STATEMENT OF ACCOUNTS
2011/12

RICHMONDSHIRE
DISTRICT COUNCIL

CONTENTS

EXPLANATORY FOREWORD

1. Introduction

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

2. Statement of Accounts

The Council's accounts for the year 2011/2012 are set out at pages 1 to 100 they consist of:-

Statement of Responsibilities for the Statement of Accounts
This explains both the Council's and Chief Finance Officer's responsibilities in respect of the Statement of Accounts as shown on page 8.

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 as shown on pages 9 & 10.

Comprehensive Income & Expenditure Statement
This statement summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It also brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in net worth as shown on page 11.

Balance Sheet
This sets out the financial position of the Council on 31st March 2012. 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 as shown on page 12.

Cash Flow Statement
This summarises the total movement of the Council's funds as shown on page 13.

Explanatory Notes to Core Financial Statements
This explains the basis of the figures in the accounts. The accounts can only be properly appreciated if the policies that have been followed in dealing with material items are explained. Changes in policies from previous years have been clearly shown (see Note 1).

Housing Revenue Account
This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how these costs are met, as shown on pages 78 to 85.

Collection Fund
This shows income and expenditure relating to Council Tax and National Non-Domestic Rate Collection as shown on pages 86 to 88.

Glossary of Terms
Explaining the meaning of the terms used in the statements.

Annual Governance Statement
This explains the Council's responsibilities in respect of the controls in place in relation to all aspects of corporate governance.

Independent Auditors' Report
This provides the audit opinion on the Statement of Accounts.

3. Revenue Expenditure for the Financial Year 2011/2012

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 the Council Tax, Business Rates, Government Grants, rents and other income. Revenue Expenditure for 2011/2012 is summarised in the Comprehensive Income and Expenditure Statement. This shows the costs of all the Council's services and how the net expenditure has been funded.

The Comprehensive Income and Expenditure Statement on page 11 shows gross expenditure on all of the Council's services for 2011/12 is £49,376,030. The following chart shows what the Council's money is spent on.

Chart 1 - What the money is spent on - £49.4m

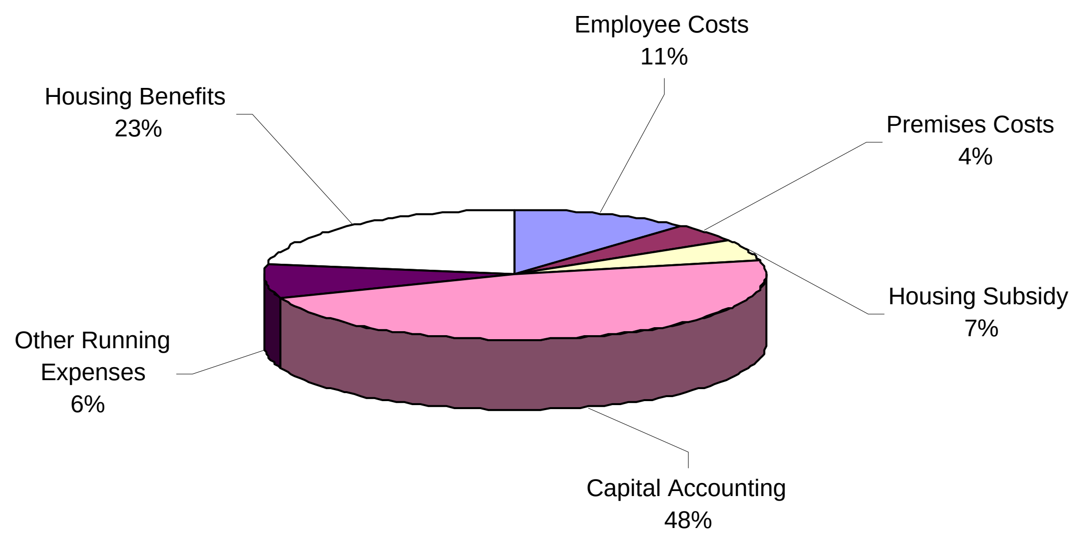

Chart 1 shows that a large proportion of the Council's money is spent on payments of Housing and Council Tax Benefit, 23% (£11.3m). The largest proportion, 48% (£23.8m) being on capital accounting charges. These are made up of depreciation, impairment and capital expenditure funded from revenue under statute. These charges are particularly high in 2011/12 because of the £22.19m allocated to the Council by Central Government as a result in the changes in legislation to the system of Local Authority housing finance. From 2012/13 this will result in the end of the Housing Subsidy regime which accounts for 7% (£3.7m) of expenditure in 2011/12 above. The remaining spend is made up of 11% (£5.6m) on employee costs, 6% (£3.1m) on other running expenses, including operating vehicles and purchasing various external supplies and services and 4% (£1.9m) on premises costs.

Revenue Expenditure in 2011/12 Compared to the Agreed Budget

The main components of the 2011/12 budget and how these compare with actual income and expenditure are set out below. The latest approved budget reflects changes made to the Council's budget during the financial year.

	Latest Approved Budget £	Actual £	Variance (Over) or Under Budget £
Net Expenditure by Business Theme			
Corporate Management	1,824,910	2,097,761	(272,851)
Customer Services	2,911,010	2,792,541	118,469
Delivery & Improvement	575,890	575,843	47
Partnerships	1,054,880	905,727	149,153
Housing & Planning – General	872,370	695,845	176,525
Housing & Planning – Housing Revenue A/C	(60,200)	(3,315)	(56,885)
Drainage Board Levies	16,900	16,016	884
Total Net Expenditure	**7,195,760**	**7,080,418**	**115,342**
Financed by:			
Revenue Support Grant	887,012	887,012	-
Business Rates	2,573,852	2,573,852	-
Council Tax	3,638,289	3,638,289	-
Total Funding	**7,099,153**	**7,099,153**	**-**
Funding Shortfall Transferred to/(from) Reserves	**(96,607)**	**18,735**	**115,342**

The Business Theme expenditure headings and figures reported above reflect the Council's organisational and management structure. These are not consistent with the Service headings reported within the Comprehensive Income and Expenditure Statement on page 11, which conform with the Service Reporting Code of Practice (SerCOP) requirements.

The spending, financing and surplus figures reported above are also not the same as those reported in the Comprehensive Income & Expenditure Statement. This is because of a number of accounting transactions that are required, under International Financial Reporting Standards, to be reflected in the Comprehensive Income & Expenditure Statement but which have no impact on funding or the level of Council Tax required. A brief reconciliation of the two sets of figures is as follows:-

	Expenditure £
Expenditure per Council's Accounts (as above)	**7,080,418**
Other required accounting entries reflected in the Comprehensive Income & Expenditure Statement	
- Capital Accounting	21,981,596
- Council Tax Collection Fund Accounting	12,221
- Holiday Pay Accounting	(1,329)
- Pensions Accounting	192,000
	29,264,906
Less Funding (as above)	7,099,153
Deficit on Provision of Services per Comprehensive Income & Expenditure Statement	**22,165,753**

4. Capital Expenditure for the Financial Year 2011/2012

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 2011/12 the Council spent £24,071,000 (2010/11 £1,860,568) on capital schemes. An analysis of where the money was spent and the sources of funding is shown in the tables below:-

2010/2011 %	2010/2011 £000's	Capital Expenditure Analysis	2011/12 %	2011/12 £000's
21	386	Central Services	1	214
4	71	Cultural and Related Services	-	95
2	42	Environmental Services	-	-
12	214	Planning and Development	1	198
1	25	Highways, Roads and Transportation	-	14
60	1,123	Housing	99	23,550
100	**1,861**	**Total Capital Expenditure**	**100**	**24,071**

2010/2011 %	2010/2011 £000's	Where the Money Came From	2011/12 %	2011/12 £000's
25	463	Government Grants	1	309
12	219	Capital Receipts	1	106
1	21	Revenue Contributions	1	240
45	831	Major Repairs Allowance	5	1,228
17	327	Internal Borrowings	92	22,188
100	**1,861**	**Total Capital Expenditure**	**100**	**24,071**

The majority of the Council's total capital expenditure in 2011/12 was in respect of housing services. This was as a result of a change in Central Government legislation whereby the national housing debt was redistributed to all housing authorities in England resulting in the abolition of the existing Housing subsidy regime. Richmondshire District Council was allocated £22,188,000 of the national debt which is required to be treated as capital expenditure. A loan for the same amount was taken out by the Council to cover the cost of this payment to Central Government. In addition to this one off payment the Council spent around £1m improving council housing through a planned programme of maintenance and improvement. Approximately £120,000 was paid out in Disabled Facility and Renovation Grants and a further £292,000 was paid out in grant to local community and business groups to support schemes such a sports projects and economic development.

5. Borrowing

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

At the end of the financial year, the Council's long term borrowing was £25,641,596. Of this total, £23,388,000 relates to new borrowing in 2011/12. £22,188,000 relates to the payment to Central Government in respect of housing finance and £1,200,000 to cover the 2011/12 Capital Programme.

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

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

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

The standard also requires all investments (assets) to 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 £18,128,000 as at 31 March 2012. This effectively means that the Council has historically underpaid contributions relative to the future benefits earned to date by its employees. The liability increased by £2,757,000 (18%) in 2011/2012.

Further information in respect of retirement benefits is disclosed in Note 40 to the Statement of Accounts.

7. Changes to the Accounting Practice
During the 2011/2012 financial year there have been some further changes to the way Local Government accounts are presented. These are to ensure that Local Authorities are presenting their statements in accordance with International Financial Reporting Standards (IFRS). Prior to 1 April 2010, Local Authorities presented their financial statements in accordance with UK GAAP.

8. Changes to Accounting Policies
There have been changes to Accounting Policies as a result of the implementation of the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom.

The 2011/12 Code of Practice adopts the requirements of FRS 30 Heritage Assets. Heritage assets are carried at valuation where possible, and additional disclosures are required. The Code also permits, but does not require, authorities to adopt the measurement and disclosure requires within FRS 30 for community assets. These changes amount to changes in accounting policy that may require additional disclosures in both the 2011/12 and 2010/11 financial statements.

Heritage assets are non current assets that are intended to be preserved in trust for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities. They are held and maintained principally for their contribution to knowledge and culture. Heritage assets are measured at valuation where available and the asset is recognised within the Balance Sheet. Valuations are reviewed with sufficient frequency to ensure measurement remains current.

Where the Council considers that obtaining full valuations for assets would involve a disproportionate cost in comparison to the benefits to the users of the financial statements the asset is not recognised in the balance sheet, but included in the accounts as a disclosure. Where heritage assets are held within the Balance Sheet, the carrying amounts will be reviewed where there is evidence of impairment i.e. where an item has suffered physical deterioration or breakage or where

doubts arise to authenticity. Any impairment is recognised in accordance with the Councils general policies on impairment.
If it is agreed to dispose of any heritage assets the proceeds are accounted for in accordance with the Councils 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 for capital receipts.

Heritage Assets are not subject to depreciation as they are considered to have indefinite lives.

9. Review of the Council's Current Financial Position

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

For Housing Revenue Account expenditure (expenditure on Council Housing funded from rents), the Council works to a 30 year business model. The business model has been adapted from 2012/13 to take account of recent changes to the system of local government housing finance. The business model aims to repay the debt allocated to the Council by central Government under this new system within 20 years. Whilst forecasting a significant increase in the Housing Revenue Account Reserve giving the Council greater flexibility.

