

HAMBLETON DISTRICT COUNCIL

Report To: Audit, Governance and Standards Committee
20 September 2016

From: Head of Finance (s151 Officer)

**Subject: STATUTORY AUDITOR – REPORT TO THE AUDIT COMMITTEE ON THE
2015/16 AUDIT**

All Wards

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to present the
 - Statutory Auditor Results Report for the year ended 31 March 2016
 - Management representation letter
 - Council's Financial Report 2015/16
- 1.2 Each year the Council produces its Financial Report which is required to be approved by a statutory auditor. In 2015/16 the appointed auditor is Ernst & Young LLP and the Audit Results Report is attached at Annex A. A member of Ernst & Young LLP will be at the meeting to present the report
- 1.3 The financial statements of the Council for the year ended 31 March 2016 are audited under the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office. The National Audit Office's Code of Audit Practice ("the Code") for Local Government Bodies requires a report to be issued from the External Auditor (Ernst & Young LLP) to those charged with governance – Audit, Governance and Standards Committee – on the work carried out during the audit, to discharge Ernst & Young's statutory audit responsibilities, together with any governance issues identified.
- 1.4 In April 2015, Public Sector Audit Appointments Ltd issued the 'Statement of responsibilities of auditors and audited bodies 2015-16'. The Statement of responsibilities serves as the formal terms of engagement between the appointed auditors – Ernst & Young LLP – and the audited body – Audit, Governance and Standards Committee. The Terms of Appointment from 1 April 2015 sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice ("the Code") and statute. The Audit Results Report is prepared in the context of the Statement of responsibilities.
- 1.5 The Audit Results Report summarises the findings from the 2015/16 audit which is substantially complete. It includes issues from the audit of the Statement of Accounts and also the results of work undertaken to assess the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 1.6 As part of the annual Audit, the Council is required to write to Ernst & Young LLP 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 B. It is appropriate that the management representation letter be discussed and agreed by those charged with governance – Audit, Governance and Standards Committee - and also signed by the Council's Head of Finance, acting in the capacity of s151 Officer.

- 1.7 Finally, the Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). These two documents are included in the Council's Financial Report 2015/16 which is attached at Annex C. The Accounts and Audit Regulations 2014 require either Full Council or an appointed Committee to approve the Council's Statement of Accounts and the Annual Governance Statement.
- 1.8 At Hambleton it is the Audit, Governance & Standards Committee that is charged with this responsibility, along with receiving the Audit Results Report. The Annual Governance Statement has already been approved on 14 June 2016. The Financial Report 2015/16, including the Statement of Accounts, has been approved by the Council's Head of Finance (s151 Officer) and by the Council's statutory auditor - Ernst & Young LLP - and it is recommend for approval by the Audit, Governance & Standards Committee.

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 'Audit Results Report – IAS 260' presented to the Audit, Governance & Standards Committee for the 2015/16 audit as prepared by Ernst & Young LLP and attached at Annex A;
- 2) approve the signing of the Management Representation Letter at Annex B by the Council's Head of Finance, acting in the capacity of s151 Officer; and
- 3) approve the audited Statement of Accounts for 2015/16 at Annex C.

LOUISE BRAFORD-WHITE

Background papers: None

Author ref: LBW

Contact: Louise Branford-White
Head of Finance (s151 Officer)
Direct Line No: 767024

Hambleton District Council

Audit Results Report – ISA (UK and Ireland) 260
for the year ended 31 March 2016

August 2016

Ernst & Young LLP



Building a better
working world

Contents

1. Executive summary	1
2. Responsibilities and purpose of our work.....	3
3. Financial statements audit	4
4. Value for money	7
Appendix A – Corrected disclosures.....	8
Appendix B – Outstanding matters	9
Appendix C – Independence.....	10
Appendix D – Auditor fees	11
Appendix E – Draft audit report.....	12
Appendix F – Management representation letter	15
Appendix G – Required communications with the audit committee.....	19

In April 2015, Public Sector Audit Appointments Ltd (PSAA) issued the 'Statement of responsibilities of auditors and audited bodies 2015-16'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice ("the Code") and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice ("the Code") requires us to report to those charged with governance – the Audit, Governance and Standards Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Hambleton District Council for the year ended 31 March 2016. Subject to satisfactory completion of the items included in Appendix B we will issue an audit opinion in the form which appears in Appendix E.</p> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>Our audit identified some minor disclosure points which our team have highlighted to management for amendment. These have been corrected during the course of our work and further details are provided at Appendix A.</p>
Scope and materiality	<p>In our interim report presented at the June Audit, Governance and Standards Committee meeting, we communicated that our audit procedures would be performed using a materiality of £808,000. We have reassessed this based on the actual results for the financial year and there has been no change to the materiality level we have applied.</p> <p>The threshold for reporting audit differences which impact the financial statements has also not changed from £40,000.</p> <p>We carried out our work in accordance with our Audit Plan</p>
Significant audit risks	<p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none"> • Risk of management override; • Risk of fraud in revenue recognition; • Risk of fraud in expenditure recognition; and • Valuation of land and buildings. <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.</p>

Other reporting issues	We have no other matters we wish to report.
------------------------	---

Control observations	We have adopted a fully substantive approach and have therefore not tested the operation of controls.
----------------------	---

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Nicola Wright

Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the Council's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
Risk of management override As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	<ul style="list-style-type: none"> Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements Reviewed accounting estimates for evidence of management bias; and Evaluated the business rationale for any significant unusual transactions. 	We have no matters to report arising from our work.
Risk of fraud in revenue and expenditure recognition Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.	<ul style="list-style-type: none"> Reviewed and tested revenue and expenditure recognition policies; Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; Developed a testing strategy to test material revenue and expenditure streams; and Reviewed and tested revenue cut-off at the period end date. 	We have no matters to report arising from our work.
Valuation of land and buildings Land and buildings is the most significant balance in the Council's Statement of Financial Position. The valuation of land and buildings is subject to a number of assumptions and judgements and even a small movement in these assumptions, could have a material impact on the accounts.	<ul style="list-style-type: none"> Reviewed the output of the Council's valuer; Challenged the assumptions used by the Council's valuer by reference to external evidence; and Tested the journals for the valuation adjustments to check that they have been accurately processed in the accounts. 	We have no matters to report arising from our work.

We also identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p>Accounting for pensions obligations</p> <p>Funding of the Council's participation in the local government pension scheme will continue to have an impact on both Council cash flows and balance sheet liabilities.</p> <p>The pension liability is the most significant liability on the Council's balance sheet and is calculated through use of a number of actuarial assumptions. A small movement in these assumptions could have a material impact on the balance sheet.</p>	<ul style="list-style-type: none"> Reviewed the output of the report from the Council's actuary; Reviewed the assumptions used by the actuary to determine whether they are in our expected range; and Tested the journal entries for the pensions transactions to check that they have been accurately processed in the accounts 	<p>We have no matters to report arising from our work.</p>
<p>HMP Northallerton Prison</p> <p>The Council has purchased the former HMP Northallerton site for redevelopment and we expect to see this as a significant capital addition in the financial statements. There is a risk that the prison is recognised at an incorrect valuation in the financial statements as it is a unique asset, with some elements of the structure being grade II listed.</p> <p>We also understand that the Council is responsible for the ongoing maintenance costs of the prison in the period prior to redevelopment.</p>	<ul style="list-style-type: none"> Assessed the reasonableness of the carrying value as part of our valuations testing; Considered the future plans for the site and determine whether this indicates significant capital commitments for disclosure; and Tested the classification of costs relating to the purchase. 	<p>We have no matters to report arising from our work.</p>
<p>Loan to Broadacres</p> <p>The Council has made a £35m loan facility available to Broadacres Housing Association with interest set at 1% above the rate of the Public Works Loan Board ("PWLB"). To date Broadacres have drawn down £10m of this facility which the Council has funded from reserves. The intention is that the Council will fund the remaining facility by borrowing up to £20m from the PWLB over a period of 2 – 5 years.</p> <p>There is a risk that provision of this facility may impact on the financial position of the Council. As this is a new transaction there is also a risk that the recognition and disclosure in the financial statements will be inaccurate.</p>	<ul style="list-style-type: none"> Reviewed the loan agreement with Broadacres Housing Association and checked that the recognition and disclosure of the transaction follows the terms of the agreement; Confirmed amounts of the facility drawn down to third party evidence; and Considered the impact of the agreement on the financial standing of the Council as part of our Value for Money work. 	<p>We have no matters to report arising from our work.</p>

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;

- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest.

The Council has made one change to its accounting practices in year that we wish to draw to your attention. During 2015/16 the Council has reclassified £7.9m from Investment Property to Land and Buildings following a review of the guidance in IPSAS 16 which states that “*an investment property is one that is used solely to earn rentals or for capital appreciation or both*”. Management determined that the majority of assets were primarily held to meet Council objectives in supporting trade and investment in the Hambleton area. We have tested a sample of assets included in the reclassification and are comfortable with the judgement taken by management.

Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We have not identified any significant deficiencies in the design of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

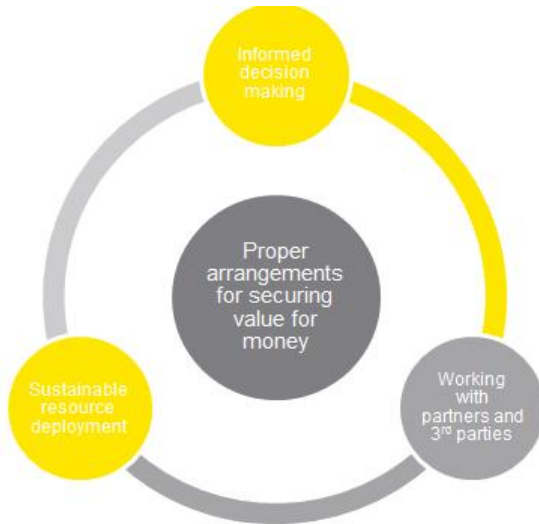
We have requested a management representation letter to gain management’s confirmation in relation to a number of matters, as outlined in Appendix F.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

In undertaking our work on the Value for Money opinion we have considered the financial position of the Council and noted that:

- ▶ The financial strategy predicts a budget surplus in 2016/17 and 2017/18 with a relatively small budget gap of £0.2m forecast in 2018/19;
- ▶ A transfer of £0.5m was required from reserves in 2015/16 was required to fund the final outturn position compared to the original budget; and
- ▶ The total useable reserves at 31 March 2016 were relatively high at £14.8m.

We also considered significant transactions undertaken by the Council in-year including the purchase of Northallerton prison, the loan to Broadacres Housing Association and the termination payments made to the former Chief Executive. We did not identify any implications on our VfM opinion as part of this work.

Overall conclusion

We did not identify any significant risks in relation to these criteria and during the course of our audit work we did not identify any significant weaknesses in the Council's arrangements.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Appendix A – Corrected disclosures

Disclosure	Description of difference
External audit costs	In the draft accounts submitted for audit management had included fees payable in year to the predecessor auditor. This has been updated to disclose only those fees payable to EY, as your external auditor in 2015/16
Exit packages	Exit packages had been disclosed on the basis of when they had been paid, rather than when they had been agreed in line with the guidance. This has been amended by management and the 2014/15 comparatives have been updated for consistency.
Future income receivable from operating lease	The note to the accounts originally disclosed only income receivable within one year; however some of the leases were longer term. The disclosure has been updated by management so that income receivable between 2 and 5 years has been disclosed.

Appendix B – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Management representation letter	Receipt of signed letter of representation	Management and Audit, Governance and Standards Committee
Annual accounts	Approval of accounts by Audit Committee	EY, management and Audit, Governance and Standards Committee
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management

Appendix C – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated January 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit, Governance and Standards Committee on September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of January 2016.

Appendix D – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	40,754	40,754
Certification of claims and returns	11,286	11,286

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix E – Draft audit report

Independent auditor's report to the members of Hambleton District Council

Opinion on the Authority's financial statements

We have audited the financial statements of Hambleton District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement; and
- Collection Fund and the related notes 1 to 5

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 2015/16.

This report is made solely to the members of Hambleton District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members 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 set out on pages [...], 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 2015/16, 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

Annual Financial Report 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hambleton District Council as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Annual Financial Report 2015/16 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Authority's responsibilities

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.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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

National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Hambleton District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Hambleton District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, Hambleton District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, 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 2016.

Certificate

We certify that we have completed the audit of the accounts of Hambleton District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Nicola Wright (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Newcastle upon Tyne
[Date]

Appendix F – Management representation letter

To be prepared on the entity's letterhead]

[Date]

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 8HW

This letter of representations is provided in connection with your audit of the financial statements of Hambleton District Council ("the Council") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Hambleton District Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in

the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.⁷

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.²
2. 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.³
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.⁴

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.⁵

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ▶ Additional information that you have requested from us for the purpose of the audit; and
 - ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.⁶
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.⁷
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *[list date]*.

