Insurance Limited and the council has been advised that in relation to employers' liability for occupational disease claims such as asbestosis, that there is a possibility of claw back from Municipal Mutual Insurance Ltd of claims made. Currently there is an estimated total liability of £44,222 this is made up of claimants paid to date of £28,421 and outstanding claims estimated at £15,801. There is an exemption of £50,000, below which no liability is registered.

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

44. Contingent Assets

There are currently no contingent assets.

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 Capita Asset Services. This service has been progressively enhanced and now uses a sophisticated

modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

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

The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The Individual limits for UK Government backed institutions is 50% of total investments or £12m per counterparty which ever is the higher. The group limit for Government backed institutions is 80% of the fund value.

The Council annually approves a Treasury Management Strategy which, for 2013/14, determined that other than the United Kingdom where no limit will apply, a maximum of 20% of total investments or £3.0m whichever is the lower will be invested in a single institution of a AAA sovereign rated country. This limits the amount of credit risk exposure.

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies is £22,970,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2014 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 2014 £ | Historical experience of default % | Historical experience adjusted for market conditions at 31 March 2104 % | Estimated maximum exposure to default and uncollectability at 31 March 2014 £ | Estimated maximum exposure at 31 March 2013 £ |
|------------------|------------------------------------|---|---|--|--|
| Customers | 3,150,552 | 4.03 | 4.03 | 126,822 | 41,827 |

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 £588,241 of the £3,150,55 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

| 31-Mar 2013 £ | | 31-Mar 2014 £ |
|---------------------|--------------------|---------------------|
| 1,044 | Debtors < 30 days | 2,180 |
| 23,834 | Debtors 31-60 days | 6,818 |
| 6,108 | Debtors 61-90 days | 6,007 |
| 374,314 | Debtors > 90 days | 573,236 |
| 405,299 | | 588,241 |

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.

The Council borrows only to finance temporary short term cash flows and as at 31 March 2014 no borrowing was undertaken. The Council does set limits on the proportion of its fixed rate borrowing during specified periods, but as yet has not utilised these limits due to being debt free. The Council also has bank overdraft arrangements and is able to borrow from the money market.

Market Risk – Interest rate risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. During periods of falling interest rates, for investments the Council would aim to achieve the highest investment 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 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

- Increase in interest receivable on variable rate investments which would impact on the Surplus or Deficit on the Provision of Services by £3,071.

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

Market Risk – Price risk

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

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

Market Risk – Foreign Exchange Risk

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

46. Long Term Investments

| 2012/13 £ | Long Term Investments | 2013/14 £ |
|--------------|-------------------------------------|--------------|
| 5,682 | 31/2 War Loan Stock | 4,711 |
| 2,000 | Veritau North Yorkshire Ltd – 12.5% | 2,520 |
| 7,682 | Balance at 31 March | 7,231 |

31/2 War Loan Stock – The Council has held this investment for many years, with the current value standing at £4,711.

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.

47. Restatement of 2012/13 financial statements arising from the change in accounting policy - IAS19 Employee Benefits

The amendment to IAS 19 Employee Benefits requires a change in accounting policy in relation to the treatment of Pension Scheme gains and losses. The 2012/13 figures have been restated in line with this change in accounting policy. The overall measurement of the Council's net pension liabilities has not changed but there has been some reclassification of items reported in the Comprehensive Income and Expenditure Statement. As the changes are a reclassification within Comprehensive Income and Expenditure Statement there is no impact on the Pensions Reserve which forms part of Unusable Reserves.

The following tables set out the restatement adjustments made to the financial statements. In addition the notes have been updated to reflect the changes as shown in the main financial statements.