At the start of the financial year, 1 April 2011, the Council's unallocated revenue reserves stood at £3.05m (£2.45m General Fund and £0.6m Housing Revenue Account). By the end of the financial year, 31 March 2012, balances on unallocated revenue reserves totalled £3.38m (£2.88m General Fund and £0.5m Housing Revenue Account.)

The balance sheet position as at 31 March 2012 shows a reduction in the Council's net worth of £24.319m. This is largely due to the new long term liability relating to the loan of £22.188m taken out by the Council to repay the debt reallocated by central Government under the new system of local government housing finance.

10. Shared Services

In early 2012 a review of the shared service arrangements with Hambleton District Council was initiated. This has resulted in the Council considering the requirement for its own senior management team. The review process is ongoing and is scheduled for decision in October 2012 for implementation by 2013.

Richmondshire and Hambleton councillors are currently looking at new ways of working together.

Members of both authorities have agreed that some existing 'shared' services will be separated – but others will be reviewed and many will continue to be joint operations.

Shared services have been a success and brought huge savings for both councils at a time when they were facing cuts. But with both now having their own senior management teams a review of the services shared is underway.

That has already seen some services – including customer services and business support – repatriated to their original councils, while others will operate under a 'service level agreement' with one council providing the service for the other. Larger areas – including waste, environmental health, council tax, community safety and licensing – will be looked at in greater detail next year and may remain shared.

11. Other Sources of Information

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

12. Inspection and Audit of Accounts

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

The Council's external auditors are:

Deloitte
1 City Square
Leeds
LS1 2AL

13. Further Information

Further information about the accounts is available from the Chief Financial Officer, Swale House, Frenchgate, Richmond, North Yorkshire, DL10 7JE and on our website www.richmondshire.gov.uk.

S Hansom
Chief Financial Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:-

- To make arrangements for the proper administration of its financial affairs and to secure that an officer has responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the statement of accounts.

I confirm that the Audit and Governance Committee of Richmondshire District Council approved this Statement of Accounts at the meeting held on 25 September 2012.

Cllr Stuart Parsons
Chair of Audit and Governance Committee
Date: 27 September 2012

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 Code of Practice.

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 Richmondshire District Council at 31st March 2012 and its income and expenditure for the year then ended.

Sian Hansom

Sian Hansom, ACA
Chief Financial Officer
Date: 27 September 2012

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 and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2011/2012

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	**Total Usable Reserves**	Unusable Reserves	**Total Council Reserves**
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	**(500)**	**(1,946)**	**(341)**	**(4)**	**(262)**	**(3,053)**	**(40,130)**	**(43,183)**
(Deficit)/Surplus on the provision of services	513	-	21,653	-	-	**22,166**	-	**22,166**
Other Comprehensive Income and Expenditure	-	-	-	-	-	**-**	2,153	**2,153**
Total Comprehensive Income and Expenditure	**513**	**-**	**21,653**	**-**	**-**	**22,166**	**2,153**	**24,319**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(710)	-	(21,653)	(214)	76	**(22,501)**	22,501	**-**
Net Increase/(decrease) before Transfers to Earmarked Reserves	**(197)**	**-**	**-**	**(214)**	**76**	**(335)**	**24,654**	**24,319**
Transfers (to)/from Earmarked Reserves (Note 8)	197	(194)	(3)	-	-	**-**	-	**-**
Increase/(Decrease) in 2011/12	**-**	**(194)**	**(3)**	**(214)**	**76**	**(335)**	**24,654**	**24,319**
Balance at 31 March 2012 carried forward	**(500)**	**(2,140)**	**(344)**	**(218)**	**(186)**	**(3,388)**	**(15,476)**	**(18,864)**

2010/2011 Comparative Figures

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	**Total Usable Reserves** £000	Unusable Reserves £000	**Total Council Reserves** £000
Balance at 31 March 2010	**(500)**	**(1,282)**	**(84)**	**(7)**	**-**	**(1,873)**	**(59,746)**	**(61,619)**
(Deficit)/Surplus on the provision of services	(1,758)	-	23,682	-	-	**21,924**	-	**21,924**
Other Comprehensive Income and Expenditure	-	-	-	-	-	**-**	(3,488)	**(3,488)**
Total Comprehensive Income and Expenditure	**(1,758)**	**-**	**23,682**	**-**	**-**	**21,924**	**(3,488)**	**18,436**
Adjustments between accounting basis & funding basis under regulations (Note 7)	837	-	(23,682)	3	(262)	**(23,104)**	23,104	**-**
Net Increase/(decrease) before Transfers to Earmarked Reserves	**(921)**	**-**	**-**	**3**	**(262)**	**(1,180)**	**19,616**	**18,436**
Transfers (to)/from Earmarked Reserves (Note 8)	921	(664)	(257)	-	-	**-**	-	**-**
Increase/(Decrease) in 2010/11	**-**	**(664)**	**(257)**	**3**	**(262)**	**(1,180)**	**19,616**	**18,436**
Balance at 31 March 2011 carried forward	**(500)**	**(1,946)**	**(341)**	**(4)**	**(262)**	**(3,053)**	**(40,130)**	**(43,183)**

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.

2010/2011				2011/2012		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
3,273,277	(2,888,426)	384,851	Central Services to the Public	3,360,544	(2,880,891)	479,653
1,305,282	(133,798)	1,171,484	Cultural and Related Services	881,138	(41,236)	839,902
3,823,792	(1,275,029)	2,548,763	Environmental and Regulatory Services	4,101,609	(1,689,088)	2,412,521
1,480,481	(755,304)	725,177	Planning Services	1,302,471	(571,434)	731,037
534,230	(467,055)	67,175	Highways and Transport Services	192,216	(303,836)	(111,620)
28,978,065	(5,468,411)	23,509,654	Local Authority Housing (HRA)	27,346,477	(5,865,141)	21,481,336
9,586,573	(8,847,413)	739,160	Other Housing Services	10,129,676	(9,402,064)	727,612
1,506,856	-	1,506,856	Corporate and Democratic Core	1,483,538	(2,415)	1,481,123
696,161	(2,645,925)	(1,949,764)	Non Distributed Costs	578,361	(13,719)	564,642
51,184,717	**(22,481,361)**	**28,703,356**	**Net Cost Of Services**	**49,376,030**	**(20,769,824)**	**28,606,206**
		613,455	Other Operating Expenditure (Note 9)			347,362
		999,413	Net Financing and Investment Expenditure/(Income) (Note 10)			792,722
		(8,391,769)	Taxation and Non-Specific Grant Income (Note 11)			(7,580,537)
		21,924,455	**(Surplus) or Deficit on Provision of Services**			**22,165,753**
		(90,062)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment (Note 12)			(411,707)
		(3,398,000)	Actuarial (Gains)/Losses on Pension Assets / Liabilities (Note 40)			2,565,000
		(3,488,062)	**Other Comprehensive Income and Expenditure**			**2,153,293**
		18,436,393	**Total Comprehensive Income and Expenditure**			**24,319,046**

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 2011 £		Notes	31 March 2012 £
60,216,109	Property, Plant & Equipment	12	60,328,290
1,086,500	Investment Property	14	956,500
169,844	Intangible Assets	15	298,682
93,267	Long Term Debtors		88,000
61,565,720	**Long Term Assets**		**61,671,472**
-	Short Term Investments	16	-
75,713	Inventories	17	87,944
2,109,014	Short Term Debtors	19	3,130,438
177,568	Cash and Cash Equivalents	20	959,340
2,362,295	**Current Assets**		**4,177,722**
-	Short Term Borrowing	16	-
(2,983,558)	Short Term Creditors	22	(3,102,480)
(2,983,558)	**Current Liabilities**		**(3,102,480)**
(2,255,395)	Long Term Borrowing	16	(25,641,596)
(126,003)	Other Long Term Liabilities		(87,151)
(15,371,000)	Pension Liability	40	(18,128,000)
(9,197)	Capital Grants Receipts in Advance		(26,150)
(17,761,595)	**Long Term Liabilities**		**(43,882,897)**
43,182,862	**Net Assets**		**18,863,817**
(3,053,128)	Usable Reserves	24	(3,388,819)
(40,129,734)	Unusable Reserves	25	(15,474,998)
(43,182,862)	**Total Reserves**		**(18,863,817)**

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.

2010/2011 £		2011/2012 £
21,924,455	Net (surplus)/deficit on the provision of services	22,165,753
(24,108,016)	Adjustments to net (surplus)/deficit on the provision of services for non cash movements (Note 26)	(23,936,390)
632,060	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities (Note 27)	333,216
(1,551,501)	Net cash (inflows)/outflows from Operating Activities	(1,437,421)
1,308,399	Investing Activities (Note 28)	23,666,102
387,636	Financing Activities (Note 29)	(23,010,453)
144,534	Net (increase)/decrease in cash and cash equivalents	(781,772)
(322,102)	(Surplus)/deficit cash and cash equivalents at the beginning of the year	(177,568)
(177,568)	**(Surplus)/deficit cash and cash equivalents at the end of the year (Note 20)**	**(959,340)**

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i) General Principles

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

The Statement of Accounts summarise the Council's transactions for the 2011/2012 financial year and its position at the year ending 31 March 2012. These practises primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards.

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

ii) Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue line 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) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

v) Charges to the Comprehensive Income and Expenditure Statement for the Use of Non-current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue to towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi) Employee Benefits

Benefits Payable During Employment
Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries and wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and as far as practicable will be recognised in the year in which the service is rendered by the employees to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary and wages rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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

of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

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

- The liabilities of the North Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bond [iBoxx Sterling AA corporate bond]).
- The assets of the North Yorkshire Pension Fund attributable to the Council are included in the balance sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value
- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
    - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
    - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial

valuation or because the actuaries have updated their assumptions – debited to the Other Comprehensive Income and Expenditure.

- o Contribution paid to the North Yorkshire Local Government pension fund – cash paid as employer's contributions to the pension fund.

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

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

vii) 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 (Note 6).

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, a disclosure will be made in the Events After the Balance Sheet Date note (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.

viii) 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 Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

Financial Assets
Financial assets are classified into two types:

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

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

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

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

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

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

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

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

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

- instruments with quoted market prices - the market price

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

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

ix) 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.

x) Community Infrastructure Levy

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

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

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

xi) Heritage Assets

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment see page 25 and Note 12. 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 as described on pages 5- 6.

xii) 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.

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 assets held by the Council meet this criteria, 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.

xiii) Inventories and Work in Progress

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.

xiv) Investment Property

Investment properties are those that 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 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.

xv) Jointly Controlled Operations and Jointly Controlled Assets

The Council is in partnership with Richmondshire Leisure Trust (RLT) for the delivery of Leisure Services in the District by RLT. This arrangement for 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 (RLT), with the assets being used to obtain benefits for the venturers (RLT). 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.

xvi) Leases

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

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

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

The Council as Lessee

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant and equipment – applied to write down the lease liability, and

- a finance charge (debited to the financing and Investment Income and Expenditure line in the comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

<u>Operating Leases</u>
Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, generally meaning that rentals are charged when they become payable.

The Council as Lessor

<u>Finance Leases</u>
Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (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.

xvii) 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 2011/12 (SeRCOP).* The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

xviii) Property, Plant and Equipment

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

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred.