¹ ISA (UK and Ireland) 210.6(b)(ii)

² ISA (UK and Ireland) 240.39(a)

³ ISA (UK and Ireland) 240.39(b)

⁴ ISA (UK and Ireland) 240.39(c),(d)

⁵ ISA (UK and Ireland) 250A.16

⁶ ISA (UK and Ireland) 580.11(a), ISA (UK and Ireland) 210.6(b)(iii)

⁷ ISA (UK and Ireland) 580.11(b)

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.⁸
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.⁹
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.¹⁰
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.¹¹

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.¹²

Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

⁸ ISA (UK and Ireland) 550.26

⁹ ISA (UK and Ireland) 540.22

¹⁰ ISA (UK and Ireland) 501.12

¹¹ ISA (UK and Ireland) 501.12

¹² ISA (UK and Ireland) 560.9

Yours faithfully,

Chief Financial Officer

(Chairman of the Audit, Governance and Standards Committee)

Appendix G – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about the Council's ability to continue as a going concern for the 12 months from the date of our report.
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	We have no matters we wish to report.
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters we wish to report.

Required communication	Reference
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations.
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and Audit Results Report
Significant deficiencies in internal controls identified during the audit	Audit Results Report
Fee Information <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report
Certification work <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Certification Report

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](https://www.ey.com)

Ernst & Young LLP
 Citygate
 St James' Boulevard
 Newcastle upon Tyne
 NE1 8HW

Your Ref:
 My Ref: SOA 2015/16
 Dealt with by: Louise Branford-White
 Head of Finance (s151 Officer)
 Typetalk: 8001 01609 767220

Date: 20 September 2016

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Hambleton District Council ("the Council") for the year ended 31 March 2016.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Hambleton District Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error. ¹

..../Contd

¹ ISA (UK and Ireland) 210.6(b)(ii)

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.²
2. 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.³
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.⁴

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.⁵

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ▶ Additional information that you have requested from us for the purpose of the audit; and
 - ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.⁶
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.⁷
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date:
[list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.⁸

² ISA (UK and Ireland) 240.39(a)

³ ISA (UK and Ireland) 240.39(b)

⁴ ISA (UK and Ireland) 240.39(c),(d)

⁵ ISA (UK and Ireland) 250A.16

⁶ ISA (UK and Ireland) 580.11(a), ISA (UK and Ireland) 210.6(b)(iii)

⁷ ISA (UK and Ireland) 580.11(b)

⁸ ISA (UK and Ireland) 550.26

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.⁹
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.¹⁰
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.¹¹

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.¹²

Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Yours faithfully

Chief Financial Officer

(Chairman of the Audit, Governance and Standards Committee)

⁹ ISA (UK and Ireland) 540.22

¹⁰ ISA (UK and Ireland) 501.12

¹¹ ISA (UK and Ireland) 501.12

¹² ISA (UK and Ireland) 560.9

Hambleton District Council

DRAFT Annual Financial Report

2015/2016

Contents	Page
Narrative Report	2
Independent Auditor's Report.....	11
Annual Governance Statement.....	14-18
 Statement of Accounts	
Statement of Responsibilities for the Statement of Accounts.....	19
Movement in Reserves Statement	20-21
Comprehensive Income and Expenditure Statement.....	22
Balance Sheet	23
Cash Flow Statement	24
Explanatory Notes to the Core Financial Statements.....	25-91
Collection Fund Statement	92-98
Glossary of Terms.....	99-104

Narrative Report

A. INTRODUCTION

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

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

The Statement of Accounts shows the Council's financial position as at 31 March 2016. It has been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2015/16' ('the Code'), which is based upon International Financial Reporting Standards (IFRS). The Code constitutes 'proper accounting practice' under the terms of the Accounts and Audit Regulations 2015 and the Local Government and Housing Act 1989.

1. Inspection and Audit of Accounts

Under the 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 period for the exercise of public rights must include the first 10 working days in July.

The Statement of Accounts for 2015/16 have been provided to external audit and for public inspection from Thursday 16 July 2016 to Friday 15 July 2016, in accordance with the 30 day requirement. The times at which the accounts are deposited for inspection are advertised on the Council's website.

The Council's accounts are approved and published by the deadline of 30 September or as soon as reasonably practicable after the receipt of the auditors' final findings. The Council's external auditors are:

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

2. Financial Statements

Certain financial statements and accompanying disclosures are required to be prepared under the Code which are set out at pages 16 to 93.

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

Statement of Responsibilities for the Statement of Accounts

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

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 31 March 2016. It shows the balances and reserves at the Council's disposal, its long-term indebtedness, the non-current and net current assets employed in its operations and summarised information on the non-current assets held. The net assets held by the Council at the balance sheet date are matched by reserves.

Cash Flow Statement

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

Explanatory Notes to the Core Financial Statements

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

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

Collection Fund Statement

The Collection Fund 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.

Narrative Report

The purpose of this narrative report is to provide a fair, balanced and understandable guide to the most significant matters reported in the accounts, and an explanation in overall terms of the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

B. COUNCIL PERFORMANCE

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

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

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

The Council Plan was approved at full Council in September 2016. In addition to the four priorities, a number of corporate projects were also introduced to help further focus activities:

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

3. Non-Financial Performance of the council 2015/16

The Council Plan shapes the performance management framework for the Council. Performance towards the four priorities is monitored through 34 key performance indicators where progress is reported to Scrutiny Committee on a quarterly basis. Scrutiny Committee noted the performance of the Council during the year and no issues were raised to be further discussed at Cabinet or full Council.

Overall, for 2015/16, 79% of key performance indicators achieved results equal to or better than their targets. For the seven performance indicators that were below target it was found that the majority of the setbacks were outside the council's control and that positive working relations with partners continues to deliver the Council's requirements.

The quarterly performance reports provide information on the quarterly position, the cumulative position and supporting explanatory notes. Further detail is available in the Scrutiny Report – Council Performance 2015/16 (Quarter 4) at:
<http://democracy.hambleton.gov.uk/documents/s3926/090616%20Item%204.pdf>

4. Council Employees

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

The Council works with UNISON, the public service union, on matters that affect the workforce; there is a staff panel to enable staff to contribute to the wider working environment; and all staff have access to a comprehensive Occupational Health service that aims to support those with ill health issues or disabilities. The Council also has a Home Working Policy and Flexible scheme to help staff achieve a work life balance.

At the end of March 2016 the Council employed 690 people in full and part time contracts. The Council's workforce is made up of:

- 44.44 % males and 55.56 % females
- 39.15 % full time staff, 62.61% part time staff
- 195 casual staff
- 33.3% of Heads of Service are female
- 66.6% of Service Managers are female

C. FINANCIAL PERFORMANCE 2015/16

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

Council's have faced significant financial challenges over the last few years due to reductions in central government funding, pressures from required costs savings and greater volatility in financing generally, whilst aiming to deliver the same or improved levels of service.

This position is ongoing and the Council will continually review its position as further information becomes available to develop a greater understanding of the financial challenges it faces.

In November 2015, the Chancellor's Autumn Statement set out the strategic direction for public expenditure. A number of significant changes to the local government funding regime were outlined which will significantly impact on the council in the future and include:

- Four year funding settlement - central government will provide the council's estimated position of revenue support grant and rural funding. By 2020/21, this will be zero, a reduction from 2015/16 of £1,602k;
- Increased burdens – central government is reviewing the services councils provide along with the four year funding settlement; it is likely further cost burdens will result;
- Review of new homes bonus grant – where funding will reduce to zero over the next 5 years;
- 100% retained business rates by Local Authorities – by the end of the parliament the current uniform business rate scheme will be abolished and local authorities will be able to cut or raise business rates at their discretion. The earliest this will be implemented is 2020.

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

6. Revenue Budget Process 2015/16

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.

7. Revenue Outturn in 2015/16 Compared to the Agreed Budget

The main components of the Council's 2015/16 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 £'m	Actual £'m	Difference £'m
Net Expenditure by Business Theme:			
Customer & Leisure Services	1.630	1.509	(0.121)
Environmental & Planning Services	4.205	4.130	(0.075)
Support Services	1.989	1.657	(0.332)
Net Expenditure	7.824	7.296	(0.528)
Financed by:			
Council Tax	(3.121)	(3.121)	-
Revenue Support Grant	(1.602)	(1.602)	-
Business Rates	(1.874)	(2.000)	(0.126)
Other Grants	(0.048)	(0.048)	-
	(6.645)	(6.771)	(0.126)
Funding Deficit Transferred from Reserves	(1.179)	(0.525)	(0.654)

The original estimated net revenue expenditure budget for 2015/16 which was approved by Council in February 2015 was £6.918m. 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 2016 increased the net revenue expenditure budget to £7.824m. The final outturn position of £7.296m shows an under spend of £0.528m on Net Expenditure by Business Theme compared to the revised budget at Q3.

The revised Q3 budget £7.824m compared to the original budget £6.918m was an increase of £0.906m mainly related to

- (i) £0.801 - the reduced interest from the investment with Broadacres Housing Association from the organisation borrowing less and at a later stage in the year than was expected. This is a one off budget implication for 2015/16 only;
- (ii) £0.101m – the fall in the global prices that affected the 10 year waste strategy.

Therefore, even though there was an underspend at outturn compared to Quarter 3 revised budget position of £0.528m, a transfer from reserves of £0.524 is required to fund the final outturn position compared to the original budget.

The Business Theme expenditure headings, the method of financing and figures reported in the table 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 22 which conform to the Service Reporting Code of Practice (SerCOP) requirements. This is because a number of accounting adjustments are required to be reflected in the Comprehensive Income & Expenditure Statement. Note 30 provides a reconciliation to increase the understanding for the reader. A brief reconciliation of the two sets of figures is as follows:-

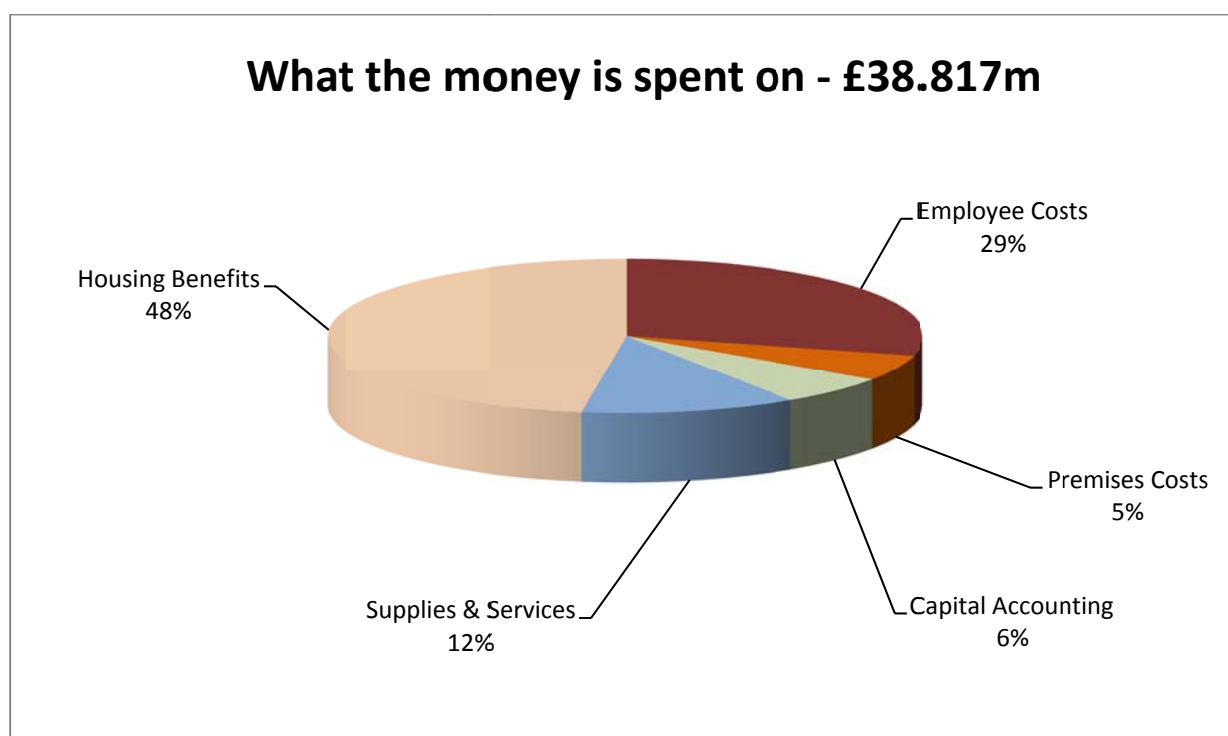
	Expenditure £'m
Expenditure per Council's Accounts (as above)	7.296
Other required accounting entries reflected in the Comprehensive Income & Expenditure Statement	
- Capital Accounting	2.402
- Pensions Accounting	0.966
Less Funding	(6.996)
Deficit on Provision of Services per Comprehensive Income & Expenditure Statement	3.668

8. Revenue Outturn Position for the Financial Year 2015/2016

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 2015/2016 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 22 shows gross expenditure on all of the Council's services for 2015/16 is £38,817k (2014/15 is £38,060k). The following chart shows what the Council's money is spent on.