Effect on the Comprehensive Income and Expenditure Statement 2012/13

| | As previously stated 2012/13 £ | As restated 2012/13 £ | Adjustments Made £ |
|---|--------------------------------------|-----------------------------|--------------------------|
| Central Services to the Public | 7,342,218 | 7,350,921 | 8,703 |
| Cultural and Related Services | 6,024,521 | 6,029,353 | 4,832 |
| Environmental & Regulatory Services | 4,735,849 | 4,742,933 | 7,084 |
| Planning Services | 2,658,670 | 2,663,327 | 4,657 |
| Highways and Transport Services | 443,640 | 443,665 | 25 |
| Other Housing Services | 19,661,478 | 19,665,992 | 4,514 |
| Corporate and Democratic core | 1,585,417 | 1,585,602 | 185 |
| Cost of Services | 42,451,793 | 42,481,793 | 30,000 |
| Financing and investment income and expenditure (Note 10) | 2,865,445 | 3,097,445 | 232,000 |
| (Surplus) / Deficit on the Provision of services | 45,317,238 | 45,579,238 | 262,000 |
| Actuarial (gains)/ losses on Pension Fund assets and liabilities (Note 42) | 3,912,000 | 3,650,000 | (262,000) |
| Total Comprehensive Income & Expenditure | 49,229,238 | 49,229,238 | 0 |

Effect on Movement in Reserves – Usable Reserves 2012/13

| | As previously stated 2012/13 £ | As restated 2012/13 £ | Adjustments Made £ |
|--|--------------------------------------|-----------------------------|--------------------------|
| Surplus / (Deficit) on the provision of services | 4,504,119 | 4,766,119 | 262,000 |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | (4,288,119) | (4,550,119) | (262,000) |

| | As previously stated 2012/13 £ | As restated 2012/13 £ | Adjustments Made £ |
|--|--------------------------------------|-----------------------------|--------------------------|
| Other comprehensive income and expenditure | 7,010,594 | 6,748,594 | (262,000) |
| Adjustments between accounting basis and funding basis under regulations (Note 7) | 4,288,119 | 4,550,119 | 262,000 |

Effect on the Cashflow Statement 2012/13

| | As previously stated 2012/13 £ | As restated 2012/13 £ | Adjustments Made £ |
|---|--------------------------------------|-----------------------------|--------------------------|
| (Surplus) / Deficit on the Provision of services | 4,504,119 | 4,766,119 | 262,000 |
| Adjustments to net surplus on the provision of services for non-cash movements (Note 26) | (5,198,814) | (5,460,814) | (262,000) |

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.

| COLLECTION FUND 2013/14 | | | | |
|--|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | 2012/2013 | 2013/2014 | | |
| | Business Rates £ | Council Tax £ | Business Rates £ | Council Tax £ |
| | Total £ | | Total £ | |
| INCOME | | | | |
| Council Tax Receivable | (52,691,648) | (52,691,648) | (48,963,249) | (48,963,249) |
| Business Rates Receivable | (25,839,222) | - | (26,605,698) | (26,605,698) |
| Transitional Protection Payments receivable | - | - | (76,165) | (76,165) |
| | (25,839,222) | (52,691,648) | (48,963,249) | (75,645,112) |
| EXPENDITURE | | | | |
| Apportionment of Previous Years Surplus/(Deficit) | | | | |
| Central Government | - | - | - | - |
| Hambleton District Council | - | (13,710) | (21,820) | (21,820) |
| North Yorkshire County Council | - | (119,850) | (187,800) | (187,800) |
| North Yorkshire Fire & Rescue Authority | - | (7,040) | (11,030) | (11,030) |
| Police & Crime Commissioner - North Yorkshire | - | (23,185) | (36,330) | (36,330) |
| | - | (163,785) | (256,980) | (256,980) |
| Precepts, Demands and Shares | | | | |
| Payments to National Pool | 25,685,304 | - | 13,394,200 | - |
| Central Government | - | - | - | 13,394,200 |
| Hambleton District Council | - | 4,449,081 | 10,715,360 | 4,135,593 |
| North Yorkshire County Council | - | 38,285,016 | 2,410,956 | 35,364,109 |
| North Yorkshire Fire & Rescue Authority | - | 2,248,126 | 267,884 | 2,076,556 |
| Police & Crime Commissioner – North Yorkshire | - | 7,405,530 | - | 6,840,535 |
| | 25,685,304 | 52,387,753 | 26,788,400 | 48,416,793 |
| Charges to the Collection Fund | | | | |
| Less: write offs of uncollectable amounts | (80,406) | (80,406) | (278,123) | (114,281) |
| Less: Increase (-)/ Decrease in Bad Debt Provision | (48,358) | (48,358) | (112,650) | (36,017) |
| Less: Increase (-)/ Decrease in Provision for Appeals | - | - | (681,962) | - |
| Less: Cost of Collection | (153,918) | - | (154,279) | - |
| | (153,918) | (128,764) | (1,227,014) | (150,298) |
| | (338,916) | (338,916) | 1,333,551 | (653,138) |
| (Surplus)/Deficit arising during the year | - | 620,450 | - | 281,534 |
| (Surplus)/Deficit Brought forward 1 April | - | 281,534 | 1,333,551 | (371,604) |
| (Surplus)/Deficit carried forward 31 March | 281,534 | 281,534 | 1,333,551 | 961,947 |

NOTES TO COLLECTION FUND ACCOUNT

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

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

The 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.