Measurement
Assets are initially measured at cost, comprising:

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

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

- dwellings fair value, determined using the basis of existing use value for social housing (EUV-SH)

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

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

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

- 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 are not revalued as almost all of them have an expected life of 5years.

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

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 it 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:

- dwellings and 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 25 years or less if appropriate.

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.

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

Amounts received in excess of £6,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

xix) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xx) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line in Comprehensive Income and Expenditure Statement in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. An analysis of the movement on the reserves is shown in Note 7.

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

The Council maintains a General Fund Working Balance and also holds reserves earmarked for specific purposes which are detailed in Note 8 of the Notes to the Statement of Accounts. These reserves together with the Capital Grant Unapplied Reserve 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.

xxi) Revenue Expenditure Funded from Capital under Statute

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

xxii) VAT

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

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

International Accounting Standard 8 requires entities to disclose the expected impact of new standards that have been issued but not yet adopted Local Authorities are now required to disclose information relating to the impact of the accounting change. For the financial year 2011/2012 it would mean that any standards issued on or before 1st January 2012 will need to be disclosed.

The Code of Practice on Local Authority Accounting 2012/13 has introduced a change in accounting policy in relation to International Financial Reporting Standard 7 Financial Instruments: Disclosures, which will need to be adopted fully by the Council in the 2012/13 financial statements. The change replaces the previous requirements of the 2011/12 Code of Practice with detailed disclosure requirements that are designed to assist users of the financial statements to evaluate risk of exposures relating to transfers of financial assets. Such transfers are not common transactions for local authorities and the Council has not entered into any transactions covered by the changes in the 2011/12 financial year.

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 critical judgements made in the Statement of Accounts are:

- influences on going concern. There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision
- possible impairment of investments
- whether other entities with which the Council has a relationship are subsidiaries, associates or jointly controlled entities
- whether contracts need to be accounted for as service concessions or with embedded leases
- whether a lease is an operating or a finance lease
- the potential outcome of legal claims by or against the Council
- whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability
- whether land and buildings owned by the Council are investment properties.

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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. It is estimated that the annual depreciation charge for buildings would increase by £236,000 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount and inflation rates 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 £692,000. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pension's liability had increased by £2.8m as a result of estimates being corrected as a result of experience and due to updating of the assumptions.
Provision for bad and doubtful debts	At 31 March 2012, the Council had a balance of sundry debtors for £508,886. A review of significant balances suggested that an impairment of doubtful debts of 33% (£166,640) 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 the impairment of doubtful debts would require an additional £166,640 to set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

5. Material Items of Income and Expense

On 28th March 2012 the Council took out a loan of £22,188,000. This was a result of the reallocation by Central Government of the national housing debt and the abolition of the old Housing Subsidy regime in favour of a localised system of self financing.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised as at signing by the Head of Finance and Section 151 Officer on 30 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information on conditions existing at 31 March 2012, 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. (For housing authorities – however, the balance is not available to be applied to funding HRA services.)

Housing Revenue Account Balance
The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve
The Council is required to maintain the Major Repairs Reserve, which controls the application of Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in the HRA assets or financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

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.

2011/2012	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
Reversal of amounts included in the Comprehensive Income and Expenditure Statement: but required by statute to be excluded from the movement on the General Fund Balance:						
Charges for depreciation and impairment of non current assets	(484)	(1,130)	-	-	-	1,614
Revaluation gains/(losses) on Property Plant and Equipment	(417)	751	-	-	-	(334)
Movements in the market value of Investment Properties	(130)	-	-	-	-	130
Amortisation of intangible assets	(88)	-	-	-	-	88
Capital grants and contributions	309	-	-	-	-	(309)
Revenue expenditure funded from capital under statute	(413)	(22,304)	-	-		22,717
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(133)	(24)	-	-	-	157
Insertion of amounts not included in the Comprehensive Income and Expenditure Statement but required by statute to be included in the movement on the General Fund Balance:						
Statutory provision for the financing of capital investment	190	-	-	-	-	(190)
Capital expenditure charged against the General Fund and HRA balances	240	92	-	-	-	(332)
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (CIES)	305	62	(367)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	106	-	-	(106)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(2)	2	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	(45)	45	-	-	-
Adjustments involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		1,061	-	(1,061)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	1,137	-	(1,137)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 40)	(192)	-	-	-	-	192
Employer's pensions contributions and direct payments to pensioners payable in the year	-	-	-	-	-	-

2011/2012	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(12)	-	-	-	-	12
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3	(2)	-	-	-	(1)
Total Adjustments	**(822)**	**(21,541)**	**(214)**	**76**	**-**	**22,501**

2010/2011 Comparative Figures	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
Reversal of amounts included in the Comprehensive Income and Expenditure Statement: but required by statute to be excluded from the movement on the General Fund Balance:						
Charges for depreciation and impairment of non current assets	(807)	(24,813)	-	-	-	25,620
Revaluation gains/(losses) on Property Plant and Equipment	-	-	-	-	-	-
Movements in the market value of Investment Properties	25	-	-	-	-	(25)
Amortisation of intangible assets	(52)	-	-	-	-	52
Capital grants and contributions	463	-	-	-	-	(463)
Revenue expenditure funded from capital under statute	(678)	(117)	-	-	-	795
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(252)	(87)	-	-	-	339
Insertion of amounts not included in the Comprehensive Income and Expenditure Statement but required by statute to be included in the movement on the General Fund Balance:						
Statutory provision for the financing of capital investment	353	-	-	-	-	(353)
Capital expenditure charged against the General Fund and HRA balances	21	-	-	-	-	(21)
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (CIES)	167	216	(383)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	219	-	-	(219)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(4)	4	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	(160)	160	-	-	-
Adjustments involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	1,093	-	(1093)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	831	-	(831)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 40)	-	-	-	-	-	-

2010/2011 Comparative Figures	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Employer's pensions contributions and direct payments to pensioners payable in the year	1,616	191	-	-	-	(1,807)
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(22)	-	-	-	-	22
Adjustment involving the Accumulating Compensated Absences Adjustment Account:						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6	(1)	-	-	-	(5)
Total Adjustments	**837**	**(23,682)**	**3**	**(262)**	**-**	**23,104**

8. Transfers To/ (From) Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/2012.

	Balance at 1 April 2010	Transfers Out 2010/2011	Transfers In 2010/2011	Balance at 31 March 2011	Transfers Out 2011/2012	Transfers In 2011/2012	Balance at 31 March 2012
	£	£	£	**£**	£	£	**£**
General Fund:							
Service Improvement Reserve	**624,537**	(417,480)	430,311	**637,368**	(309,931)	669,584	**997,021**
Council Taxpayers Reserve	**212,968**	-	168,861	**381,829**	(156,807)	-	**225,022**
Shared Services Efficiency Reserve	**164,774**	-	258,380	**423,154**	(730,000)	750,145	**443,299**
RDC Efficiency Reserve	**0**	(247,190)	423,420	**176,230**	(176,230)	153,430	**153,430**
Community Safety Partnership	**98,035**	(9,181)	-	**88,854**	(2,685)	-	**86,169**
CCTV	**34,669**	(2,617)	-	**32,052**	(1,934)		**30,118**
Developers Monies Fund	**45,409**	-	-	**45,409**	-	-	**45,409**
Local Plan Enquiry Fund	**101,982**	-	-	**101,982**	(40,167)	-	**61,815**
Youth Council	**0**	-	11,330	**11,330**	-	-	**11,330**
Local Strategic Partnership	**0**	-	47,612	**47,612**	(21,348)	-	**26,264**
New Homes Bonus	**0**	-	-	**0**		60,422	**60,422**
Total General Fund	**1,282,374**	**(676,468)**	**1,339,914**	**1,945,820**	**(1,439,102)**	**1,633,581**	**2,140,299**
Housing Revenue Account							
Major Repairs Reserve	**0**	(830,967)	1,092,749	**261,782**	(1,136,802)	1,060,942	**185,922**
Total HRA	**0**	**(830,967)**	**1,092,749**	**261,782**	**(1,136,802)**	**1,060,942**	**185,922**

9. Other Operating Expenditure

2010/2011 £		2011/2012 £
477,047	Parish Council Precepts	493,605
16,016	Levies	16,016
159,657	Payments to the Government Housing Capital Receipts Pool	45,190
(39,265)	Losses/(Gains) on the Disposal of Non Current Assets	(207,449)
613,455	**Total**	**347,362**

10. Financing and Investment Income and Expenditure

2010/2011 £		2011/2012 £
169,979	Interest Payable and Similar Charges	163,557
2,367,000	Pensions Interest Cost	2,158,000
(1,412,000)	Expected Return on Pensions Assets	(1,550,000)
(100,566)	Interest Receivable and Similar Income	(108,835)
(25,000)	Net (Income)/Expenditure in Relation to Investment Properties and Changes in their Fair Value	130,000
999,413	**Total**	**792,722**

11. Taxation and Non Specific Grant Income

2010/2011 £		2011/2012 £
(4,137,213)	Council Tax Income	(4,119,673)
(3,715,090)	National Non Domestic Rates Pool	(2,573,852)
(539,466)	Non Ring-fenced Government Grants	(887,012)
(8,391,769)	**Total**	**(7,580,537)**

12. Property, Plant and Equipment

Movements on Balances 2011/2012:

	Council Dwellings £	Other Land and Buildings £	Vehicles, Plant, furniture & Equipment £	Infrastructure Assets £	Community Assets £	Assets Under Construction £	Total Property, Plant and Equipment £
Cost or Valuation							
At 1 April 2011	61,914,987	11,048,319	4,894,837	585,566	559,441	-	**79,003,150**
Additions	995,102	23,561	104,852	13,605	-	-	**1,137,120**
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	-	411,707	-	-	-	-	**411,707**
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	751,418	(416,964)	-	-	-	-	**334,454**
Derecognition – Disposals	(26,502)	(169,512)	(29,945)	-	-	-	**(225,959)**
At 31 March 2012	**63,635,005**	**10,897,111**	**4,969,744**	**599,171**	**559,441**	**-**	**80,660,472**

	Council Dwellings £	Other Land and Buildings £	Vehicles, Plant, Furniture & Equipment £	Infrastructure Assets £	Community Assets £	Assets Under Construction £	Total Property, Plant and Equipment £
Accumulated Depreciation and Impairment							
At 1 April 2011	(10,591,716)	(3,710,868)	(4,240,351)	(159,763)	(84,343)	-	**(18,787,041)**
Depreciation charge	(1,060,942)	(236,144)	(276,500)	(28,074)	(12,049)	-	**(1,613,709)**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**
Impairment (losses)/ reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**
Derecognition - Disposals	2,012	40,572	25,984	-	-	-	**68,568**
Derecognition - Other	-	-	-	-	-	-	**-**
Other movements in Depreciation and Impairment	-	-	-	-	-	-	**-**
At 31 March 2012	**(11,650,646)**	**(3,906,440)**	**(4,490,867)**	**(187,837)**	**(96,392)**	**-**	**(20,332,182)**
Net Book Value							
At 31 March 2012	**51,984,359**	**6,990,671**	**478,877**	**411,334**	**463,049**	**-**	**60,328,290**
At 31 March 2011	**51,323,271**	**7,337,451**	**654,486**	**425,803**	**475,098**	**-**	**60,216,109**