The chart above shows that 47.60% (£18.479m) of the Council's expenditure is on Housing and Council Tax Benefit payments and 29.15% (£11.316m) is spent on Employee costs. The remaining spend comprises 11.74% (£4.557m) on Other Running expenses and Supplies & Services such as the costs of operating vehicles and purchasing various external supplies and services, 6.11% (£2.371m) relates to capital charges for depreciation of the Council's assets and 5.40% (2.094m) is spent on maintaining the Council's buildings and leisure facilities.

9. Capital Programme Outturn for the Financial Year 2015/2016

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 2015/16 the Council spent £13.952m (2014/15 £1.621m) on capital schemes, which is shown in note 38 of these accounts. Capital expenditure was significantly higher in 2015/16 than in 2014/15 due to the £10m loan to Broadacres Housing Association and the purchase of the former Northallerton Prison site at £1.5m. An analysis of where the capital was spent and the sources of funding are shown in the tables below:-

2014/15 %	2014/15 £'m	Capital Schemes Expenditure	2015/16 %	2015/16 £'m
26	0.419	Customer & Leisure Services	7	0.992
21	0.335	Environmental & Planning Services	4	0.545
50	0.808	Support Services	5	0.754
3	0.059	Economic Development Fund	12	1.661
-	-	Loan to Broadacres	72	10.000
100	1.621	Total Capital Expenditure	100	13.952

2014/15 %	2014/15 £'m	Where the Money Came From	2015/16 %	2015/16 £'m
77	1.243	Grants & Contributions	16	2.264
23	0.378	Capital Receipts	12	1.688
-	-	Direct Revenue Contributions	-	-
-	-	Internal Borrowing	72	10.000
100	1.621	Total Capital Funding	100	13.952

The major schemes over £0.125m where the Council's capital expenditure in 2015/16 occurred were:

- Housing renovations
- Waste strategy – new kerbside collection bins
- All weather pitch refurbishment
- CCTV camera replacement programme
- ICT improvements
- Northallerton prison site development

10. Treasury Management - Borrowing

The Council's ability to borrow is governed by the Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is able to determine its own programme for capital investment that will assist in the delivery of its services to the people of the Hambleton District subject to that programme being affordable, prudent and sustainable.

The Council monitors its capital financing requirement, which is the amount of borrowing required to support the capital expenditure programme, in the treasury management strategy and annual report. In 2015/16 there was a capital financing requirement of £10 million for this Council. This has arisen as the council invested £10m as part of its capital expenditure programme in a loan to Broadacres Housing Association. It should be noted that whilst there was a £10 million capital financing requirement, no external borrowing was taken as the Council used its reserves to support the Loan. This results in not all the reserves and balances shown on the balance being backed by cash and this is therefore known as internal borrowing.

Therefore, throughout 2015/16 the Council remained debt free, although there is capital financing requirement of £10m which is being funded by internal borrowing.

11. Treasury Management - Cash Flow

31 March 2015 £'m	Cash Flow	31 March 2016 £'m
7.285	Cash and Cash Equivalents	6.095
18.102	Short Term Investments	5.006
25.387	Total	11.101

Total cash and cash equivalents at 31 March 2016 is £6.095m. The main factors that would affect cash in future are:

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

12. Treasury Management - Employee Benefits and Pension Liabilities

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

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

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

The Balance Sheet includes a Pensions Reserve, which shows a net liability to the Pension Fund of £16.079m as at 31 March 2016. 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 £1.118m (6.5%) in 2015/2016.

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

D. CORPORATE RISKS

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

The risk register is reviewed on a quarterly basis by Management Team with the Council's strategic risks also reported to Scrutiny Committee quarterly. The risk management process

is included in the Annual Governance Statement and also reported at least annually to the Audit, Governance and Standards Committee.

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

- Unable to access HDC services due to ineffective individual business continuity plans leading to loss of service.
- Market conditions or ineffective spatial planning leads to a reduction in new homes completions and results in the Council not meeting its new homes target and consequently reduction in New Homes Bonus & Council Tax receipts.
- Proposed legislative changes including the Housing and Planning Bill.
- Health of local housing market leads to reduced ability to deliver affordable housing through planning, resulting in failure to achieve corporate plan target and to address housing need
- Cancellation of Bedale Gateway Car Park project leads to long-term damage to local economy through loss of visitors and trade.
- The Council is not prepared for future developments that will impact on Waste Management such as increased dwelling stock, changes to Waste Regulations and Allerton Waste Recovery Park, leaving Council exposed to higher costs for its waste management services; failure to follow a process that demonstrates regulatory compliance also puts the Council at risk of challenge.
- Significant reductions in government grant leading to the inability to sustain council services at the current level.
- The introduction of Universal Credit and transfer to DWP payments leads to a likely reduction in Government administration grant revenue.

E. SUMMARY POSITION

The Council's financial and non-financial performance in 2015/16 continues to be good. The revenue and capital outturn, along with the movement in reserves position, are in line with expectations described in the 10 year financial strategy. The Council maintains a good level of reserves and balances to provide financial resilience for 2016/17 and future years.

Financial challenges in 2016/17 continue with the progression of the devolution agenda, unknown quantities of the 100% business rates retention scheme, potential increased new burdens from government and further local developments. The Council's 10 year financial strategy is being revised to reflect the provisional four-year funding settlement announced by the government in December 2015 and this, together with the risk management process in place, leaves the Council in a strong position to move forward in 2016/17.

FURTHER INFORMATION

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



Louise Branford-White BSc (Hons) FCCA
Head of Finance (s151 Officer)

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

Opinion on the Authority's financial statements

We have audited the financial statements of Hambleton District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement; and
- Collection Fund and the related notes 1 to 5

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 2015/16.

This report is made solely to the members of Hambleton District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members 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 set out on pages [...], 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 2015/16, 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

Annual Financial Report 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hambleton District Council as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Annual Financial Report 2015/16 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Authority's responsibilities

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.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether Hambleton District Council had proper

arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Hambleton District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, Hambleton District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, 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 2016.

Certificate

We certify that we have completed the audit of the accounts of Hambleton District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Nicola Wright (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Newcastle upon Tyne
20 Septemebr 2016

HAMBLETON DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2015 – 2016

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 2016 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 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 Extended Management Team, Service Reviews, and reported to Scrutiny Committee on a quarterly basis.

Senior Management is able to use this information to move money/resources between service areas, in accordance with financial regulations and the Council's constitution, 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 consider 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 monitors legal developments and notifies relevant Senior Officers;
- A protocol for the Monitoring Officer is in place;
- Senior Officers and Members are aware of the availability of the advice on propriety which is available from both the Monitoring Officer and Veritau North Yorkshire Limited (who provided internal audit services in 2015/16);
- 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 Head of Finance (s151 officer) is the Council's designated s151 Officer, has unconstrained access to Senior Management Team and reports directly to the Chief Executive.
- The CFO has unfettered access to information, to the Chief Executive and to Members of the Council. Therefore we consider that there are the processes and procedures in place which provide assurance that the role of the CFO (Head of Finance (s151 Officer) in Hambleton District Council meets the Statement's expectations.
- All Directors have completed an Assurance Statement for the 12 months to 31 March 2016; 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 2016.

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 Committee 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 Council Plan priority.

Additionally, the corporate risks are identified and reviewed by Extended Management Team who in turn report to Scrutiny Committee on a quarterly basis.

With the measures mentioned above in place the Council is able to identify, assess and manage the risks to the Council's corporate objectives. Further development of strategic risks in line with key corporate projects is underway to clearly understand the exposure to risk that the Council faces.

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 Internal Audit 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 Committee:

Part of the function of the Council's Scrutiny Committee is to scrutinise Council policies. It does not have a specific role in dealing with Governance, although it reviews the Council's strategic risks on a quarterly basis.

Internal Audit:

During the year April 2015 to March 2016 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.

In 2015/16, the overall opinion of the Head of Internal Audit from Veritau North Yorkshire Limited (VNY) on the governance, risk management and control framework operating in the Council is that it provides Substantial Assurance. Mention is made in the Internal Audit Annual Report 2015/16 of the arrangements for business continuity and identification of strategic risks; both these areas are further being developed in the next financial year.

Other explicit review/assurance mechanisms:

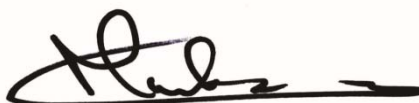
The Council is also subject to external review. The External Auditor is required to review, and where appropriate, report on the Council's corporate governance arrangements as they relate to:-

- 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.

The authority's financial management arrangements confirm with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Addendum (2012) to the CIPFA / SOLAC Framework: Delivering Good Governance in Local Government.



Signed: -----
Councillor Mark Robson
Leader of the Council



Signed: -----
Justin Ives
Chief Executive



Signed: -----
Louise Branford-White BSc (Hons) FCCA
Head of Finance (s151 Officer)

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 2016 and its income and expenditure for the year then ended.



.....
Louise Branford-White BSc (Hons) FCCA

Chief Financial Officer

Date: 16 June 2016

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 20 September 2016.

.....
Chair of Audit and Governance Committee

Date: 20 September 2016

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.

2015/2016

	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 2015	(2,000,000)	(15,606,299)	(4,034,171)	(100,020)	(21,740,490)	(14,226,388)	(35,966,878)
Deficit/(Surplus) on the provision of services	3,668,337	-	-	-	3,668,337	-	3,668,337
Other Comprehensive Income and Expenditure	-	-	-	-	-	(2,704,553)	(2,704,553)
Total Comprehensive Income and Expenditure	3,668,337	-	-	-	3,668,337	(2,704,553)	963,784
Adjustments between accounting basis & funding basis under regulations (Note 7)	(889,720)	-	1,595,915	7,131	713,326	(713,326)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	2,778,617	-	1,595,915	7,131	4,381,663	(3,417,879)	963,784
Transfers (to)/from Earmarked Reserves (Note 8)	(2,778,617)	2,778,617	-	-	-	-	-
Increase/(Decrease) in 2015/2016	-	2,778,617	1,595,915	7,131	4,381,663	(3,417,879)	963,784
Balance at 31 March 2016 carried forward	(2,000,000)	(12,827,682)	(2,438,256)	(92,889)	(17,358,827)	(17,644,267)	(35,003,094)

2014/2015 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 2014	(2,000,000)	(16,262,063)	(3,392,784)	(100,020)	(21,754,867)	(18,911,997)	(40,666,864)
Deficit/(Surplus) on the provision of services	2,273,665	-	-	-	2,273,665	-	2,273,665
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	2,426,321
Total Comprehensive Income and Expenditure	2,273,665	-	-	-	2,273,665	2,426,321	4,699,986
Adjustments between accounting basis & funding basis under regulations (Note 7)	(1,617,901)	-	(641,387)	-	(2,259,288)	2,259,288	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	655,764	-	(641,387)	-	14,377	4,685,609	4,699,986
Transfers (to)/from Earmarked Reserves (Note 8)	(655,764)	655,764	-	-	-	-	-
Increase/(Decrease) in 2014/2015	-	655,764	(641,387)	-	14,377	4,685,609	4,699,986
Balance at 31 March 2015 carried forward	(2,000,000)	(15,606,299)	(4,034,171)	(100,020)	(21,740,490)	(14,226,388)	(35,966,878)

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.