2. Council Tax

The Council Tax is a domestic property based tax with properties allocated to valuation bands from A to H. The tax base for Hambleton was calculated at 33,441.87 for 2013/14 (36,204.01 for 2012/13) being the total number of properties converted to an equivalent number of band D dwellings. This reduction between financial years is as a result of the Governments Council Tax Localisation changes which revised the way Central Government pay Council Tax benefit compensation to the Council. In 2013/14, the local government finance regime was revised and Council Tax Benefit is no longer received by the Council. This has been replaced by a Council Tax Reduction Scheme which is administered in each authority. The number in each band shown as band D equivalents was:-

| A | B | C | D | E | F | G | H | Total |
|----------|----------|----------|----------|----------|----------|----------|--------|-----------|
| 1,684.84 | 5,076.11 | 6,443.38 | 5,544.67 | 6,079.93 | 4,867.85 | 3,487.69 | 257.40 | 33,441.87 |

The average Council Tax for Hambleton at Band D was £1,447.80, made up as follows:

| 2012/13 £ | Precepting Authorities | 2013/14 £ |
|-----------------|---|-----------------|
| 89.48 | Hambleton District Council | 89.48 |
| 1,057.48 | North Yorkshire County Council | 1,057.48 |
| 204.55 | Police & Crime Commissioner – North Yorkshire | 204.55 |
| 33.41 | Parish (Average) | 34.19 |
| 62.10 | North Yorkshire Fire Authority | 62.10 |
| 1,447.02 | Total Average Band D Council Tax | 1,447.80 |

2. 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 previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of 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 2013/14 were estimated before the start of the financial year as £13,394,200 to Central Government, £2,410,956 to NYCC and £267,884 to NYFRA. These sums have been paid in 2013/14 and charged to the collection fund in year. When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Hambleton paid a Tarriff of £8,528,848.

The total income from business rate payers collected in 2013/14 was £26,681,863 (£25,839,222 in 2012/13). This sum includes £76,165 of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme.

In addition to the top up, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. For Hambleton the value of safety net figure is £1,687,068. The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2013/14.

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 2014. 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 2013/14 has been calculated at £681,692.

Non-Domestic Rates are collected locally on the basis of a nationally determined rate in the pound of 47.1p for 2013/14 (45.8p for 2012/2013) for all Businesses not entitled to Small Business Rate Relief and 46.2p (45.0p for 2012/2013) 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 and broadly gives assistance to those ratepayers who pay rates on 1 property only, up to a maximum of £17,999 rateable value (£25,499 in London).

The total non-domestic rateable value for the Council's area at 31 March 2014 was £66,150,334 (£66,274,934 in 2012/2013).

4. Distribution of Year End (Surplus)/Deficit

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

| 2012/13 Business Rates £ | 2012/13 Council Tax £ | 2012/13 Total £ | Contributions to Collection Fund Surpluses and (Deficits) | 2013/14 Business Rates £ | 2013/14 Council Tax £ | 2013/14 Total £ |
|-----------------------------------|--------------------------------|-----------------------|---|-----------------------------------|--------------------------------|-----------------------|
| - | - | - | Central Government | 666,775 | - | 666,775 |
| - | 23,922 | 23,922 | Hambleton District Council | 533,420 | (31,767) | 501,653 |
| - | 205,735 | 205,735 | North Yorkshire County Council | 120,020 | (271,401) | (151,381) |
| - | 39,796 | 39,796 | Police & Crime Commissioner – North Yorkshire | - | (52,498) | (52,498) |
| - | 12,081 | 12,081 | North Yorkshire Fire Authority | 13,336 | (15,938) | (2,602) |
| - | 281,534 | 281,534 | | 1,333,551 | (371,604) | 961,947 |

5. 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.