Comparative Movements in 2010/2011:

	Council Dwellings £	Other Land and Buildings £	Vehicles, Plant, furniture & Equipment £	Infrastructure Assets £	Community Assets £	Assets Under Construction £	Total Property, Plant and Equipment £
Cost or Valuation							
At 1 April 2010	85,053,004	10,986,562	4,790,201	560,016	559,441	150,666	**102,099,890**
Additions	664,215	51,435	144,794	25,550	-	-	**885,994**
Donations	-	-	-	-	-	-	**-**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services *	(23,708,435)	90,062	-	-	-	-	**(23,618,373)**
Derecognition – Disposals	(93,797)	(79,740)	(40,158)	-	-	-	**(213,695)**
Derecognition – Other	-	-	-	-	-	-	**-**
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	**-**
Other movements in Cost or Valuation	-	-	-	-	-	-	**-**
At 31 March 2011	**61,914,987**	**11,048,319**	**4,894,837**	**585,566**	**559,441**	**150,666**	**79,153,816**

*** As restated for £23,708,435 reclassified from Impairment Loss to Revaluation Decrease**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant a nd Equipment
	£	£	£	£	£	£	£
Accumulated Depreciation and Impairment							
At 1 April 2010	(9,505,343)	(3,468,266)	(3,834,038)	(132,369)	(72,294)	-	**(17,012,310)**
Depreciation charge	(1,092,749)	(242,602)	(424,163)	(27,394)	(12,049)	-	**(1,798,957)**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**
Impairment (losses)/ reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services *	-	-	-	-	-	(150,666)	**(150,666)**
Derecognition - Disposals	6,376	-	17,850	-	-	-	**24,226**
Derecognition - Other	-	-	-	-	-	-	**-**
At 31 March 2011	**(10,591,716)**	**(3,710,868)**	**(4,240,351)**	**(159,763)**	**(84,343)**	**(150,666)**	**(18,937,707)**
Net Book Value							
At 31 March 2011	**51,323,271**	**7,337,451**	**654,486**	**425,803**	**475,098**	**-**	**60,216,109**
At 31 March 2010	**75,547,661**	**7,518,296**	**956,163**	**427,647**	**487,147**	**150,666**	**85,087,580**

*** As restated for £23,708,435 reclassified from Impairment Loss to Revaluation Decrease**

Depreciation
Depreciation is generally provided on all fixed assets other than freehold land, and is charged from the date of purchase up to the date of disposal. Enhancements to the Council House stock are assumed to take place at the start of the year. The Council depreciates its assets on a straight line basis over the expected life of asset.

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

- Council Dwellings – 60 years
- Other Land and Buildings – 15-60 years
- Vehicles, Plant Furniture & Equipment – 3-10 years

Capital Commitments
At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/2013 and future years budgeted to cost approximately £3 million. Similar commitments at 31 March 2011 were £4,003,570. The major commitments are:

This commitment relates to the Council's Maintenance and Improvement Partnership with Kier services for the maintenance and improvement of the Council's housing stock.

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

Note 1 Accounting Policies xviii) on page 23 relates to Property, Plant and Equipment and outlines the Council's approach to valuation.

Business Portfolio
Included in the balance sheet, under the heading of Other Land & Buildings are four assets (Innovate, Firby Road, Raynes Court and Brunt Acres), which were funded in partnership with Yorkshire Forward, Government Office (ERDF), and North Yorkshire County Council. They are held in the balance sheet at the lower of net current replacement cost and net realisable value in the existing use. A proportion of the rental received is paid over to the funding bodies (with exception of Government Office). Should the assets be sold, again a proportion of the capital receipt equivalent to the proportion of the investment made may be payable to the funding body.

13. Heritage Assets

Richmondshire District Council currently holds no assets that fall under the Heritage Assets category for the 2011/2012 Statement of Accounts.

14. Investment Properties

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 repairs, maintenance or enhancement.

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

2010/2011 £		2011/2012 £
1,211,500	Balance at start of the year	1,086,500
	Additions:	
-	Purchases	-
-	Construction	-
-	Subsequent expenditure	-
(150,000)	Disposals	-
25,000	Net gains/(losses) from fair value adjustments	(130,000)
	Transfers:	
-	To/(from) Inventories	-
-	To/(from) Property, Plant, Furniture and Equipment	-
1,086,500	**Balance at end of the year**	**956,500**

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 include both purchased licenses and 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:

Finite Useful Life	Other Assets
5 years	All software

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £87,609 charged to revenue in 2011/2012 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2010/2011 Software £	2011/2012 Software £
Balance at start of year:		
Gross carrying amounts	-	184,423
Accumulated amortisation	-	(14,580)
Net carrying amount at start of year	-	169,843
Additions: Purchases	184,423	216,448
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	37,174	-
Amortisation for the period	(51,754)	(87,609)
Other changes	-	-
Net carrying amount at end of year	**169,843**	**298,682**
Comprising:		
Gross carrying amounts	184,423	400,871
Accumulated amortisation	(14,580)	(102,189)
	169,843	**298,682**

The following items of capitalised software are individually material to the Statement of Accounts:

	Carrying Amount		Remaining Amortisation
	31 March 2011 £	31 March 2012 £	Period at 31 March 2012
Financial Management System	59,473	31,631	3 years
Revenues and Benefits System	47,480	98,503	4 years
Housing Management System	39,800	123,734	4 years
HR & Payroll System	11,976	8,982	3 years
Electoral System	11,114	8,336	3 years

16. Financial Instruments

Categories of Financial Instruments

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

2010/2011 Long Term £	2010/2011 Current £		2011/2012 Long Term £	2011/2012 Current £
-	290,000	Loans and receivables	-	565,000
-	290,000	Total investments	-	565,000
(5,395)	-	PWLB Premia	(3,596)	-
(2,250,000)	-	Financial liabilities at amortised cost	(25,638,000)	-
(2,255,395)	-	Total Borrowing	(25,641,596)	-

Income, Expense, Gains and Losses

	2010/2011 Financial Liabilities Measured at Amortised Cost £	2010/2011 Financial Assets: Loans and Receivables £	2010/2011 Financial Assets: Available-For-Sale-Assets £	2010/2011 Total £	2011/2012 Financial Liabilities Measured at Amortised Cost t £	2011/2012 Financial Assets: Loans and Receivables £	2011/2012 Financial Assets: Available-For-Sale-Assets £	2011/2012 Total £
Interest Expense	99,525	-	-	**99,525**	99,525	-	-	**99,525**
Total Expense in the Surplus or Deficit on the Provision of Services	99,525	-	-	**99,525**	99,525	-	-	**99,525**
Gains on Derecognition	-	(41,486)	-	**(41,486)**	-	(45,238)	-	**(45,238)**
Total income in the Surplus or Deficit on the Provision of Services	-	(41,486)	-	**(41,486)**	-	(45,238)	-	**(45,238)**
Net Gain/(Loss) for the Year	**99,525**	**(41,486)**	-	**58,039**	**99,525**	**(45,238)**	-	**54,287**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and 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 interest rates at 31 March 2012 of 1.34% to 4.39% for loans from the PWLB
- 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 the invoiced or billed amount.

The fair values calculated are as follows:

2010/2011			2011/2012	
Carrying amount	Fair Value		Carrying amount	Fair Value
£	£		£	£
(2,250,000)	(2,133,587)	Financial Liabilities	(25,638,000)	(24,122,839)
-	-	Long-term Creditors	-	-

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

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

17. Inventories

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Total	
	2010/11 £	2011/12 £	2010/11 £	2011/12 £	2010/11 £	2011/12 £	2010/11 £	2011/12 £
Balance Outstanding at Start of Year	**28,749**	**8,572**	**64,479**	**67,140**	**4,315**	**-**	**97,543**	**75,712**
Purchases	22,987	442	433,839	453,667	-	-	**456,827**	**454,109**
Issues	(36,074)	(6,593)	(431,178)	(428,935)	-	-	**(467,252)**	**(435,528)**
Written Off Balances	(7,090)	(1,892)	-	(4,457)	(4,315)	-	**(11,405)**	**(6,349)**
Balance Outstanding at Year End	**8,572**	**529**	**67,140**	**87,415**	**-**	**-**	**75,713**	**87,944**

18. Construction Contracts

At 31 March 2012 the Council had no construction contracts in progress.

19. Short –Term Debtors

2010/2011 £		2011/2012 £
538,572	Central Government Bodies	1,374,889
282,657	Other Local Authorities	718,740
1,660,390	Other Entities and Individuals	1,438,568
2,481,619		**3,532,197**
(372,605)	Provision for Doubtful Debts (see below)	(401,759)
2,109,014	**TOTAL**	**3,130,438**
	The provision for bad debts is made up as follows:	
(65,665)	Council Tax Payers	(59,068)
(118,182)	Sundry Debtors	(166,640)
(188,758)	Housing Rents	(176,051)
(372,605)	**TOTAL**	**(401,759)**
	The movement on the provision for bad debts is as follows:	
(388,178)	Balance as at 1 April	(372,605)
191,991	Write Offs During the Year	158,348
(176,418)	Amounts Charged to the Comprehensive Income & Expenditure Statement and the Collection Fund	(187,502)
(372,605)	**TOTAL**	**(401,759)**

20. Cash and Cash Equivalents

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

2010/2011 £		2011/2012 £
2,350	Cash held by the Council	1,965
(114,782)	Bank current accounts	392,375
290,000	Short-term deposits with building societies	565,000
177,568	**Total Cash and Cash Equivalents**	**959,340**

21. Assets Held for Sale

In 2011/12 the Council did not have any Assets Held for Sale.

22. Short-Term Creditors

2010/2011 £		2011/2012 £
(71,702)	Central Government Bodies	(119,240)
(841,052)	Other Local Authorities	(1,166,504)
(2,070,804)	Other Entities and Individuals	(1,816,736)
(2,983,558)	**Total**	**(3,102,480)**

23. Provisions

The Council has no substantial legal cases in progress and therefore no provision has been made in the Statement of Accounts for any such costs, employee related or otherwise.

24. Usable Reserves

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

25. Unusable Reserves

2010/2011 £		2011/2012 £
(1,531,187)	Revaluation Reserve	(1,810,304)
(54,036,550)	Capital Adjustment Account	(31,870,588)
15,371,000	Pensions Reserve	18,128,000
(2,899)	Collection Fund Adjustment Account	9,321
69,902	Accumulating Compensated Absences Adjustment Account	68,573
(40,129,734)	**Total Unusable Reserves**	**(15,474,998)**

Revaluation Reserve

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

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

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.

2010/2011 £		2011/2012 £	
(1,313,038)	**Balance at 1 April**		**(1,531,187)**
(115,062)	Upward revaluation of assets	(411,707)	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
(115,062)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(411,707)
(103,087)	Difference between fair value depreciation and historical cost depreciation	132,590	
-	Accumulated gains on assets sold or scrapped	-	
(103,087)	Amount written off to the Capital Adjustment Account		132,590
(1,531,187)	**Balance at 31 March**		**(1,810,304)**

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 and gains recognised on donated assets that have yet to be consumed by the Council.