2014/2015				2015/2016		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
2,268,656	(988,199)	1,280,457	Central Services to the Public	1,857,482	(493,719)	1,363,763
4,582,401	(2,850,972)	1,731,429	Cultural and Related Services	5,047,668	(2,909,980)	2,137,688
6,136,649	(1,913,052)	4,223,597	Environmental & Regulatory Services	6,083,112	(1,624,116)	4,458,996
2,859,712	(1,608,679)	1,251,033	Planning Services	4,185,653	(2,126,290)	2,059,363
1,105,458	(773,706)	331,752	Highways and Transport Services	441,665	(644,112)	(202,447)
19,736,685	(18,959,914)	776,771	Other Housing Services	19,505,761	(18,671,362)	834,399
1,276,327	(3,049)	1,273,278	Corporate and Democratic core	1,638,680	(4,159)	1,634,521
94,542	(5,311)	89,231	Non Distributed Costs	56,667	(4,553)	52,114
38,060,430	(27,102,882)	10,957,548	Net Cost Of Services	38,816,688	(26,478,291)	12,338,397
2,316,381	(1,074,225)	1,242,156	Other Operating Expenditure (Note 9)	1,646,891	(253,585)	1,393,306
623,224	(246,441)	376,783	Net Financing and Investment Expenditure/(Income) (Note 10)	2,360,088	(2,049,620)	310,468
	(10,302,822)	(10,302,822)	Taxation and Non-Specific Grant Expenditure/(Income) (Note 11)		(10,373,834)	(10,373,834)
41,000,035	(38,726,370)	2,273,665	(Surplus) or Deficit on Provision of Services	42,823,667	(39,155,330)	3,668,337
		(2,541,679)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment (Note 25)			(675,553)
		4,968,000	Actuarial (Gains)/Losses on Pension Assets / Liabilities (Note 42)			(2,029,000)
		2,426,321	Other Comprehensive Income and Expenditure			(2,704,553)
		4,699,986	Total Comprehensive Income and Expenditure			963,784

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 2015 £		Notes	31 March 2016 £
23,431,150	Property, Plant & Equipment	12	33,328,978
8,054,544	Investment Property	14	109,000
502,103	Intangible Assets	15	496,226
2,520	Long Term Investments	46	2,520
-	Long Term Debtors	16	10,000,000
31,990,317	Long Term Assets		43,936,724
18,101,583	Short Term Investments	16	5,005,681
51,473	Inventories	17	43,046
1,962,396	Short Term Debtors	19	3,312,149
7,285,230	Cash and Cash Equivalents	20	6,095,009
247,138	Assets Held for Sale	21	122,138
27,647,820	Current Assets		14,578,023
(5,213,032)	Short Term Creditors	22	(6,326,104)
(1,163,352)	Short Term Provisions	23	(949,031)
(86,110)	Other Short Term Liabilities		(140,753)
(6,462,494)	Current Liabilities		(7,415,888)
-	Long Term Borrowing	16	-
-	Long Term Provisions	23	-
(11,765)	Other Long Term Liabilities	16	(16,765)
(17,197,000)	Pension Liability	42	(16,079,000)
(17,208,765)	Long Term Liabilities		(16,095,765)
35,966,878	Net Assets		35,003,094
(21,740,490)	Usable Reserves	24	(17,358,827)
(14,226,388)	Unusable Reserves	25	(17,644,267)
(35,966,878)	Total Reserves		(35,003,094)

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.

2014/2015		2015/2016
£		£
2,273,665	Net (surplus)/deficit on the provision of services	3,668,337
(4,561,583)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements (Note 26)	7,643,858
1,875,167	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities (Note 27)	2,355,801
(412,751)	Net cash (inflows)/outflows from Operating Activities	13,667,996
(913,452)	Investing Activities (Note 28)	(12,099,173)
(412,292)	Financing Activities (Note 29)	(378,602)
(1,738,495)	Net (increase)/decrease in cash and cash equivalents	1,190,221
(5,546,735)	Cash and cash equivalents at the beginning of the year	(7,285,230)
(7,285,230)	Cash and cash equivalents at the end of the year (Note 20)	(6,095,009)

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 2015/2016 and the Service Reporting Code of Practice 2015/2016, 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 2015/2016 financial year and its position at the year ending 31 March 2016.

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

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

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

vi) Charges to Revenue for Non-current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- 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 wholly within 12 months of the year end. They include such benefits as salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and as far as practicable will be recognised in the year in which the service is rendered by the employees to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary and wage rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination Benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the 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

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 3.4% (based on the indicative rate of return on high quality corporate bond).
- The assets of the North Yorkshire Pension Fund attributable to the Council are included in the balance sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

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

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contribution paid to the North Yorkshire Local Government pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award

and accounted for using the same policies as are applied to the Local Government Scheme.

viii) Events after the Reporting Period

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

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

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

ix) Fair Value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

x) Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. In 2015/16 the Council did not have any borrowings.

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and

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

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

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

Available-for-sale Assets

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

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

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

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

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

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

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 was approved on 7 April 2015 at Full Council and therefore CIL is included in 2015/16 but does not impact the 2014/15 Statement of Accounts.

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 Council's goods or services.

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (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 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 (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset (long-term debtor) in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be

treated as a capital receipt. Where a premium has been received, this is posted to the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

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

Operating Lease

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

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 2015/16 (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 current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

- infrastructure, community assets and assets under constructions – depreciated historical cost
- surplus assets – fair value, determined by the measurement of the highest and best use value of the asset.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use at existing use value – EUV.

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

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

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

The freehold and leasehold properties which comprise 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 Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

Componentisation

All property assets containing a building are split into two components – Land and Buildings. The buildings are then further reviewed to assess if there are additional components which should be recognised. This assessment is based on the value of the building and the value of the components. A materiality level has been set below which this additional review will not be done. Only buildings with a value greater than £150,000 will be considered for componentisation. The cost of the component should be at least 20% of the value of the building. Components whose value is under this level will be considered if the circumstances are deemed appropriate. Componentisation will only be done either at the full 5 yearly 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:

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

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

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

Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount

before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

All amounts received from the disposal of assets are categorised as capital receipts, there is no deminimus. If any housing receipts are received then a proportion of receipts relating to the housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to Government. This Council does not have any housing stock, therefore this does not occur. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). 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 a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

xxii) 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.

xxiii) Revenue Expenditure Funded from Capital under Statute

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

xxiv) VAT

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts

3. Critical Judgements in Applying Accounting Policies

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

The main critical judgement made in the Statement of Accounts is regarding the high degree of uncertainty about future levels of funding for local government. However, the 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 2016, 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 £58,664 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.	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 £1,599,000. However the assumptions interact in complex ways. During 2015/2016, the Council's actuaries advised that the net pensions liability had decreased by £2,029,000 as a result of estimates being corrected as a result of experience and decreased by £911,000 attributable to updating of the assumptions.
Business Rate Provisions	The introduction of the Business Rates Retention Scheme on 1 April 2013 results in Local Authorities being liable for successful appeals against business rates charged to businesses in 2015/16 and earlier financial years in their proportionate share. Therefore a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2016. 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 2016.	If a greater amount of appeals occurs than has been estimated then this will be an increased cost on the collection fund, which could cause an increased deficit position on the collection fund in the future. Further information on provision for appeals is included in the Collection Fund on page 92.
Arrears	At 31 March 2016, the Council had a balance for sundry debtors of £4,033,662. A review of significant balances suggested that an impairment of doubtful debts of 17.89% (£721,513) 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 £721,513 to be set aside as an allowance.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for <i>similar</i> assets or liabilities in active markets or	<p>The Council uses the discounted cash flow (DCF) model and Reversion valuation to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	<p>the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16 below.</p>	<p>management assumptions regarding rent growth (for investment properties) and discount rates – adjusted for regional factors (for financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.</p>

5. Material Items of Income and Expense

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

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

6. Events after the Balance Sheet Date

The Statement of Accounts is authorised by the Section 151 Officer and will be approved by Audit Governance and Standards Committee on 20 September 2016. Events taking place after this date will not be reflected in the financial statements or notes. Where events take place before this date and information is provided on conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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 2015/2016 and comparative year 2014/2015 can be seen on the following pages.

2015/2016	Usable Reserves			
	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £	Movement in Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:</i>				
Charges for Depreciation and Impairment of non-current assets	(921,584)			921,584
Revaluation losses on Property Plant and Equipment	(1,016,637)			1,016,637
Movements in the fair value of Investment Properties	(53,500)			53,500
Amortisation of Intangible Assets	(112,076)			112,076
Capital Grants and Contributions applied	2,263,211			(2,263,211)
Revenue Expenditure funded from Capital Under Statute	(544,542)			544,542
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	(157,524)			157,524
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</i>				
Capital Expenditure charged against the General Fund Balance	-			-
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(2,239)		2,239	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(4,892)	-	4,892	-
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	92,590	(92,590)		-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	1,688,505		(1,688,505)

2015/2016	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)	(2,634,000)			2,634,000
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	1,723,000			(1,723,000)
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	533,116			(533,116)
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	(54,643)			54,643
Total Adjustments	(889,720)	1,595,915	7,131	(713,326)

2014/2015	Usable Reserves			
	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £	Movement in Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:</i>				
Charges for Depreciation and Impairment of non-current assets	(946,929)			946,929
Revaluation losses on Property Plant and Equipment	(538,668)			538,668
Movements in the fair value of Investment Properties	(91,905)			91,905
Amortisation of Intangible Assets	(130,650)			130,650
Capital Grants and Contributions applied	855,697			(855,697)
Revenue Expenditure funded from Capital Under Statute	(239,535)			239,535
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	(986,027)			986,027
<i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement</i>				
Capital Expenditure charged against the General Fund Balance	-			-
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	1,019,470	(1,019,470)		-
Use of the Capital Receipts Reserve to finance new Capital Expenditure	-	378,083		(378,083)

2014/2015	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)	(1,987,000)			1,987,000
Employer's Pensions Contributions and direct payments to Pensioners payable in the year	1,510,000			(1,510,000)
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	(92,244)			92,244
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	9,890			(9,890)
Total Adjustments	(1,617,901)	(641,387)	-	2,259,288

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 2015/2016.

	Balance at 31 March 2014	Transfers Out 2014/2015	Transfers In 2014/2015	Balance at 31 March 2015	Transfers Out 2015/2016	Transfers In 2015/2016	Balance at 31 March 2016
	£	£	£	£	£	£	£
Council Taxpayers Reserve	3,773,475	(1,000,000)	1,069,453	3,842,928	(2,024,847)	1,347,274	3,165,355
Community Safety Partnership	74,327	(4,759)	-	69,568	(16,527)	-	53,041
Local Plan Reserve	-	-	-	-	(92,461)	500,000	407,539
Strategic Forum Reserve	14,399	(4,353)	-	10,046	-	-	10,046
Grants Fund	520,508	(71,746)	-	448,762	(84,750)	-	364,012
One Off Fund	2,092,419	(1,392,100)	455,842	1,156,161	(960,272)	1,187,278	1,383,167
Repairs & Renewals Fund	6,082,986	(2,519,691)	-	3,563,295	(582,784)	-	2,980,511
Make a Difference Fund	-	-	125,000	125,000	(119,445)	-	5,555
Take That Step	-	(57,911)	79,050	21,139	(20,340)	5,381	6,180
Winter Weather Campaign	-	(6,670)	10,000	3,330	(3,330)	9,191	9,191
Economic Development Fund	-	(75,220)	5,000,000	4,924,780	(1,686,801)	-	3,237,979
Computer Fund	3,698,000	(2,261,897)	-	1,436,103	(238,086)	-	1,198,017
Arts Grants Reserve	5,949	(5,309)	4,547	5,187	(3,334)	5,236	7,089
Total Earmarked Reserves	16,262,063	(7,399,656)	6,743,892	15,606,299	(5,832,977)	3,054,360	12,827,682
General Fund	2,000,000	-	-	2,000,000	-	-	2,000,000
Capital Grants Unapplied	100,020	-	-	100,020	(7,131)	-	92,889
General Capital Receipts	3,392,784	(378,083)	1,019,470	4,034,171	(1,595,915)	-	2,438,256
Total General Fund	21,754,867	(7,777,739)	7,763,362	21,740,490	(7,436,023)	3,054,360	17,358,827

The purposes of the above reserves are as follows:

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

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

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

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

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

One Off Fund - To improve or sustain service delivery.