| 2012/13 £ | | 2013/14 £ |
|----------------|---|----------------|
| 654,171 | Balance at 1 April | 702,529 |
| (80,406) | Write-offs during year for previous years | (114,281) |
| 128,764 | Contributions to provisions during year | 150,298 |
| 48,358 | Net Increase in Provision | 36,017 |
| 702,529 | Balance at 31 March | 738,546 |

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

| 2012/13 £ | | 2013/14 £ |
|---------------|---|---------------|
| 55,118 | Balance at 1 April | 60,007 |
| (6,868) | Write-offs during year for previous years | (9,728) |
| 11,757 | Contributions to provisions during year | 12,587 |
| 4,889 | Net Increase in Provision | 2,859 |
| 60,007 | Balance at 31 March | 62,866 |

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

| 2012/13 £ | | 2013/14 £ |
|----------------|---|----------------|
| 150,717 | Balance at 1 April | 167,506 |
| (153,042) | Write-offs during year for previous years | (278,123) |
| 169,831 | Contributions to provisions during year | 390,773 |
| 16,789 | Net Increase in Provision | 112,650 |
| 167,506 | Balance at 31 March | 280,156 |

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

| 2012/13 £ | | 2013/14 £ |
|---------------|---|----------------|
| 60,287 | Balance at 1 April | 67,002 |
| (61,217) | Write-offs during year for previous years | (111,249) |
| 67,932 | Contributions to provisions during year | 156,309 |
| 6,716 | Net Increase in Provision | 45,060 |
| 67,002 | Balance at 31 March | 112,062 |

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 2014. This is the first year of this provision.

| 2012/13 £ | | 2013/14 £ |
|--------------|---|----------------|
| - | Balance at 1 April | - |
| - | Contributions to provisions during year | 681,962 |
| - | Balance at 31 March | 681,962 |

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

| 2012/13 £ | | 2013/14 £ |
|--------------|---|----------------|
| - | Balance at 1 April | - |
| - | Contributions to provisions during year | 272,785 |
| - | Balance at 31 March | 272,785 |

Glossary of Terms

Accruals:

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

Amortised Premiums/Discounts:

The amounts due/receivable following the premature repayments of loan debt.

Appropriations:

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

Asset:

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

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

Balance Sheet:

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

Capital Adjustment Account:

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

Capital Charge:

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

Capital Expenditure:

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

Capital Receipts:

The money received from the sale of assets.

CIPFA:

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

Collection Fund:

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

Community Assets:

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

Comprehensive Income and Expenditure Account:

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

Contingency:

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

Contributions to funds:

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

Corporate and Democratic Core:

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Council Tax:

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

Creditors:

Amounts incurred by the Council but not yet paid.

Debtors:

Amounts due to the Council but not yet received.

Defined Benefit Scheme:

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

Deferred Capital Receipts:

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

Depreciation:

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

Expected Rate of Return on Pension Assets:

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

Fair Value:

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

Fixed Assets:

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

Financial Reporting Standards:

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

General Fund:

The main account of the Council which records the cost of services.

Government Grants:

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

Housing Subsidy:

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

IAS 19:

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

Income:

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

International Financial Reporting Standards (IFRS):

Accounting reporting Standards, with which local authorities should comply when preparing their accounts so that the accounts are presented fairly.

Investments (Non Pensions Fund):

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

Investments (Pensions Fund):

The investments of the Pensions Fund will be accounted for in the statement of that Fund. However, authorities (other than town, parish and community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Liability:

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

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

Major Repairs Allowance:

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

Minimum Revenue Provision (MRP):

Represents the minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

National Non-Domestic Rate (NNDR):

NNDR poundage is set annually by Central Government based on the assessed value of properties used for business purposes and is collected by charging authorities. The proceeds are redistributed by the Government between local authorities based on population.

Non Distributed Costs:

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

Operational Assets:

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

Precepting Authorities:

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

Provision for Credit Liabilities:

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

Public Works Loan Board (PWLB):

This is a Central Government Agency that provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government itself can borrow.

Reserves:

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

Retirement Benefits:

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

Revaluation Reserve:

This is a reserve that contains the revaluation gains recognised since April 2007 only, the date of 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 reflect the benefits that the employer is committed to provide for service up to the valuation date.

SerCOP

Service Reporting Code of Practice.

Set-aside Capital Receipts:

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

Stocks:

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

TUPE:

Transfer of Undertakings – Protection of Employment.

Work in progress:

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