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

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

2010/2011 £		2011/2012 £	
(79,058,822)	**Balance at 1 April**		**(54,036,550)**
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</u>		
25,575,764	Charge for depreciation & impairment non current assets	2,028,085	
-	Revaluation losses/(gains) on Property, Plant & Equipment	(751,418)	
51,754	Amortisation of intangible assets	87,609	
794,523	Revenue expenditure funded from capital under statute	22,717,487	
384,588	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	157,391	
103,087	Adjusting amounts written out of the Revaluation Reserve	-	
(52,149,106)	Net written out amount of the cost of non current assets consumed in the year		(29,797,396)
	<u>Capital financing applied in the year:</u>		
(218,611)	Use of Capital Receipts Reserve to finance new capital expenditure		(106,211)
(830,967)	Use of Major Repairs Reserve to finance new capital expenditure		(1,136,802)
(463,434)	Capital grants and contributions credited to the CIES that have been applied to capital financing		(308,552)
(353,432)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances		(190,136)
(21,000)	Capital expenditure charged against the General Fund and HRA balances		(331,491)
(54,036,550)	**Balance at 31 March**		**(31,870,588)**

Pensions Reserve

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

2010/2011 £		2011/2012 £
20,576,000	**Balance at 1 April**	**15,371,000**
(3,398,000)	Actuarial (gains) or losses on pensions assets and liabilities	2,565,000
(495,000)	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	1,350,000
(1,312,000)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,158,000)
15,371,000	**Balance at 31 March**	**18,128,000**

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.

2010/2011 £		2011/2012 £
25,259	**Balance at 1 April**	**2,899**
(22,360)	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	(12,220)
2,899	**Balance at 31 March**	**(9,321)**

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 2012. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/2011 £		2011/2012 £	
74,739	**Balance at 1 April**		**69,902**
(74,739)	Settlement or cancellation of accrual made at the end of the preceding year	(69,902)	
69,902	Amounts accrued at the end of the current year	68,573	
(4,837)	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		(1,329)
69,902	**Balance at 31 March**		**68,573**

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

2010/2011 £		2011/2012 £
(25,672,638)	Depreciation & Impairment	(2,118,283)
(339,468)	Carrying Amount of Non Current Assets Sold	(157,391)
25,000	Revaluation of Non Current Assets	621,418
1,807,000	Pension Adjustments	(192,000)
(22,360)	Collection Fund Adjustments	(12,220)
4,837	Accumulated Absences Account adjustments	1,329
(51,453)	Increase/(Decrease) in Debtors	749,859
960,203	(Increase)/Decrease in Creditors	(186,320)
(21,830)	Increase/(Decrease) in Inventories	12,231
(2,784)	Transfers to or (from) Reserves	(6,242)
-	Capital Grants Applied	308,552
-	Transfer to Capital Fund	(239,836)
(794,523)	Revenue Expenditure Funded by Capital under Statute	(22,717,487)
(24,108,016)	**Total**	**(23,936,390)**

27. Cash Flow Statement – Adjustment for Item that are Investing and Financing Activities

2010/2011 £		2011/2012 £
378,734	Reversal of Capital Receipts to Note 28 Investing Activities	371,401
463,434	Reversal Capital Grants Received to Note 27 Investing Activities	-
(210,108)	Reversal of Finance Lease Repayments to Note 29 Financing Activities	(38,185)
632,060	**Total**	**333,216**

28. Cash Flow Statement – Investing Activities

2010/2011 £		2011/2012 £
1,860,567	Purchase of property, plant and equipment, investment property and intangible assets	24,071,055
-	Purchase of short-term and long-term investments	-
290,000	Other payments for investing activities	275,000
(378,734)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(371,401)
-	Proceeds from short-term and long-term investments	-
(463,434)	Other receipts from investing activities	(308,552)
1,308,399	**Net cash (inflow)/outflow from investing activities**	**23,666,102**

29. **Cash Flow Statement – Financing Activities**

2010/2011 £		2011/2012 £
-	Cash receipts of short- and long-term borrowing	(23,386,202)
(39,235)	Other receipts from financing activities	(5,267)
210,108	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	38,185
-	Repayments of short- and long-term borrowing	-
216,763	Other payments for financing activities	342,831
387,636	**Net cash (inflow)/outflow from financing activities**	**(23,010,453)**

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 Strategy Board on the basis of budget reports analysed across the Council's Business Theme's. These reports are prepared on a different basis from the accounting policies used in the financial statements. 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 pensions 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 Business Theme's.

During 2011/12 the Council reviewed it's organisational structure resulting in a new set of Business Theme's hence the different groupings in the comparative figures for 2010/11 shown below.

The income and expenditure of the Council's principal Business Theme's recorded in the budget reports for the year is as follows:

Business Theme's Income and Expenditure 2011/12 Comparative Figures	Corporate Management £	Customer Services £	Delivery & Improvement £	Housing & Planning (GF) £	Housing & Planning (HRA) £	Partnerships £	Total £
Fees, charges & other service income	(614,173)	(2,117,529)	(1,679,869)	(737,088)	(6,245,782)	(288,494)	**(11,682,935)**
Government grants		(11,482,072)		(269,002)		(31,946)	**(11,783,020)**
Total Income	**(614,173)**	**(13,599,601)**	**(1,679,869)**	**(1,006,090)**	**(6,245,782)**	**(320,440)**	**(23,465,955)**
Employee expenses	1,555,233	2,560,597	742,301	471,559	1,241,555	241,122	**6,812,367**
Other service expenses	1,772,196	13,855,294	3,064,661	884,134	3,973,633	891,536	**24,441,454**
Total Expenditure	**3,327,429**	**16,415,891**	**3,806,962**	**1,355,693**	**5,215,188**	**1,132,658**	**31,253,821**
Net Expenditure	**2,713,256**	**2,816,290**	**2,127,093**	**349,603**	**(1,030,594)**	**812,218**	**7,787,866**

Business Theme's Income and Expenditure 2010/11 Comparative Figures	An Improving Council £	Green Living £	Healthy Lives £	Prosperous Communities £	Safe Places £	Strong Neighbourhoods (GF) £	Strong Neighbourhoods (HRA) £	Total £
Fees, charges & other service income	(1,841,142)	(1,441,107)	(137,901)	(260,677)	(385,417)	(762,102)	(5,870,684)	**(10,699,030)**
Government grants	(2,600,014)	-	-	-	-	(8,071,145)	-	**(10,671,159)**
Total Income	**(4,441,156)**	**(1,441,107)**	**(137,901)**	**(260,677)**	**(385,417)**	**(8,833,247)**	**(5,870,684)**	**(21,370,189)**
Employee expenses	2,353,984	1,947,072	262,245	242,841	188,216	965,581	1,007,985	**6,967,834**
Other service expenses	6,730,699	924,896	598,829	265,962	167,712	32,744,301	4,094,058	**45,526,457**
Total Expenditure	**9,084,683**	**2,871,968**	**861,074**	**508,803**	**355,928**	**33,709,882**	**5,101,953**	**52,494,291**
Net Expenditure	**4,643,527**	**1,430,861**	**723,173**	**248,126**	**(29,489)**	**24,876,635**	**(768,731)**	**31,124,102**

Reconciliation of Business Theme Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

2010/2011 £		2011/2012 £
31,124,102	Net expenditure in the Themed Business Analysis	7,787,866
286,514	Net expenditure of services and support services not included in the Analysis	
(2,707,260)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	22,215,883
-	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,397,543)
28,703,356	**Cost of Services in Comprehensive Income and Expenditure Statement**	**28,606,206**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of the 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.

2011/2012	Themed Business Analysis	Services and Support Services not in Analysis	Amounts not reported to manage-ment for decision making	Amounts not included in I&E	Total
	£	£	£	£	£
Fees, charges & other service income	(11,574,101)	-	-	-	**(11,574,101)**
Interest and investment income	(108,835)	-	-	-	**(108,835)**
Income from council tax	-	-	(4,119,673)	-	**(4,119,673)**
Government grants and contributions	(11,783,020)	-	(3,460,864)	-	**(15,243,884)**
Total Income	**(23,465,956)**	**-**	**(7,580,537)**	**-**	**(31,046,493)**
Employee expenses	6,812,367	-	(633,261)	-	**6,179,106**
Other service expenses	24,277,898	880,751	26,806	(734,821)	**24,450,634**
Support Service recharges	-	(882,219)	(1,142,131)	-	**(2,024,350)**
Depreciation, amortisation and impairment	-	30,250	24,065,686	-	**24,095,936**
Interest Payments	163,557	-		-	**163,557**
Precepts & Levies	-	-	509,621	-	**509,621**
Payments to Housing Capital Receipts Pool	-	-	45,191	-	**45,191**
Gain or Loss on Disposal of Non Current Assets	-	-	(207,449)	-	**(207,449)**
Total expenditure	**31,253,822**	**28,782**	**22,664,463**	**(734,821)**	**53,212,246**
Surplus or deficit on the provision of services	**7,787,866**	**28,782**	**15,083,926**	**(734,821)**	**22,165,753**

2010/2011	Themed Business Analysis	Services and Support Services not in Analysis	Amounts not reported to manage-ment for decision making	Amounts not included in I&E	Total
	£	£	£	£	£
Fees, charges & other service income	(10,598,464)	(17,696)	-	-	**(10,616,160)**
Interest and investment income	(100,566)	-	-	-	**(100,566)**
Income from council tax		-	(4,137,213)	-	**(4,137,213)**
Government grants and contributions	(10,671,159)	-	(4,254,556)	-	**(14,925,715)**
Total Income	**(21,370,189)**	**(17,696)**	**(8,391,769)**	**-**	**(29,779,654)**
Employee expenses	6,967,834	-	(3,531,423)	420,000	**3,856,411**
Other service expenses	21,713,066	787,166	1,201,647	(33,536)	**23,668,343**
Support Service recharges	-	(951,060)	(1,404,668)	-	**(2,355,728)**
Depreciation, amortisation and impairment	(25,000)	181,590	25,111,930	483,129	**25,751,649**
Interest Payments	169,979	-	-	-	**169,979**
Precepts & Levies	-	-	493,063	-	**493,063**
Payments to Housing Capital Receipts Pool	-	-	159,657	-	**159,657**
Gain or Loss on Disposal of Non Current Assets	(39,265)	-	-	-	**(39,265)**
Total expenditure	**28,786,614**	**17,696**	**22,030,206**	**869,593**	**51,704,109**
Surplus or deficit on the provision of services	**7,416,425**	**-**	**13,638,437**	**869,593**	**21,924,455**

31. Members' Allowances

The total of members' allowances and expenses paid in the year was £126,324 (£141,468 in 2010/2011).