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

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

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

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

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

Computer Fund – To fund ICT expenditure

Arts Grants Reserve – To fund Arts Development projects

General Fund – The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

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

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

9. Other Operating Expenditure

2014/2015 £	Other Operating Expenditure	2015/2016 £
1,230,522	Parish Council Precepts	1,274,949
99,832	Drainage Board Levies	105,379
(54,755)	(Surplus)/Deficit from Trading Activities	(51,956)
(33,443)	(Gains)/Losses on the disposal of Non-Current Assets	64,934
1,242,156	Total	1,393,306

10. Financing and Investment Income and Expenditure

2014/2015 £	Finance and Investment Income and Expenditure	2015/2016 £
11,319	Interest Payable and Similar Charges	-
520,000	Pensions Interest Cost & Expected Return on Pensions Assets	569,000
(246,441)	Interest Receivable and Similar Income	(312,032)
91,905	Income & Expenditure in relation to Investment Properties and Changes in their Fair Value	53,500
376,783	Total	310,468

11. Taxation and Non Specific Grant Income

2014/2015 £	Taxation and Non Specific Grant Income	2015/2016 £
(4,341,946)	Council Tax Income	(4,411,188)
(2,098,997)	Non Domestic Rates	(2,550,771)
(3,550,814)	Non-Ringfenced Grants	(3,378,429)
(311,065)	Capital Grants and Contributions	(33,446)
(10,302,822)	Total	(10,373,834)

12. Property, Plant and Equipment

Movement in 2015/2016	Other Land and Buildings	Vehicles, Plant Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£	£	£	£	£	£
Cost or Valuation at 1 April 2015						
Additions	20,212,955	8,103,600	3,650,598	50,750	85,386	32,103,289
Accumulated Depreciation & Impairment Written Out to Gross Carrying Amount ¹	1,817,543	967,234	496,390	-	19,808	3,300,975
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(41,714)	-	-	(3,509)	-	(45,223)
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on Provision of Services	651,044	-	-	24,510	-	675,554
Derecognition – Disposals	(1,016,637)	-	-	-	-	(1,016,637)
Assets reclassified (to)/from Held for Sale	-	(158,854)	-	-	-	(158,854)
Assets reclassified (to)/from Investment Property	7,884,544	-	-	-	-	7,884,544
	(25,231)	-	25,231	-	-	-
At 31 March 2016	29,482,504	8,911,980	4,172,219	71,751	105,194	42,743,648
Accumulated Depreciation and Impairment At 1 April 2015						
Depreciation Charge	(294,666)	(6,872,889)	(1,501,825)	(2,759)	-	(8,672,139)
Accumulated Depreciation Written Out to Gross Carrying Amount ²	(582,901)	(271,621)	(66,312)	(750)	-	(921,584)
Depreciation Written out in the Surplus/Deficit on the provision of Services	41,714	-	-	3,509	-	45,223
Derecognition – Disposals	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	133,830	-	-	-	133,830
	-	-	-	-	-	-
At 31 March 2016	(835,853)	(7,010,680)	(1,568,137)	-	-	(9,414,670)
Net Book Value						
At 31 March 2015	19,918,289	1,230,711	2,148,773	47,991	85,386	23,431,150
At 31 March 2016	28,646,651	1,901,300	2,604,082	71,751	105,194	33,328,978

¹ Accumulated Depreciation & Impairment Written Out to Gross Carrying Amount has been included in the accounts in 2014/15 and 2015/16 for the first time this year, as it provides a better reflection of the Gross Carrying Amount and Depreciation charge. There is no change to the Net Book Value in 2014/15 and in both years including these amounts results in no change in Net Book Value.

² Accumulated Depreciation Out to Gross Carrying Amount has been included in the accounts in 2014/15 and 2015/16 for the first time this year, as it provides a better reflection of the Gross Carrying Amount and Depreciation charge. There is no change to the Net Book Value in 2014/15 and in both years including these amounts results in no change in Net Book Value.

Movement in 2014/2015	Other Land and Buildings	Vehicles, Plant Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£	£	£	£	£	£
Cost or Valuation at 1 April 2014	18,187,889	8,083,104	3,514,542	50,750	21,828	29,858,113
Additions	402,541	168,593	136,056	-	63,558	770,748
Accumulated Depreciation & Impairment Written Out to Gross Carrying Amount ³	(355,486)	-	-	-	-	(355,486)
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	2,541,679	-	-	-	-	2,541,679
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit on Provision of Services	(538,668)	-	-	-	-	(538,668)
Derecognition – Disposals	-	(148,097)	-	-	-	(148,097)
Assets reclassified (to)/from Held for Sale	(25,000)	-	-	-	-	(25,000)
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-
At 31 March 2015	20,212,955	8,103,600	3,650,598	50,750	85,386	32,103,289
Accumulated Depreciation and Impairment At 1 April 2014	(127,152)	(6,662,002)	(1,435,277)	(2,009)	-	(8,226,440)
Depreciation Charge	(523,000)	(356,631)	(66,548)	(750)	-	(946,929)
Accumulated Depreciation Written Out to Gross Carrying Amount ⁴	355,486	-	-	-	-	355,486
Depreciation Written out in the Surplus/Deficit on the provision of Services	-	-	-	-	-	-
Derecognition – Disposals	-	145,744	-	-	-	145,744
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-
At 31 March 2015	(294,666)	(6,872,889)	(1,501,825)	(2,759)	-	(8,672,139)
Net Book Value						
At 31 March 2014	18,060,737	1,421,102	2,079,265	48,741	21,828	21,631,673
At 31 March 2015	19,918,289	1,230,711	2,148,773	47,991	85,386	23,431,150

³ Accumulated Depreciation & Impairment Written Out to Gross Carrying Amount has been included in the accounts in 2014/15 and 2015/16 for the first time this year, as it provides a better reflection of the Gross Carrying Amount and Depreciation charge. There is no change to the Net Book Value in 2014/15 and in both years including these amounts results in no change in Net Book Value.

⁴ Accumulated Depreciation Out to Gross Carrying Amount has been included in the accounts in 2014/15 and 2015/16 for the first time this year, as it provides a better reflection of the Gross Carrying Amount and Depreciation charge. There is no change to the Net Book Value in 2014/15 and in both years including these amounts results in no change in Net Book Value.

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 2015/2016, the Council did not make any material changes to its accounting estimates for Property, Plant and Equipment.

Capital Commitments

At 31 March 2016 the Council had no significant capital commitment outstanding, where significant means outstanding commitments over £250,000. At 31 March 2015 there were one significant capital commitments outstanding.

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.

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

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

Asset Class	Net Book Value as at 31 March 2015	Net Book Value as at 31 March 2016
	£	£
Sports – Leisure Centres	10,333,203	10,121,344
Community Buildings	386,500	389,900
Depots	557,870	555,518
Off Street Parking	4,436,500	4,436,500
Offices	2,314,948	2,561,333
Workspaces	-	7,945,117
Other	1,889,268	2,636,939
Total Cost or Valuation	19,918,289	28,646,651

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

13. Heritage Assets

Hambleton District Council held no assets that fall under the Heritage Asset category for either the 2015/2016 or 2014/2015 financial year.

14. Investment Properties

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

2014/2015 £	Investment Properties	2015/2016 £
690,787	Rental Income from Investment Property	694,941
(438,419)	Direct Operating Expenses from Investment Property	(441,413)
252,368	Net Gain	253,528

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.

2014/2015 £	Investment Properties	2015/2016 £
9,111,256	Balance at 1 April	8,054,544
18,867	Additions – Purchases	-
(983,674)	Disposals	(7,500)
(91,905)	Net Gains/(losses) from Fair Value Adjustments	(53,500)
-	Transfers: (To) / From Property, Plant and Equipment	(7,884,544)
8,054,544	Balance at 31 March	109,000

Fair Value Hierarchy

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

Significant Unobservable Inputs – Level 3

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

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

	As at 31/3/2016 £	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
Commercial Land	109,000	Reversion Value	Rent	0%	Significant changes in rental income and rent growth; vacancy levels or discount rate will result in a significantly lower or higher fair value
	109,000				

Valuation Process for Investment Properties

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

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.

2014/2015 £	Intangible Assets	2015/2016 £
	Balance at 1 April	
2,709,927	Gross Carrying Amounts	2,914,557
(2,281,804)	Accumulated Amortisation	(2,412,454)
428,123	Net Carrying Amounts at 1 April	502,103
204,630	Additions - Purchases	106,199
(130,650)	Amortisation for the Year	(112,076)
502,103	Balance at 31 March	496,226

Comprising:

2,914,557	Gross Carrying Amounts	3,020,756
(2,412,454)	Accumulated Amortisation	(2,524,530)
502,103	Balance at 31 March	496,226

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.

2014/2015		Category of Financial Instruments	2015/2016	
Long Term £	Short Term £		Long Term £	Short Term £
		Investments		
2,520	18,101,583	Loans and receivables	2,520	5,005,681
		Debtors		
-	1,962,396	Financial assets carried at contract amount	10,000,000	3,212,149
		Borrowings		
-	-	Financial liabilities at amortised cost	-	-
		Creditors		
(11,765)	(5,213,032)	Financial liabilities carried at contract amount	(16,765)	(6,322,504)

Income, Expenses, Gains and Losses

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

	2014/2015				2015/2016			
	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 £	
Gains on Derecognition	-	(238,751)	-	(238,751)	-	(304,309)	-	(304,309)
Total income in the Surplus or Deficit on the Provision of Services	-	(238,751)	-	(238,751)	-	(304,309)	-	(304,309)
Net Gain/(Loss) for the Year	-	(238,751)	-	(238,751)	-	(304,309)	-	(304,309)

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 2016 of 0.2875% to 0.405% 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:

2014/15		Financial Liabilities	2015/2016	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
11,765	11,765	Long-term creditors	16,765	16,765

2014/2015		Financial Assets	2015/2016	
Carrying Amount £	Fair Value £		Carrying Amount £	Fair Value £
18,101,583	18,119,927	Loans and receivables	5,005,681	5,008,955
-	-	Long term debtors	10,000,000	10,655,487

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 2016) 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		Operational Services		Leisure Facilities		Total	
	2014/2015 £	2015/2016 £	2014/2015 £	2015/2016 £	2014/2015 £	2015/2016 £	2014/2015 £	2015/2016 £
Balance outstanding at 1 April	25,197	11,544	13,074	13,317	16,119	26,612	54,390	51,473
Purchases	75,747	79,991	291,318	253,632	93,648	91,211	460,713	424,834
Recognised Expense in Year	(88,385)	(83,667)	(291,075)	(254,728)	(83,155)	(94,765)	(462,615)	(433,160)
Written Off Balances	(1,015)	(101)	-	-	-	-	(1,015)	(101)
Balance Outstanding at 31 March	11,544	7,767	13,317	12,221	26,612	23,058	51,473	43,046

18. Construction Contracts

At 31 March 2016 (and 31 March 2015) the Council had no construction contracts in progress.

19. Short Term Debtors

31 March 2015 £	Short Term Debtors	31 March 2016 £
102,078	Central Government Bodies	382,536
205,065	Other Local Authorities	359,824
575	Public Corporations and Trading Funds	41,432
2,329,705	Other Entities and Individuals	3,249,870
2,637,423	Short term Debtors before provision for Doubtful Debt	4,033,662
(675,027)	Less Provision For Doubtful Debts	(721,513)
1,962,396	Net Short Term Debtors	3,312,149

Movement in Provision for Doubtful Debts	£
Brought Forward at 1 April 2015	(675,027)
Written off during the Year	269,934
Charged to Comprehensive Income & Expenditure Statement	(316,420)
Carried Forward at 31 March 2015	(721,513)

20. Cash and Cash Equivalents

31 March 2015 £	Cash and Cash Equivalents	31 March 2016 £
3,410	Cash Held by the Council	3,380
1,163,525	Bank Current Accounts	108,508
6,118,295	Short-term deposits	5,983,121
7,285,230	Total Cash and Cash Equivalents	6,095,009

21. Assets Held for Sale

2014/2015 £	Current	2015/2016 £
222,138	Balance Outstanding at 1 April	247,138
-	Assets Newly classified as Held for Sale	-
25,000	Property, Plant & Equipment	-
-	Revaluation Losses recognised in the Revaluation Reserve	-
-	Revaluation Losses recognised in the Provision of Services	-
-	Assets Sold	(125,000)
247,138	Balance Outstanding at 31 March	122,138

22. Short Term Creditors

31 March 2015 £	Creditors	31 March 2016 £
(271,032)	Central Government Bodies	(700,186)
(949,456)	Other Local Authorities	(484,243)
(29,582)	Public Corporations and Trading Funds	(20,320)
(3,962,962)	Other Entities and Individuals	(5,121,355)
(5,213,032)	Total Creditors	(6,326,104)

23. Provisions

Short Term Provision	Provision for Business Rate Appeals	Redundancy Provision	Other Provisions	Total
Balance at 1 April 2015	(631,069)	(444,433)	(87,850)	(1,163,352)
Additional provision made in 2015/2016	(442,234)	(91,603)	(30,000)	(563,837)
Amounts used in 2015/2016	365,125	350,318	62,715	778,158
Unused amounts reversed in 2015/2016	-	-	-	-
Balance at 31 March 2016	(708,178)	(185,718)	(55,135)	(949,031)

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 2016 occurring over the next year.

Other Provision

This provision includes outstanding, injury damage compensation, Land Charges Fees Provision and Leisure Holiday Pay Provision. There is an employee injury case that should be settled in 2016/17 of £8,928, the council has potential Land Charges related expenditure of £16,207 and a provision for Leisure holiday pay entitlement of £30,000.

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 2015 £	Unusable Reserves	31 March 2016 £
(6,193,879)	Revaluation Reserve	(6,621,758)
(25,909,516)	Capital Adjustment Account	(27,303,043)
17,197,000	Pension Reserve	16,079,000
593,897	Collection Fund Balance	60,781
86,110	Accumulating Compensated Absences/Adjustment Acc.	140,753
(14,226,388)	Total Unusable Reserves	(17,644,267)

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.

2014/2015 £	Revaluation Reserve	2015/2016 £	2015/2016 £
(3,751,855)	Balance at 1 April		(6,193,879)
-	Disposal of Assets Held for Sale	-	
(2,759,941)	Upward Revaluation of Fixed Assets	(690,905)	
218,262	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	15,352	
-	Downward Revaluation of Assets Reversal and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	-	
(2,541,679)	Surplus or Deficit on Revaluation of non-current assets not posted to the surplus/Deficit on the Provision of Services		(675,553)
99,655	Difference between fair value depreciation and historic cost depreciation	146,724	
	Accumulated gains on asset sold or scrapped	100,950	
99,655	Amount written off to the Capital Adjustment Account		247,674
(6,193,879)	Balance at 31 March		(6,621,758)

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.

2014/2015 £	Capital Adjustment Account	2015/2016 £	2015/2016 £
(27,509,795)	Balance at 1 April		(25,909,516)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
946,929	Charges for Depreciation and Impairment of Non-Current Assets	921,584	
538,668	Revaluation Losses on Property, Plant and Equipment	1,016,637	
130,650	Amortisation of Intangible Assets	112,076	
239,535	Revenue Expenditure funded from Capital Under Statue	544,542	
986,027	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	157,524	
2,841,809 (99,655)	Adjusting amounts written out of the Revaluation Reserve		2,752,363 (247,674)
2,742,154	Net Written Out Amount of the cost on Non-Current Assets Consumed in the Year.		2,504,689
	Capital Financing Applied in the Year:		
(378,083)	Use of the Capital Receipts Reserve to Finance New Capital Expenditure	(1,688,505)	
(855,697)	Capital Grants and Contributions Credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	(2,263,211)	
	- 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	-	
	- Capital Expenditure charged against the General Fund Balance	-	
(1,233,780) 91,905	Movements in the Market Value of Investment Properties Debited or Credited to the Comprehensive Income and Expenditure Statement		(3,951,716) 53,500
(25,909,516)	Balance at 31 March		(27,303,043)

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements 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.

2014/2015 £	Pension Reserves	2015/2016 £
11,752,000	Balance at 1 April	17,197,000
4,968,000	Actuarial Gains or (Losses) on Pensions Assets and Liabilities	(2,029,000)
1,987,000	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	2,634,000
(1,510,000)	Employers' Pensions Contributions and Direct Payments to Pensioners payable in the Year	(1,723,000)
17,197,000	Balance Carried Forward at 31 March	16,079,000

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.

2014/2015 £	Collection Fund Adjustment Account	2015/2016 £
501,653	Balance at 1 April	593,897
92,244	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	(533,116)
593,897	Balance at 31 March	60,781

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.

2014/2015 £	Accumulating Compensated Absences Adjustment Account	2015/2016 £
96,000	Balance at 1 April	86,110
(96,000)	Settlement or Cancellation of Accrual made at the end of the Preceding Year	(86,110)
86,110	Amounts Accrued at the end of the Current Year	140,753
86,110	Amount by which Officer Remuneration Charged to the Comprehensive Income and Expenditure Statement on an Accruals Basis is different from Remuneration chargeable in the Year in accordance with Statutory Requirements	140,753
-		-
86,110		140,753

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

The cash flows for operating activities include the following items:

31 March 2015 £	Information relating to Interest Received and Interest Paid	31 March 2016 £
(246,441)	Interest received	(312,032)
11,319	Interest paid	-
(235,122)	Total	(312,032)

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

31 March 2015 £	Adjustments to Net (Surplus)/Deficit on the Provision of Services for Non Cash Movements	31 March 2016 £
(946,929)	Depreciation	(921,584)
(538,668)	Impairment and downward valuations	(1,016,637)
(91,905)	Movement in the Fair Value of Investment Properties	(53,500)
(130,650)	Amortisation	(112,076)
(1,203,397)	(Increase) / Decrease in Creditors	(903,751)
(596,382)	Increase / (Decrease) in Debtors	11,349,755
(2,917)	Increase / (Decrease) in Inventories	(8,427)
(477,000)	Movement in Pension Liability	(911,000)
(986,027)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(157,524)
412,292	Other non-cash items charged to the net surplus or deficit on provision of services	378,602
(4,561,583)	Total	7,643,858

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 March 2015 £	Adjustments to Net (Surplus)/Deficit on the Provision of Services that are Investing and Financing Activities	31 March 2016 £
855,697	Grants applied to the financing of Capital Expenditure	2,263,211
1,019,470	Proceeds from the sale of Property, Plant and equipment, investment property and intangible assets	92,590
-	Capital Receipts Received	-
-	Any other Items for which the cash effects are investing or financing cash flows	-
1,875,167	Total Cash Flows from Operating Activities	2,355,801

28. Cash Flow Statement – Investing Activities

31 March 2015 £	Investing Activities	31 March 2016 £
1,233,780	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	3,951,716
(239,535)	Revenue Expenditure Financed From Capital Under Statute (REFCUS)	(544,542)
110,570,293	Purchase of Short Term and Long Term Investments	146,198,923
(1,019,470)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(92,590)
-	Capital Receipts Received	-
(110,602,823)	Proceeds from Short Term and Long Term investments	(159,349,469)
(855,697)	Other receipts from investing activities	(2,263,211)
(913,452)	Net Cash Flows from Investing Activities	(12,099,173)

29. Cash Flow Statement – Financing Activities

31 March 2015 £	Cash Flow Statement – Financing Activities	31 March 2016 £
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
(412,292)	Other (receipts) / Payments from financing activities	(378,602)
(412,292)	Net Cash Flows from Financing Activities	(378,602)

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 2015/2016 is as follows:

Business Theme's Income & Expenditure 2015/2016	Customer & Leisure Services £	Environmental & Planning Services £	Support Services £	Total £
Fees, Charges & Other Service Income	(3,651,842)	(2,179,695)	(1,057,538)	(6,889,075)
Government Grants	(165,989)	(2,389,975)	(19,267,163)	(21,823,127)
Total Income	(3,817,831)	(4,569,670)	(20,324,701)	(28,712,202)
Employee Expenses	3,368,578	4,029,424	3,917,633	11,315,635
Other Service Expenses	1,605,476	3,497,407	19,590,058	24,692,941
Support Services Recharges	353,150	1,173,100	(1,526,250)	-
Total Expenditure	5,327,204	8,699,931	21,981,441	36,008,576
Net Expenditure	1,509,373	4,130,261	1,656,740	7,296,374

The income and expenditure of the Council's principal service units recorded in the budget reports for the year 2014/2015 is as follows:

Business Theme's Income & Expenditure 2014/2015	Customer & Leisure Services £	Environmental & Planning Services £	Support Services £	Total £
Fees, Charges & Other Service Income	(3,549,941)	(1,883,498)	(1,479,262)	(6,912,701)
Government Grants	(291,865)	(1,050,368)	(19,568,592)	(20,910,825)
Total Income	(3,841,806)	(2,933,866)	(21,047,854)	(27,823,526)
Employee Expenses	3,461,004	3,321,870	3,599,208	10,382,082
Other Service Expenses	1,540,175	2,700,497	20,436,574	24,677,246
Support Services Recharges	284,777	1,034,837	(1,319,614)	-
Total Expenditure	5,285,956	7,057,204	22,716,168	35,059,328
Net Expenditure	1,444,150	4,123,338	1,668,314	7,235,802

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.

2014/2015 £		2015/2016 £
7,235,802	Net Expenditure in the Service Unit Analysis	7,296,374
-	Net Expenditure of Services and Support Services not included in the Analysis	-
3,236,507	Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis	3,022,619
485,239	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	2,019,404
10,957,548	Cost of Services in the Comprehensive Income and Expenditure Statement	12,338,397

Reconciliation to Subjective Analysis 2015/2016

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.

2015/2016	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	(6,525,087)	-	-	-	-	(6,525,087)
Surplus from Trading Activities	(51,956)	-	-	-	-	(51,956)
Interest and Investment Income	(312,032)	-	-	-	-	(312,032)
Income from Council Tax	-	-	(4,411,188)	-	-	(4,411,188)
Government Grants and Contributions	(21,823,127)	-	(3,859,581)	-	-	(25,682,708)
Total income	(28,712,202)	-	(8,270,769)	-	-	(36,982,971)
Employee Expenses	11,315,635	-	965,643	-	-	12,281,278
Other Service Expenses	24,692,941	-	-	-	-	24,692,941
Support Service Recharges	-	-	-	-	-	-
Depreciation, Amortisation & Impairment	-	-	2,337,206	-	-	2,337,206
Interest Payments	-	-	-	-	-	-
Precepts & Levies	-	-	1,274,949	-	-	1,274,949
Gain or Loss on Disposal of Non-current assets	-	-	64,934	-	-	64,934
Total Expenditure	36,008,576	-	4,642,732	-	-	40,651,308
Surplus or Deficit on the Provision of Service	7,296,374	-	(3,628,037)	-	-	3,668,337

Reconciliation to Subjective Analysis 2014/2015

2014/2015	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	(6,611,505)	-	-	-	-	(6,611,505)
Surplus from Trading Activities	(54,755)	-	-	-	-	(54,755)
Interest and Investment Income	(246,441)	-	-	-	-	(246,441)
Income from Council Tax	-	-	(4,341,946)	-	-	(4,341,946)
Government Grants and Contributions	(20,910,825)	-	(3,754,726)	-	-	(24,665,551)
Total income	(27,823,526)	-	(8,096,672)	-	-	(35,920,198)
Employee Expenses	10,382,082	-	467,110	-	-	10,849,192
Other Service Expenses	24,665,927	-	-	-	-	24,665,927
Support Service Recharges	-	-	-	-	-	-
Depreciation, Amortisation & Impairment	-	-	2,456,373	-	-	2,456,373
Interest Payments	11,319	-	-	-	-	11,319
Precepts & Levies	-	-	1,230,522	-	-	1,230,522
Gain or Loss on Disposal of Non-current assets	-	-	(1,019,470)	-	-	(1,019,470)
Total Expenditure	35,059,328	-	3,134,535	-	-	38,193,863
Surplus or Deficit on the Provision of Service	7,235,802	-	(4,962,137)	-	-	2,273,665

31. Trading Operations

The Council operates two market undertakings at Northallerton and Thirsk. The total income, which was largely rents from stallholders, amounted to £160,995 (2014/2015 £178,718), and the surplus credited to the General Fund was £51,956 (2014/2015 surplus £54,755).

2014/2015 £	Trading Activity	2015/2016 £
(54,755)	Markets	(51,956)
(54,755)	(Surplus) / Deficit	(51,956)

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 8 local authorities and 14 Housing Associations, where the agreement is in place to 31 March 2018. Contributions stand at a £6,500 annual fixed contribution from 7 local authorities, which include this Council, £2,500 from one local authority and a £50,000 one-off contribution from 2 others. The 14 Housing associations contribute a total amount of £88,667 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:

2014/2015 £	Rural Housing Enablers	2015/2016 £
(5,000)	Funding provided to the pooled budget:	(6,500)
(121,167)	Hambleton District Council	(132,549)
(126,167)	Partners	(139,049)
123,626	Expenditure met from the pooled budget:	148,890
(136,311)	Funding brought forward from previous year	(138,852)
(138,852)	Net funding arising on the pooled budget during the year	(129,011)
(5,499)	For future use on the pooled budget scheme: Hambleton District Council's Share of 4.67% of the net funding to be carried forward Hambleton District Council's Share of 3.96% of the net funding to be carried forward	(6,025)

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

The table below provides further detail:

2014/2015 £	North Yorkshire Strategic Housing Manager	2015/2016 £
(3,650)	Funding provided to the pooled budget:	(3,650)
(33,550)	Hambleton District Council	(33,550)
(37,200)	Partners	(37,200)
45,818	Expenditure met from the pooled budget:	46,157
(64,145)	Funding brought forward from previous year	(55,527)
(55,527)	Net funding arising on the pooled budget during the year	(46,570)
(5,447)	For future use on the pooled budget scheme: Authority Share of 9.81% of the net funding to be carried forward Authority Share of 9.81% of the net funding to be carried forward	(4,569)

33. Members Allowances

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

2014/2015 £	Members Allowances	2015/2016 £
239,334	Allowances	227,648
12,751	Expenses	11,413
252,085	Total Member allowances	239,061

34. Officers' Remuneration

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

Total Emoluments	Number of Employees	
	* Restated 2014/15	2015/16
£50,000 - £54,999	3	4
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	2	-
£75,000 - £79,999	1	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	1
Total	6	5

*Restated – The note in 2014/15 has been restated to exclude the Council's Senior Officers as required by the CIPFA Code of Practice and to reflect that any exit packages are accounted for in the year they are "agreed" and not when they are paid.