32. Officers' Remuneration

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

		Salary, Fees and Allowances £	Performance Related Pay £	Car Allowance £	Total Remuneration excluding Pension Contribution 2011/2012 £	Employer's Pension Contribution £	Total £
Chief Executive	2010/11	-	-	-	-	-	-
	2011/12	**-**	**-**	**-**	**-**	**-**	**-**
Deputy Chief Executive	2010/11	90,011	-	966	90,977	19,049	110,026
	2011/12	**68,193**	**1,220**	**1,000**	**70,413**	**15,516**	**85,929**
Deputy Chief Executive	2010/11	90,468	-	435	90,903	18,915	109,818
	2011/12	**88,389**	**1,574**	**827**	**90,790**	**20,955**	**111,745**
Assistant Director	2010/11	69,825	-	1,925	71,750	14,604	86,354
	2011/12	**37,973**	**-**	**1,631**	**39,604**	**8,601**	**48,205**
Assistant Director	2010/11	71,117	-	2,798	73,915	14,603	88,518
	2011/12	**68,241**	**-**	**1,684**	**69,925**	**15,869**	**85,794**
Assistant Director	2010/11	61,114	-	2,935	64,049	12,568	76,617
	2011/12	**58,730**	**1,744**	**2,080**	**62,554**	**14,102**	**76,656**

During 2011/12 Richmondshire District Council shared a Chief Executive with Hambleton District Council. Hambleton District Council was the employer and Richmondshire District Council received a re-charge for 50% of the Chief Executive's salary and other remuneration. The total remuneration for the Chief Executive for 2011/12 was £135,730 (£127,236 in 2010/11) representing a cost to Richmondshire District Council of £59,649 in 2011/12 (£63,618 in 2010/11). This shared arrangement ended in February 2012.

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

Remuneration Band	**2010/2011 Number of employees**	**2011/2012 Number of employees**
£50,000 - £54,999	-	-
£55,000 - £59,999	-	-
£60,000 - £64,999	1	-
£65,000 - £69,999	-	2
£70,000 - £74,999	2	1
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	2	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
Total	**5**	**4**

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

(a)	(b)		(c)		(d)		(c)	
Exit Package cost band (including Special Payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(b)+(c)]		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0-£20,000	-	7	1	-	1	7	12,357	30,520
£20,001 - £40,000	-	1	-	-	-	1	-	38,647
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
Total	-	8	1	-	1	8	12,357	69,167

33. External Audit Costs

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

	2011/2012 £	2010/2011 £
Fees payable to Deloitte with regard to external audit services carried out by the appointed auditor for the year	98,708	107,730
Fees payable to Deloitte in respect of statutory inspections	-	-
Fees payable to Deloitte for the certification of grant claims and returns for the year	35,190	41,090
Fees payable / (Rebate) in respect of other services provided by the Audit Commission during the year	(6,745)	2,398
Total	**127,153**	**151,218**

The rebate from the Audit Commission relates to a reduced audit fee for 2011/12.

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/2012:

	2011/2012 £	2010/2011 £
Credited to Taxation and Non Specific Grant Income		
National Non Domestic Rates Pool	(2,573,852)	(3,715,090)
Revenue Support Grant	(887,012)	(539,466)
Other Capital Grants	-	-
Total	**(3,460,864)**	**(4,254,556)**
Credited to Net Cost of Services		
Disabled Facilities Grant	(101,779)	(94,100)
Regional Housing Pot	-	(153,000)
Stronger Safer Communities Funding	-	(3,642)
Ministry of Defence	-	(21,737)
English Heritage	(116,005)	(73,560)
North Yorkshire County Council	-	(60,428)
Energy Partnership	(90,768)	-
Area Based Grant	-	(38,749)
Climate Change Grant	-	(22,500)
New Burdens Grant – Rate Relief	(3,300)	(8,915)
New Burdens Grant – Land Charges	-	(34,356)
Single Housing Benefit Extract	(950)	-
Food Standards Agency	-	(5,045)
Department of Work and Pensions – Housing Benefits	(11,379,429)	(10,587,464)
Concessionary Fares	-	(187,357)
New Land Auction Pilot	(100,000)	-
Homelessness Grant	(204,519)	(79,444)
Community Safety	(48,779)	(56,940)
Atlas Funding	(1,470)	-
Other Grants	-	-
Total	**(12,046,999)**	**(11,427,237)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

31 March 2011 £	Capital Grants Receipts in Advance	31 March 2012 £
(3,202)	North Yorkshire County Council – Youth Council	(3,155)
(5,274)	Safer Stronger Communities Funding	(5,274)
(721)	Flood Response Grant	(721)
-	Regional Housing Pot	(17,000)
(9,197)	**Total**	**(26,150)**

35. Related Parties

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 it's 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 significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 30 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 34.

North Yorkshire Pension Fund
Details of the Council's payment of employer's superannuation contribution to the pension fund are disclosed in note 40 to the Statement of Accounts. Details of the Pension Fund creditors can also be found in note 40 to the Statement of Accounts.

Members
Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/2012 is shown in Note 31. During 2011/2012 the following material transactions took place with organisations in which Members have an interest.

Councillor	Organisation	Relationship	Amount	Transaction
Cllr Blackie	Upper Wensleydale Community Association	Chairman	£14,563	Service Level Agreement

Hambleton District Council

During 2011/12 Richmondshire District Council shared a number of services and senior management with Hambleton District Council. The transactions taking place in the year and the outstanding balances with Hambleton District Council at 31 March 2012 are shown below.

Shared Service	Service Recharge from HDC to RDC (Creditors) £	Service Recharge from RDC to HDC (Debtors) £
ICT	453,231	
Communications	70,262	
Improvement	70,487	
Committee Services	137,926	
Planning Policy	108,154	
Legal	85,728	
Sustainable Officer	8,796	
Information	48,659	
Business & Community	135,566	
Development Management	325,796	
Revenue & Benefits	447,433	
Land Charges	24,668	
Asset Management	22,000	
Street Cleansing	58,240	
Household Waste Collection	184,437	
Reprographics	7,846	
Management	168,250	47,173
Licensing		80,022
Pest Control		110,636
Community Safety		41,777
Business Support		89,215
Customer Services		325,719
Human Resources		197,230
Finance		122,369
Environmental Health		447,162
Housing		168,886
TOTAL	**2,357,479**	**1,630,189**
Amounts due to HDC at 31 March 2012	**931,341**	
Amounts due from HDC at 31 March 2012		**463,579**

36. 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 capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/2011		2011/2012	
	Total	**HRA**	**GF**	**Total**
	£	**£**	**£**	**£**
Opening Capital Financing Requirement	**5,926,025**	**2,571,504**	**3,176,438**	**5,747,942**
Capital Investment *				
Property, Plant and Equipment	881,620	995,102	142,018	1,137,120
Investment Properties	-	-	-	-
Intangible Assets	184,424	117,355	99,093	216,448
Revenue Expenditure Funded from Capital under Statute	794,523	22,304,000	413,487	22,717,487
Finance Lease Transactions	(151,206)	-	-	-
Sources of Finance				
Capital Receipts	(218,611)	-	(106,210)	(106,211)
Government grants and other contributions	(463,434)	-	(308,552)	(308,552)
Sums set aside from Revenue	-	-	-	-
Direct revenue contributions	(21,000)	(91,655)	(239,836)	(331,491)
Major Repairs Allowance	(830,967)	(1,136,802)	-	(1,136,802)
Minimum Revenue Provision	(143,324)	-	(151,950)	(151,950)
Additional Revenue Provision	(210,108)	-	(38,185)	(38,184)
Closing Capital Financing Requirement	**5,747,942**	**24,759,504**	**2,986,303**	**27,745,807**
Explanation of movements in year				
Increase in underlying need to borrow (supported by government financial assistance)	-	-	-	-
Increase in underlying need to borrow (unsupported by government financial assistance)	326,555	22,188,000	-	22,188,000
Provision for Repayment of Debt	(353,432)	-	(190,135)	(190,135)
Assets acquired under finance leases	(151,206)	-	-	-
Increase/(decrease) in Capital Financing Requirement	**(178,083)**	**22,188,000**	**(190,135)**	**21,997,865**

* These figures should match to the additions lines in the notes detailing movements on the non-current asset balance.

37. Leases

Council as Lessee

Finance Leases

The Council has acquired a number of refuse vehicles and photocopiers under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2010/2011 £		2011/2012 £
-	Other Land and Buildings	-
56,272	Vehicles, Plant, Furniture and Equipment	15,344
56,272		15,344

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

2010/2011 £		2011/2012 £
	Finance lease liabilities (net present value of minimum lease payments):	
38,186	Current	38,186
22,784	Non Current	22,784
21,114	Finance costs payable in future years	3,964
82,084	Minimum lease payments	64,934

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2011/2012 **£**	2010/2011 £	**2011/2012** **£**	2010/2011 £
Not later than one year	**14,591**	42,605	**14,591**	54,186
Later than one year and not later than five years	**12,157**	26,748	**12,157**	26,748
Later than five years	**-**	-	**-**	-
	26,748	69,353	**26,748**	80,934

The minimum lease payments do not include maintenance costs that are contingent on events taking place after the lease was entered into. In 2011/12 £11,581 maintenance costs were payable by the Council (2010/11 £80,381).

Operating Leases

The Council has acquired its fleet of vehicles by entering into operating leases, with typical lives of seven years. The Authority also leases Richmond Community Office and Leyburn Community Office on short term leases which have been accounted for as Operating Leases.

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

2010/2011 **£**		**2011/2012** **£**
217,140	Not later than one year	217,140
330,301	Later than one year and not later than five years	157,463
6,302	Later than five years	-
553,743		**374,603**

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

2010/2011 £		2011/2012 £
217,140	Minimum lease payments	217,140
-	Contingent rents	-
217,140		**217,140**

Council as Lessor

Finance Leases

The Council has granted a 999 year lease to Richmondshire Building Preservation Trust Limited for the land and buildings at Richmond Station Building, accounted for as a finance lease. The net investment in this asset as at 31 March 2012 was £16,000. The rental receivable in 2011/2012 was £1,700. All of the rental receivable has been credited to the Comprehensive Income and Expenditure Statement in line with the Capital Financing and Accounting Regulations 2003.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

2010/2011 £		2011/2012 £
	Finance lease debtor (net present value of minimum lease payments):	
667	Current	667
16,000	Non current	15,332
25,833	Unearned finance income	24,801
-	Unguaranteed residual value of property	-
42,500	**Gross investment in the lease**	**40,800**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	2011/2012	2010/2011	**2011/2012**	2010/2011
	£	£	**£**	£
Not later than one year	**1,700**	1,700	**1,700**	1,700
Later than one year and not later than five years	**6,800**	6,800	**6,800**	6,800
Later than five years	**32,300**	34,000	**32,300**	34,000
	40,800	42,500	**40,800**	42,500

Operating Leases

The Council has also granted a 20 year Operating lease to Richmondshire Leisure Trust for Richmond Swimming Pool, for an annual rent of one peppercorn, if requested. This lease will enable Richmondshire Leisure Trust to provide leisure facilities to the district. The Swimming Pool has been revalued as a result of the letting lease, and the carrying value of the asset has been adjusted in the balance sheet. No other entries have taken place in the accounts.

The net value of the swimming pool as at 31 March 2012 is £541,587, with a Gross cost of £814,363 and accumulated depreciation of £18,413.

38. Impairment Losses

The Code of Practice on Local Authority Accounting requires disclosure by class of assets of the amounts for impairment losses and impairment 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 and 15 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

39. Termination Benefits

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £69,167 (£20,239 in 2010/11) – see Note 32 for the number of exit packages and total cost per band. The total cost of £69,167 is payable to one officer from the Assistant Directors Section, and six officers from the Tourist Information Centres who were made redundant as part of the Authority's rationalisation of these services.