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

Post Title	Salary (including fees & allowances) 2015/2016 £	Performance Related Pay 2015/2016 £	Car Allowances 2015/2016 £	Compensation for Loss of Office 2015/2016 £	Total Remuneration excl. Pension Contributions 2015/2016 £	Employers Pension Contributions 2015/2016 £	Total Remuneration (+ pension contributions) 2015/2016 £
Chief Executive (retired 29/02/16)	100,980	-	-	296,987	397,967	-	397,967
Chief Executive (from 01/03/16)	9,614	-	-	-	9,614	1,288	10,902
Director of Support Services (post deleted 01/03/16)	89,505	-	-	-	89,505	11,994	101,499
Director of Customer & Leisure Services	92,480	-	-	-	92,480	12,392	104,872
Director of Environmental & Planning Services	92,480	-	-	-	92,480	12,392	104,872
Director (left 07/04/15)	1,416	-	-	-	1,416	190	1,606
Head of Service – Finance (s151 Officer)	50,208	-	-	-	50,208	6,728	56,936
Head of Legal & Information	50,208	-	-	-	50,208	6,728	56,936
	486,891	-	-	296,987	738,878	51,712	835,590

Post Title	Salary (including fees & allowances) 2014/2015 £	Performance Related Pay 2014/2015 £	Car Allowances 2014/2015 £	Compensation for Loss of Office 2014/2015 £	Total Remuneration excl. Pension Contributions 2014/2015 £	Employers Pension Contributions 2014/2015 £	Total Remuneration (+ pension contributions) 2014/2015 £
Chief Executive	135,000	-	87	-	135,087	18,090	153,177
Director of Support Services	88,569	-	316	-	88,885	11,868	100,753
Director of Customer & Leisure Services	83,986	-	1,899	-	85,885	11,254	97,139
Director of Environmental & Planning Services	83,986	-	1,501	-	85,487	11,254	96,741
Director	72,828	-	-	-	72,828	9,759	82,587
	464,369	-	3,803	-	468,172	62,225	530,397

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

(a) 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	
	2014/2015	2015/2016	*Restated 2014/2015	2015/2016	*Restated 2014/2015	2015/2016	Restated 2014/2015	2015/2016
							£	£
£0-£20,000	-	-	7	-	7	-	55,220	-
£20,001 - £40,000	-	-	2	-	2	-	68,375	-
£40,001 - £60,000	-	-	5	-	5	-	250,902	-
£60,001 - £80,000	-	-	1	-	1	-	62,509	-
£80,001 - £100,000	-	-	-	1	-	1	-	91,603
£100,000 - £150,000	-	-	-	-	-	-	-	-
£150,000 - £200,000 plus	-	-	-	1	-	1	-	296,986
Total	0	0	15	2	15	2	437,006	388,589

* Restated – The information relating to 2014/15 has been restated to reflect exit packages being accounted for when “agreed” rather than when they are paid.

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. The council changed its external auditors during the year to Ernst & Young who were appointed in November 2015:

2014/2015 £	Audit Fees	2015/2016 £
54,338	Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year.	40,754
(5,493)	Fees refundable from the Audit Commission.	-
14,970	Fees payable to the External Auditors for the certification of grant claims and returns for the year.	11,286
15,000	Fees payable in respect of other services provided by the External Auditor during the year. ⁵	-
1,625	Fees payable in respect of other services provided by the Appointed Auditor during the year.	-
80,440	Total Audit Fees	52,040

36. Grant Income

The grants and contributions in the Comprehensive Income and Expenditure Statement in 2015/2016 which were credited to Services are:

2014/2015 £	Grant Income - Credited to Services	2015/2016 £
	Capital Grants	
(166,276)	Disabled Facilities Capital Grant	(219,941)
(166,276)		(219,941)
	Revenue Grants	
(18,750,232)	Housing Benefits	(18,448,545)
(126,167)	Rural Housing Enablers Grant	(139,049)
(37,200)	Strategic Housing Contribution	(37,200)
-	Sportative Grants	(4,500)
-	Ey Up Stand Up	(675)
-	NYS Running Hub	(3,500)
(10,000)	Winter Warm Campaign Grant	(10,000)
(75,000)	Take That Step Grant	(2,887)
(44,616)	Community Safety Partnership Grant	(28,408)
(4,548)	Dance Development Grant	-
(19,047,763)		(18,674,764)
(19,214,039)	Total	(18,894,705)

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.

⁵ Loan transaction review

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16 which were credited to Taxation and Non Specific Grant Income:

2014/2015 £	Grant Income	2015/2016 £
	Credited to Taxation and Non-Specific Grant Income	
(4,341,946)	Council Tax Income	(4,411,188)
(2,098,997)	National Non Domestic Rates Pool	(2,550,771)
(2,186,167)	Revenue Support Grant	(1,602,272)
	<u>Non ringfenced Grants and Contributions:</u>	
-	DCLG Grant - New Homes Burdens Grant	(44,294)
(12,564)	DCLG Grant – Business Rates S31 New Burdens Grant	-
(10,000)	DCLG Grant - Neighbourhood Planning Grant	(5,000)
(64,699)	DCLG Grants – Council Tax New Burdens Grant	(81,270)
-	DCLG Grant – NNDR Cost of Collection	(155,517)
(5,615)	DCLG Grant – Transparency Grant	(8,103)
(72,509)	DCLG Grant – Council Tax Admin Grant	-
(7,855)	DCLG Grant – Asset of Community Value	-
(23,618)	DCLG Grant – Council Tax Annexe Discount	-
(1,069,453)	DCLG New Homes Bonus	(1,347,274)
(15,527)	DCLG Grant – Rural Services Delivery	-
(8,547)	DCLG Grant – Community Rights to Challenge	(3,044)
-	DCLG Grant – Council Tax Relief Family Annexes	(33,544)
(14,800)	DWP Grant - New Burdens Grant	-
(2,401)	DWP Grant – Migrant Access	(453)
(237)	DWP Grant – Housing Benefit Review Programme	(237)
(11,050)	DWP Grant – Local Authority Data Share Programme	(7,416)
(562)	DWP Grant – Single Fraud Investigation	(1,977)
-	DWP Grant - New Burdens Grant	(9,939)
-	DWP Grant - New Burdens Admin Grant	(3,183)
-	DWP Grant - RTI New Burdens Grant	(2,285)
-	DWP Grant - Family Premium	(1,029)
-	DWP Grant - Universal Credits	(28,823)
(5,555)	DWP Grant – Start up Fund – Housing Benefit Fraud and Error Reduction Scheme	(10,277)
-	Smoke Alarms New Burdens	(835)
-	Section 31 Flooding Relief	(10,500)
(32,655)	Cabinet Office Grant – Section 31 Grant (Electoral)	(20,396)
(7,000)	Improvement & Development Agency	-
-	Transparency & Redress scheme	(761)
	<u>Capital Grants & Contributions</u>	
-	Section 31 New Burden Grant	(4,892)
(155,734)	Sport England	-
-	Contribution to Civic Centre Car Park Resurface	(1,481)
(40,154)	Football Foundation	-
(30,000)	LEP Grant	(30,000)
(85,177)	S106 Capital Grants	(4,204)
(10,302,822)	Total	(10,380,965)

There were no capital grants and contributions received in advance for either 2015/2016 or 2014/2015.

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 2015/2016 is shown in Note 33. During 2015/2016 the following material transactions took place with organisations in which Members have an interest.

Councillor	Organisation	Relationship	2015/2016 £	Transaction
M Robson	Abbeyfield, Sowerby	Chairman	3,533	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. 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 £68,772 that is paid by Hambleton District Council to Thirsk and Sowerby Swimming Bath Charity. The Charity is a separate entity but does have several Council Members who are Trustees of the Charity.

Richmondshire District Council

Richmondshire District Council is a related party. During 2015/2016 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 2016 are shown below.

	Service Recharge from RDC to HDC (Creditors) £	Service Recharge from HDC to RDC (Debtors) £
Communications		-
Legal		-
Footway Lighting		10,427
Reprographics		-
Grounds Maintenance	42,674	-
Licensing	-	-
Pest Control	-	-
Community Safety	38,261	-
Human Resources	67,984	-
Environmental Health	-	-
Housing	10,000	-
TOTAL	158,919	10,427
Amounts due to RDC at 31 March 2016	23,793	-
Amounts due from RDC at 31 March 2016 in regards to SLA's		-
Total amounts due from RDC at 31 March 2016		-

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.

2014/2015 £	Capital Expenditure and Capital Financing	2015/2016 £
-	Opening Capital Financing Requirement	
	Capital Investment	
770,748	Property, Plant and Equipment	3,300,975
18,867	Investment Properties	-
204,630	Intangible Assets	106,199
239,535	Revenue Expenditure Funded from Capital under Statute	544,542
-	Long Term Debtor	10,000,000
	Sources of Finance	
(378,083)	Capital receipts	(1,688,505)
(855,697)	Government grants and other contributions	(2,263,211)
-	Direct Revenue Financing	-
-	Closing Capital Financing Requirement	10,000,000
	Explanation of movements in year	
-	Increase in underlying need to borrow	10,000,000
-	Repayment of Finance leases	-

39. Leases

Council as Lessee

Finance Leases

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

Operating Leases

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

The refuse and recycling collection vehicles in 2015/16 are under operating leases with typical lives remaining of two years and recycling vehicles five years. The franking machine has a remaining life of 5 years with the ICT hardware having a typical life of 3 years.

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

31 March 2015 £	Minimum Lease Payments	31 March 2016 £
597,583	Not later than 1 Year	615,604
487,794	Later than 1 Year and not later than 5 Years	1,150,287
-	Later than 5 Years	-
1,085,377	Total Minimum Lease Payments	1,765,891

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

31 March 2015 £	Minimum Lease Payments	31 March 2016 £
620,650	Minimum lease payment in year	597,811
-	- Environmental & Regulatory Services	44,601
-	- Central Services	-
-	Contingent Rents	-
620,650	Total Minimum Lease Payments	642,412

Council as Lessor

Finance leases

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

Operating Leases

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

- For the provision of community services, such as sport facilities, tourism services and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

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

31 March 2015 £	Future Minimum Lease Payments Receivable	31 March 2016 £
18,476	Not Later than 1 Year	45,217
-	Later than 1 Year and not later than 5 Years	11,933
-	Later than 5 Years	-
18,476	Total Minimum Lease Payments	57,150

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/2016 no contingent rents were receivable by the Council (2014/2015 £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 2015/2016 or 2014/2015.

41. Termination Benefits

The Council terminated the contracts of 2 employees in 2015/2016 (15 in 2014/15), incurring liabilities of £388,590 (£437,006 in 2014/2015) - see Note 34 for the number of exit packages and total cost per band. The officers leaving the Council consisted of a Chief Executive, and a Personal Assistant.