40. 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 that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, which is administered by North Yorkshire County Council's Pension Fund. This is a defined benefit scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are actually 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 the Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Transactions Relating to Post-employment Benefits

	2010/2011 £000	2011/2012 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• current service cost	777	712
• past service costs	(2,482)	-
• settlements and curtailments	255	30
Financing and Investment Income and Expenditure		
• Interest Cost	2,367	2,158
• Expected return on scheme assets	(1,412)	(1,550)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(495)	1,350
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• Actuarial (gains) and losses	(3,398)	2,565
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(3,398)	2,565
Movement in Reserves Statement		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	495	1,350
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to the scheme	1,312	1,158
• Retirement benefits payable to pensioners	-	-

Assets and Liabilities in Relation to Post-employment Benefits

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

	2010/2011 £000	2011/2012 £000
Opening balance at 1 April	42,485	39,679
Current service cost	777	712
Interest cost	2,367	2,158
Contributions by scheme participants	264	261
Actuarial (gains) and losses	(2,517)	1,378
Benefits paid	(1,470)	(1,852)
Past service costs	(2,482)	-
Entity combinations	-	-
Curtailments	255	30
Settlements	-	-
Closing balance at 31 March	39,679	42,366

Reconciliation of fair value of the scheme (plan) assets:

	2010/2011 £000	2011/2012 £000
Opening balance at 1 April	21,909	24,308
Expected rate of return	1,412	1,550
Actuarial gains and (losses)	881	(1,187)
Employer contributions	1,312	1,158
Contributions by Scheme participants	264	261
Benefits paid	(1,470)	(1,852)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	24,308	24,238

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

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

The actual return on assets in the year was a loss of £363,000 (£1,739,000 in 2010/2011)

Scheme History

	*(UK GAAP) 2007/2008 £000	(UK GAAP) 2008/2009 £000	(UK GAAP) 2009/2010 £000	(IFRS) 2010/2011 £000	(IFRS) 2011/2012 £000
Present value of liabilities:	(37,058)	(31,273)	(42,485)	(39,679)	(42,366)
Fair value of assets in the Local Government Pension Scheme	21,756	14,152	21,909	24,308	24,238
Surplus/(deficit) in the scheme	(15,302)	(17,121)	(20,574)	(15,371)	(18,128)

* The valuation basis changed slightly with move to IFRS.

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £18,128,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contributions expected to be made to the scheme by the Council in 2012/2013 is £965,000.

Basis for Estimating Assets and Liabilities

The liabilities of the Scheme have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Under this method, the current service cost will increase as the members of the scheme approach retirement.

The liabilities have been assessed by Mercer's, an independent firm of actuaries and the main assumptions used in their calculations have been:

	2010/2011	2011/2012
Long term expected rate of return on assets in the scheme:		
Equity investment	7.50%	7.00%
Government Bonds	4.40%	3.10%
Other Bonds	5.10%	4.10%
Cash	0.50%	0.50%
Mortality assumptions:		
	2010/2011	**2011/2012**
Longevity at 65 for current pensioners		
- Men	22.1	22.2
- Women	24.7	24.8
Longevity at 65 for future pensioners		
- Men	23.5	23.6
- Women	26.3	26.4
Rate of inflation	2.90%	2.50%
Rate of increase in salaries	4.65%	4.25%
Rate of increase in pensions	2.90%	2.50%
Rate of discounting scheme liabilities	5.50%	4.90%
Take up of option to convert annual pension into retirement lump sum – Maximum cash	50.00%	50.00%
Take up of option to convert annual pension into retirement lump sum – 3/80ths cash	50.00%	50.00%

The assets attributable to the Council in the Scheme are £24,238,000 (£24,308,000 in 2010/2011) valued at fair value (principally the market value for investments) and consists of the following categories, by proportion of the total assets held:

	31 March 2011	31 March 2012
	%	%
Equity investments	74.70	70.80
Debt Instruments	-	-
Other assets	25.30	29.20
	100.00	100.00

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/2012 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2012.

	2007/2008 %	2008/2009 %	2009/2010 %	2010/2011 %	2011/2012 %
Differences between the expected and actual return on assets	13.4	65.1	32.1	1.9	4.9
Experience gains and losses on liabilities	5.0	0.0	0.0	6.5	0.0

41. Contingent Liabilities

During 2005/2006 a number of staff were TUPE (*) transferred from Richmondshire District Council to Richmondshire Leisure Trust. Part of the agreement was that the pension deficit relating to these staff was also transferred to Richmondshire Leisure Trust. Richmondshire Leisure Trust were admitted to the North Yorkshire Pension Fund provided that Richmondshire District Council acted as guarantor with regard to the pension liability. In the event of Richmondshire Leisure Trust ceasing to exist, any liability on the Pension Fund relating to Richmondshire Leisure Trust staff will be transferred back to Richmondshire District Council. As at 31 March 2012 this liability is estimated to be in the region of £797,000 (£676,000 as at 31 March 2011).

In the event of the liability being transferred back to Richmondshire District Council, there would be no requirement for an immediate payment of this amount. The liability would need to be recovered over a number of years by increasing the employer's contributions to the Pension Fund.

(* TUPE stands for Transfer Undertakings Protection of Employment)

42. Contingent Assets

There are currently no contingent assets.

43. 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

- Interest rate risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates

- Market risk - the risk of fluctuations in the principal value of the Council's investments.

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. Risk management is carried out by a central treasury management team, under policies approved by the 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 other financial institutions. The Council annually approves a Treasury Management Strategy which, for 2011/12, determined that deposits with an individual institution would be limited to 50% of total investments or £2.5m per counterparty whichever is the lower. This limits the amount of credit risk exposure.

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

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

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

The Council’s maximum exposure to credit risk in relation to its investments in banks and building societies of £565,000 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 Authority’s deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise to a minimum.

Liquidity Risk
The Council has a comprehensive cashflow management process that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowing from the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet it’s commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates.

The strategy is to ensure that not more than 50% of loans are due to mature within any rolling three year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	£
Less than one year	-
Between one and two years	1,000,000
Between two and five years	-
More than five years	24,638,000
	25,638,000
All trade and other payables are due to be paid in less than one year	

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

Market Risk

Interest rate risk
The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in 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 Surplus or Deficit on the Provision of Services will rise

- Borrowings at fixed rates – the fair value of the liabilities will fall

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise

- 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 will affect the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. 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 Council's cost of borrowing and provide compensation for a proportion of 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. The analysis will also advise whether the new borrowing taken out is fixed or variable.

Market 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.

Foreign Exchange Risk
The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movement in exchange rates.

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement

2010/2011		**2011/2012**	
£		£	£
	Expenditure		
1,525,994	Repairs and maintenance	1,809,797	
1,147,935	Supervision and management	1,098,467	
5,253	Rents, rates, taxes and other charges	15,414	
1,263,055	Negative Housing Revenue Account Subsidy payable	1,569,993	
24,847,966	Depreciation and impairment of non-current assets	427,449	
22,280	Debt management costs	30,486	
28,457	Movement in the allowance for bad debt provision	73,320	
117,000	Sums directed by the Secretary of State that are expenditure in accordance with the Code	22,304,000	
28,957,940	**Total Expenditure**		**27,328,926**
	Income		
(5,036,208)	Dwelling rents	(5,374,123)	
(88,740)	Non-dwelling rents	(89,570)	
(343,463)	Charges for services and facilities	(401,448)	
(5,468,411)	**Total Income**		**(5,865,141)**
23,489,529	**Net Cost of HRA Services per Council Comprehensive Income and Expenditure Statement**		**21,463,785**
20,125	HRA services share of Corporate and Democratic Core	17,551	
20,125	Net cost of services not allocated to specific services		**17,551**
23,509,654	**Net Income/(Cost) for HRA Services**		**21,481,336**
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(124,580)	(Gain) or loss on sale of HRA fixed assets		(29,510)
56,839	Interest payable and similar charges		59,612
873	Amortisation of premiums and discounts		(1,799)
(1,263)	Interest and investment income		(6,566)
240,940	Pensions interest cost and expected return on pensions assets		119,776
23,682,463	**(Surplus) or deficit for the year on HRA services**		**21,622,849**

MOVEMENT ON THE HRA STATEMENT

2010/2011 £		2011/2012 £
(83,657)	Balance on the HRA at the end of the previous year	(340,999)
23,682,463	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	21,622,849
(23,939,805)	Adjustments between accounting basis and funding basis under statute	(21,626,164)
(257,342)	Net (increase)/decrease before transfers to or from reserves	(3,315)
-	Transfer to/(from) reserves	-
(257,342)	Increase or (decrease) in year on HRA	(3,315)
(340,999)	**Balance on the HRA at the end of the current year**	(344,314)

NOTE TO THE MOVEMENT ON THE HRA STATEMENT

2010/2011 £		2011/2012 £
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year	
-	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined accordance with statute	-
(23,826,543)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with the statutory HRA	(21,603,243)
124,580	Gain or (loss) on sale of HRA fixed assets	29,510
(370,320)	Net charges made for retirement benefits in accordance with FRS 17	(75,332)
(24,072,283)		**(21,649,065)**
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
(46,782)	Transfers to or (from) Major Repairs Reserve	(68,754)
-	Transfers to or (from) Housing Repairs Account	-
-	Transfers to or (from) other housing reserves	-
179,260	Employer’s contributions payable to the North Yorkshire Local Government Pension Fund and retirement benefits payable direct to pensioners	-
-	Voluntary set aside for debt repayment	-
-	Capital expenditure funded by the HRA	91,655
132,478		**22,901**
23,939,805	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**(21,626,164)**

HOUSING REVENUE ACCOUNT NOTES

1. Analysis of Gross Rental Income

2010/2011 £		2011/2012 £
(5,132,599)	Dwellings	(5,483,393)
96,391	Less Voids	109,270
(5,036,208)		(5,374,123)
(88,194)	Garages	(88,910)
(250)	Shops	(250)
(296)	Other	(410)
(5,124,948)		(5,463,693)
(314,916)	Add Income from Welfare Charges	(289,745)
(28,547)	Other Charges/Income	(111,703)
(5,468,411)		(5,865,141)

2. Rent Arrears

2010/2011 £	**Arrears as at 31 March**	2011/2012 £
196,997	Current Tenant Arrears	193,870
72,565	Former Tenant Arrears	55,052
269,562		248,922

The gross arrears outstanding of rents and service charges are shown above.

During year 2011/2012 all rent arrears as a proportion of gross rent and charges due was 4.33% (4.96% in 2010/2011).

The provision for Bad Debts as at 31st March 2012 was £176,051 (£188,757 as at 31st March 2011).

An amount of £86,027 was written off during the year (£111,013 in 2010/2011).