42. Defined Benefit Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by North Yorkshire County Council – this is a funded defined benefit career average revalued earnings (CARE) scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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

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

Transactions Relating to Post-employment Benefits

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

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

2014/2015 £	Cost of Services	2015/2016 £
1,245,000	Service cost comprising: Current Service Cost	1,779,000
5,000	Past Service Cost	-
217,000	(Gain)/loss from settlements/curtailment	286,000
520,000	Financing and investment income and expenditure: Net interest expense	569,000
1,987,000	Total Post-employment Benefits charged to the Surplus or Deficit on Provision of Services	2,634,000
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of net defined benefit liability comprising:	
(5,044,000)	Return on plan assets (excluding the amount included in the net interest expense)	1,643,000
-	Actuarial (gains) and losses arising on changes in demographic assumptions	-
10,012,000	Actuarial (gains) and losses arising on changes in financial assumption	(2,932,000)
-	Other – Experience (gain)/loss	(740,000)
4,968,000	Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	(2,029,000)
	Movement in Reserves	
(1,987,000)	Reversal of net charges made to the Surplus of Deficit on the Provision of Services for post-employment benefits in accordance with the code	(2,634,000)
	Actual amount charged against the general fund balance for pensions in the year.	
1,510,000	Employers contributions payable to scheme	1,723,000

Pension Assets and Liabilities Recognised in the Balance Sheet

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

2014/2015 £	Local Government Pension Scheme	2015/2016 £
(69,029,000)	Present Value of defined benefit obligation	(67,997,000)
51,832,000	Fair value of plan assets	51,918,000
(17,197,000)	Net liability arising from defined benefit obligation	(16,079,000)

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

2014/2015 £	Local Government Pension Scheme	2015/2016 £
45,561,000	Opening fair value of scheme assets	51,832,000
2,033,000	Interest Income	1,711,000
	Remeasurement gains/(loss):	
5,044,000	The return on plan assets, excluding the amount included in the net interest expense	(1,643,000)
1,510,000	Contributions from employer	1,723,000
430,000	Contributions by Scheme Participants	469,000
(2,720,000)	Benefits Paid	(2,145,000)
(26,000)	Other – Administration expenses	(29,000)
51,832,000	Closing fair value of scheme assets	51,918,000

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

2014/2015 £	Local Government Pension Scheme	2015/2016 £
57,313,000	Opening balance at April	69,029,000
1,245,000	Current service cost	1,779,000
2,527,000	Interest Income	2,251,000
430,000	Contributions from the scheme participants	469,000
	Remeasurement (gains)/losses:	
-	Actuarial (gain)/losses arising from changes in demographic assumptions	-
10,012,000	Actuarial (gain)/losses arising from changes in financial assumptions	(2,932,000)
-	Other	(740,000)
5,000	Past service cost	-
217,000	Losses/(gains) on curtailment	286,000
(2,720,000)	Benefits paid	(2,145,000)
69,029,000	Closing fair value of scheme assets	67,997,000

Council's Pension Scheme

2014/2015		Fair value of scheme assets	2015/2016	
Quoted £	Unquoted £		Quoted £	Unquoted £
31,099,000	-	Equities	32,293,000	-
3,369,000	-	Property	3,790,000	-
8,760,000	-	Government Bonds	7,320,000	-
3,524,000	-	Corporate Bonds	2,804,000	-
622,000	-	Cash	415,000	-
4,458,000	-	Other	5,296,000	-
51,832,000	-	Total assets	51,918,000	-

Basis for Estimating Assets and Liabilities

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

The Council's Pension Scheme has been estimated by Aon Hewitt Limited, an independent firm of actuaries. The estimates for North Yorkshire Pension Fund are based on the valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2014/2015	Local Government Pension Scheme	2015/2016
23.1 years 25.6 years 25.4 years 28.0 years 2.00% 3.50% 2.00% 3.30%	Mortality Assumptions: Longevity at 65 for Current Pensioners: Men Women Longevity at 65 for Future Pensioners Men Women Rate of CPI Inflation Rate of Increase in Salaries Rate of Increase in Pensions Rate for Discounting Scheme Liabilities Take-up of Option to convert Annual Pension into	23.3 years 25.8 years 25.6 years 28.1 years 1.80% 3.30% 1.80% 3.40%

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

2014/15 £	Increase in assumption Deficit/(Surplus)	2015/16 £
1,322,000	Longevity (increase in year)	1,705,000
1,328,000	Rate of inflation (increase by 0.1% p.a.)	943,000
337,000	Rate of increase in salaries (increase by 0.1% p.a.)	358,000
(1,303,000)	Rate for discounting scheme liabilities (increase by 0.1% p.a.)	(1,279,000)

43. Contingent Liabilities

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

44. Contingent Assets

There are currently no contingent assets (2015: nil).

45. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Treasury Management is carried out by a central treasury management team, under policies approved by Hambleton District Council. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria.

The Council uses the creditworthiness service provided by Capita Asset Services. This service has been progressively enhanced and uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

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

The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The Individual limit for UK Government backed institutions is 50% of total investments or £12m per counterparty whichever 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 2015/16, determined that other than the United Kingdom where no limit will apply, a maximum of 30% of total investments or £3.0m whichever is the lower will be invested in a single institution of 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 £10,980,000 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 2016 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 2016 £	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability at 31 March 2016 £	Estimated maximum exposure at 31 March 2015 £
Customers	4,033,662	4.24	4.24	171,027	81,730

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 £721,513 of the £4,033,662 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31 March 2015 £		31 March 2016 £
5,038	Debtors < 30 days	831
16,440	Debtors 31-60 days	7,433
5,020	Debtors 61-90 days	9,759
648,529	Debtors > 90 days	703,490
675,027		721,513

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 2016 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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments would be reflected in Other Comprehensive Income and Expenditure.

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

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

According to this assessment strategy, at 31 March 2016, 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 £3,034.

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 12.5% shareholding and has contributed £2,520 to the share capital of Veritau North Yorkshire Ltd. This is not exposed to price movements as there is a limited market currently for this service.

Market Risk – Foreign Exchange Risk

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

46. Long Term Investments

2014/2015 £	Long Term Investments	2015/2016 £
2,520	Veritau North Yorkshire Ltd – 12.5%	2,520
2,520	Balance at 31 March	2,520

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

Collection Fund Statement

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

COLLECTION FUND 2015/2016			
2014/2015		2015/2016	
Business Rates £	Council Tax £	Business Rates £	Council Tax £
Total £		Total £	
INCOME			
-	(50,852,043)	-	(52,319,437)
(26,802,526)	-	(27,313,803)	-
(26,802,526)	(50,852,043)	(27,313,803)	(52,319,437)
EXPENDITURE			
Apportionment of Previous Years Surplus/(Deficit)			
(279,351)	-	(742,062)	-
(223,481)	39,350	(593,650)	14,750
(50,283)	336,500	(133,571)	126,560
(5,587)	19,760	(14,841)	7,430
-	65,090	-	24,480
200,582	-	8,050	-
(358,120)	460,700	1,476,074	173,220
102,580		1,302,854	
Precepts, Demands and Shares			
13,126,731	-	13,475,401	-
10,501,384	4,274,785	10,780,320	4,380,825
2,362,811	36,693,095	2,425,572	38,180,614
262,535	2,154,595	269,508	2,241,937
-	7,097,609	-	7,385,306
26,253,461	50,220,084	26,950,801	52,188,682
76,473,545		79,139,483	
Charges to the Collection Fund			
85,710	119,965	175,803	172,913
(10,869)	107,810	(63,293)	(6,526)
895,710	-	192,774	-
154,459	-	155,517	-
-	-	1,123	-
1,125,010	227,775	461,924	166,387
1,352,785		628,311	
217,825	56,516	(1,377,152)	208,852
1,333,551	(371,604)	1,551,376	(315,088)
1,551,376	(315,088)	174,224	(106,236)
1,236,288			67,988

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

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

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

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

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

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

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

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

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 34,710.28 for 2015/2016 (34,021.71 for 2014/2015) being the total number of properties converted to an equivalent number of band D dwellings. The number in each band shown as band D equivalents was:-

A	B	C	D	E	F	G	H	Total
1,764.07	5,281.60	6,654.05	5,744.46	6,332.42	5,062.63	3,611.31	259.74	34,710.28

The average Council Tax for Hambleton at Band D was £1,503.55 made up as follows:

2014/2015 £	Precepting Authorities	2015/2016 £
89.48	Hambleton District Council	89.48
1,078.52	North Yorkshire County Council	1,099.98
208.62	Police & Crime Commissioner – North Yorkshire	212.77
36.17	Parish (Average)	36.73
63.33	North Yorkshire Fire Authority	64.59
1,476.12	Total Average Band D Council Tax	1,503.55

3. National Non Domestic Rates (NNDR)

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

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

The business rates shares payable for 2015/16 were estimated before the start of the financial year as £13,475,401 to Central Government, £2,425,572 to NYCC and £269,508 to NYFRA. These sums have been paid in 2015/16 and charged to the collection fund in year.

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

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

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

Tariffs due from authorities are used to finance the top ups to those authorities who do not achieve their target baseline funding were payable to Central Government but since joining the Pool is now paid to NYCC. In this respect Hambleton paid a Tariff of £8,861,141.

The total income from business rate payers collected in 2015/2016 was £27,313,803 (£26,802,526 in 2014/2015).

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 2016. 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 2015/2016 has been calculated at £912,811 and the total additional relief provided for is £1,105,585. Therefore the total balance for the 2015/16 Provision for Appeals is £1,770,446.

Non-Domestic Rates are collected locally on the basis of a nationally determined rate in the pound of 49.3p for 2015/2016 (48.2p for 2014/2015) for all Businesses not entitled to Small Business Rate Relief and 48.0p (47.1p for 2014/2015) for those that are entitled to the relief, charged on the rateable value of the property. Small Business Rate Relief was introduced by Central Government from 1 April 2005.

The total non-domestic rateable value for the Council's area at 31 March 2016 was £67,713,366 (£66,900,460 in 2014/2015).

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 Police & Crime Commissioner – North Yorkshire.

2014/2015 Business Rates £	2014/2015 Council Tax £	2014/2015 Total £	Contributions to Collection Fund (Surpluses) and Deficits	2015/2016 Business Rates £	2015/2016 Council Tax £	2015/2016 Total £
775,688	-	775,688	Central Government	87,113	-	87,113
620,550	(26,653)	593,897	Hambleton District	69,688	(8,914)	60,774
139,624	(230,352)	(90,728)	Council	15,680	(77,725)	(62,045)
-	(44,557)	(44,557)	North Yorkshire County	-	(15,034)	(15,034)
15,514	(13,526)	1,988	Council	1,743	(4,562)	(2,819)
			Police & Crime			
			Commissioner – North			
			Yorkshire			
			North Yorkshire Fire			
			Authority			
1,551,376	(315,088)	1,236,288		174,224	(106,235)	67,989

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.

2014/2015 £		2015/2016 £
738,546	Balance at 1 April	846,357
(119,965)	Write-offs during year for previous years	(172,913)
227,776	Contributions to provisions during year	166,387
107,811	Net Increase in Provision	(6,526)
846,357	Balance at 31 March	839,831

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

2014/2015 £		2015/2016 £
62,866	Balance at 1 April	71,045
(10,065)	Write-offs during year for previous years	(13,833)
18,244	Contributions to provisions during year	14,108
8,179	Net Increase in Provision	275
71,045	Balance at 31 March	71,320

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

2014/2015 £		2015/2016 £
280,156	Balance at 1 April	269,287
(85,710)	Write-offs during year for previous years	(175,803)
74,841	Contributions to provisions during year	112,510
(10,869)	Net Increase in Provision	(63,293)
269,287	Balance at 31 March	205,994

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

2014/2015 £		2015/2016 £
112,062	Balance at 1 April	107,715
(34,284)	Write-offs during year for previous years	(70,322)
29,937	Contributions to provisions during year	45,005
(4,347)	Net Increase in Provision	(25,317)
107,715	Balance at 31 March	82,398

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 2016.

2014/2015 £		2015/2016 £
681,962	Balance at 1 April	1,577,672
(1,343,750)	Write-offs during year for previous years	(912,811)
2,239,460	Contributions to provisions during year	1,105,585
895,710	Net Increase in Provision	192,774
1,577,672	Balance at 31 March	1,770,446

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

2014/2015 £		2015/2016 £
272,785	Balance at 1 April	631,069
(537,500)	Write-offs during year for previous years	(365,125)
895,784	Contributions to provisions during year	442,234
358,284	Net Increase in Provision	77,109
631,069	Balance at 31 March	708,178

Glossary of Terms

Accruals:

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

Amortised Premiums/Discounts:

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

Appropriations:

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

Asset:

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

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

Balance Sheet:

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

Capital Adjustment Account:

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

Capital Charge:

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

Capital Expenditure:

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

Capital Receipts:

The money received from the sale of assets.

CIPFA:

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

Collection Fund:

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

- **Levies** – If the Retained Rates Income of the Council is greater than the Funding Baseline central government take up to a maximum of 50% to fund any Safety Net

Payments elsewhere in the country.

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

Community Assets:

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

Comprehensive Income and Expenditure Account:

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

Contingency:

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

Contributions to Funds:

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

Corporate and Democratic Core:

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

Council Tax:

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

Creditors:

Amounts incurred by the Council but not yet paid.

Debtors:

Amounts due to the Council but not yet received.

Defined Benefit Scheme:

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

Deferred Capital Receipts:

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

Depreciation:

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

Expected Rate of Return on Pension Assets:

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

Fair Value:

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

Fixed Assets:

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

Financial Reporting Standards:

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

General Fund:

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

Government Grants:

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

Housing Subsidy:

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

IAS 19:

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

Income:

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

International Financial Reporting Standards (IFRS):

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

Investments (Non Pensions Fund):

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

Investments (Pensions Fund):

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

Liability:

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

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

Major Repairs Allowance:

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

Minimum Revenue Provision (MRP):

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

National Non-Domestic Rate (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.