3. Housing Stock & Valuation

A summary of the Council's housing stock is as follows:-

Stock as at 31 March 2011	Sales / Demolitions in 2010/2011		Stock as at 31 March 2012	Sales / Demolitions in 2011/2012
		DWELLINGS		
709	2	Houses	708	1
382	-	Flats	382	-
403	-	Bungalows	403	-
95	-	Other	95	-
1,589	2	Total Dwellings	1,588	1
		OTHER HRA		
403	-	Garages	403	-
5	-	Shops	5	-
2	-	Land (sites)	2	-
410	-		410	-
£000's		ASSET VALUATION	**£000's**	
51,323		Housing Stock	51,984	
562		Garages	542	
25		Community Assets	13	
157		Other HRA	126	
52,067			52,665	

2010/2011 £	Balance Sheet Values	2011/2012 £
718,785	Land and Property	667,498
51,323,272	Houses	51,984,360
25,433	Other Community Assets	13,383
52,067,490		52,665,241
52,067,490	Operational	52,665,241
-	Non-operational	-
52,067,490		52,665,241

In accordance with DCLG Guidance, a full 5 yearly revaluation of the housing stock was undertaken and revalued during 2011/2012

4. Existing Use Value – Vacant Possession (EUV-VP)

The vacant possession value as at 1 April 2011 was £166.456m (£168.14m as at 1 April 2011). The vacant possession value is an opinion of the best sale price that could have been obtained for the property on the date of the valuation. The balance sheet valuation contains an adjustment to reflect the fact that the properties involved have sitting tenants enjoying sub-market rents and statutory rights, including the right to buy. This factor was reviewed by Government Office in January 2011 when new guidance was issued setting a new adjustment factor for application from 1 April 2010. This adjustment factor of 31% (31% in 2010/2011) measures the difference between market and sub-market rents. The adjusted valuation is called "Existing Use Value – Social Housing" (EUV-SH). The difference between the vacant possession value and the balance sheet value therefore shows the economic cost to the Government of providing council housing at less than open market value.

5. Depreciation & Impairment

The following amounts were charged to the account in respect of depreciation.

2010/2011 £		2011/2012 £
1,092,749	Houses	1,060,942
46,782	Other	68,754
1,139,531	Total	1,129,696
1,139,531	Operational	1,129,696
-	Non-operational	-
1,139,531	Total	1,129,696

The amount charged to the HRA as depreciation on dwellings is the annual amount calculated as for the Major Repairs Allowance, and represents the estimated annual cost of maintaining the dwelling stock in decent condition, over a 30 year life. Non dwelling assets are depreciated over 20 years

Housing Revenue Account Impairments charged to the service revenue accounts in the Comprehensive Income and Expenditure Statement.

2010/2011 £		2011/2012 £
-	Land	-
23,708,435	Houses	29,510
-	Other	-
23,708,435	Total	29,510

Impairment occurs because something has happened either to the fixed assets, or to the economic environment in which they are used. A review for impairment of a fixed asset whether carried at historical cost or valuation should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

6. Housing Subsidy

2010/2011 £	Subsidy Element	2011/2012 £
2,470,744	Management and Maintenance Element	2,447,627
1,092,749	Major Repairs Allowance	1,060,942
179,078	Charges for Capital	189,414
3,742,571		3,697,983
(5,005,695)	LESS: Notional Income on Rents	(5,267,674)
(298)	Interest on Receipts	(292)
(5,005,993)		(5,267,966)
(1,263,422)		(1,569,983)
-	Adjustment for Previous Years	(10)
(1,263,422)	Negative Housing Element Subsidy repayable to DCLG	(1,569,993)
(1,263,422)	**Net Subsidy due to Central Government**	(1,569,993)

The calculation of Housing Subsidy is based on a "notional" Housing Revenue Account and is a negative amount i.e. payable to Central Government.

From 1 April 1990, by legislation, the Housing Revenue Account was "ring-fenced" and no discretionary transfers to or from the General Fund are permitted, other than for the net cost of rebates.

From 1 April 2012 the subsidy system has been disbanded as part of the new self financing arrangements. Therefore from 2012-2013 there will be no requirement to pay resources to Central Government.

7. Capital Charges

2010/2011 £		2011/2012 £
56,839	Interest Payable	59,612
56,839	Capital Asset Charge	59,612

The interest paid on the use of internal and external loans is included in the Housing Revenue Account Operating Account, ensuring that the HRA bears its share of the actual cost of interest paid.

The CRI charged in year was 2.26% (2.21% in 2010/2011).

8. IAS 19 Retirement Benefits

2010/2011 £		2011/2012 £
237,270	Direct service costs chargeable to the HRA	215,588
(187,390)	Less Current Service Costs (IAS19)	(260,032)
49,880		(44,444)
597,190	Interest Cost	425,126
(356,250)	Expected Return on Assets	(305,350)
(191,060)	Net appropriation reversal	(75,332)
49,880		44,444

It is now a requirement to show the costs of pensions and any contributions to/from the Pensions Reserve. The HRA was charged with the employers superannuation costs direct to each service. The net IAS 19 based costs are transferred out of the appropriation section of the Housing Revenue Account.

9. Major Repairs Reserve

2010/2011 £		2011/2012 £
-	Opening Balance 1 April 2011	261,782
1,139,531	Transfer from CFA (equivalent to HRA depreciation)	1,129,696
(46,782)	Transfer to HRA – Depreciation on Non-Dwellings	(68,754)
(830,967)	Financing of Capital Expenditure in Year – Housing	(1,136,802)
261,782	Closing Balance 31 March 2012	185,922

10. Housing Capital Receipts

Total Usable 2010/2011 £		Receipts 2011/2012 Total £	Pooled £	Usable £
53,000	House Sales	54,000	40,509	13,491
-	Discount Repaid	-	-	-
219	Mortgage Repaid	6,242	4,681	1,561
-	Sale of Land	-	-	-
53,219	Total	60,242	45,190	15,052

The total value of usable capital receipts is relatively low, compared to the receipt. Normally, 75% of the net capital receipt has to be pooled and paid to central government.

1 dwelling was sold in 2011/2012 (2 dwellings were sold in 2010/2011).

11. Capital Expenditure & Sources of Finance

2010/2011 £		2011/2012 £
	Capital Expenditure	
-	Land and Infrastructure	-
830,967	Houses	1,136,802
-	Other – Self Financing Arrangements	22,188,000
-	Other	91,655
830,967	Total	23,416,457
	Sources of Finance	
-	Loans (Internal)	22,188,000
830,967	Major Repairs Reserve	1,136,802
-	Capital Receipts	-
-	Reserves	-
-	Revenue Contributions	91,655
830,967	Total	23,416,457

On the 29th March 2012 the Government required all Authorities to "buy out" of the subsidy system by paying over an amount that they calculated to reflect future subsidy payments. Authorities were required to borrow funds to finance this unique arrangement. A 20 year fixed term loan was arranged with the PWLB and annual repayments will commence from 2012/2013.

12. Revenue Funded from Capital under Statute (REFCUS) attributable to the HRA

In 2011/2012 the amount shown in the accounts as REFCUS is £22,304,000 (£117,000 in 2010/2011). This was made up of the following amounts:

- The Government required all Council's to pay an amount representing the amount of future subsidy payments that would have been payable to the Treasury, had the subsidy system not been abolished with effect from 31 March 2012. Richmondshire District Council was required to pay £22,188,000 on the 29 March 2012 to comply with these new self financing regulations.

- £116,000 is in respect of the third and final payment of the Bainbridge scheme.

COLLECTION FUND

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

2010/2011 £			Note	2011/2012 £	
		INCOME			
	27,258,015	Council Tax	1		24,789,072
	2,459,914	Transfers from Revenue – Council Tax Benefits			2,539,747
	10,794,363	Income Collectable from Business Ratepayers	2		11,806,221
		Ministry of Defence Payment in Lieu of Council Tax			2,364,161
	40,512,292				41,499,203
		EXPENDITURE			
		Precepts and Demands:			
20,457,268		North Yorkshire County Council		20,469,323	
4,131,955		Richmondshire District Council		4,150,666	
1,201,343		North Yorkshire Fire & Rescue		1,201,993	
3,957,081		North Yorkshire Police Authority		3,959,413	
	29,747,647				29,781,395
		Business Rates			
10,695,849		Payment to the National Pool	2	11,707,826	
98,514		Costs of Collection		98,395	
		Bad and doubtful debts			
		Council Tax			
40,590		• Write Offs		187,277	
53,527		• Provision		(48,932)	
	10,888,480				11,944,567
		Distribution of Prior Years Surpluses Council Tax			
25,788		North Yorkshire County Council		(92,942)	
5,232		Richmondshire District Council		(18,772)	
1,528		North Yorkshire Fire & Rescue		(5,458)	
5,000		North Yorkshire Police Authority		(17,978)	
	37,548				(135,150)
	(161,383)	Surplus/(Deficit) for the year			(91,609)
	181,731	Balance brought forward			20,348
	20,348	Overall Surplus/(Deficit) on the Fund			(71,261)

2010/2011 £		Contributions to Collection Fund Surpluses and (Deficits)	2011/2012 £	
		Council Tax		
2,900		Richmondshire District Council	(9,321)	
13,935		North Yorkshire County Council	(49,467)	
818		North Yorkshire Fire & Rescue	(2,905)	
2,695		North Yorkshire Police Authority	(9,568)	
	20,348			(71,261)

NOTES TO THE COLLECTION FUND ACCOUNT

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

1. Council Tax

The Council Tax is a property based tax with properties allocated to valuation bands A to H. The tax base for Richmondshire was calculated at 19,356.7 for 2011/2012 being the total number of properties converted to an equivalent number of band D dwellings. The number in each band shown as band D equivalent was:

A	B	C	D	E	F	G	H	Total
1,989.90	3,205.32	4,161.24	3,012.03	3,405.14	2,142.62	1,274.71	161.91	19,352.87
Adjustment for Band A (Disabled Properties)								3.90
								19,356.7

The average Council Tax for Richmondshire at Band D was £1,513.06, made up as follows:

2010/2011 £		2011/2012 £
188.93	Richmondshire District Council	188.93
1,057.48	North Yorkshire County Council	1,057.48
204.55	North Yorkshire Police Authority	204.55
62.10	North Yorkshire Fire and Rescue	62.10
1,513.06	TOTAL	1,513.06

2. National Non Domestic Rates (NNDR)

Non-Domestic Rates are collected locally on the basis of a nationally determined rate in the pound of 43.3p for 2011/2012 for all Businesses not entitled to Small Business Rate Relief and 42.6p for those that are entitled to the relief. (41.4p and 40.7p in 2010/2011), charged on the rateable value of the property. Small Business Rate Relief was introduced by Central Government from 1 April 2005 and broadly gives assistance to those ratepayers who pay rates on 1 property only, up to a maximum of £17,999 rateable value (£25,499 in London).

The NNDR income after reliefs and provisions of £11,806,221 for 2011/2012 was based on an aggregate rateable value for the Council's area of £33,020,009 for the year (£33,076,299 in 2010/2011).

A Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Housing Revenue Account (HRA):
A statutory account maintained separately to the General Fund. It includes all revenue expenditure and income relating to the provision, maintenance and administration of council housing and associated areas.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revaluation Reserve:
This is a reserve that contains the revaluation gains recognised since April 2007 only, the date of it's formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

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

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

Scheme Liabilities:
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SerCOP
Service Reporting Code of Practice.

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

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

TUPE:
Transfer of Undertakings – Protection of Employment.

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

ANNUAL GOVERNANCE STATEMENT 2011 – 2012

Scope of Responsibility

Richmondshire 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. Richmondshire 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, Richmondshire 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.

Richmondshire 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.Richmondshire.gov.uk or can be obtained by email from Paul.Clark@Richmondshire.gov.uk

This statement explains how Richmondshire 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 Council 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 Richmondshire 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 Richmondshire District Council for the year ended 31 March 2012 and up to the date of the approval of the Statement of Accounts.

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

Richmondshire District Council determined its vision and priorities with the introduction of 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 vision and priorities. These key, high level, indicators are monitored by the Chief Officers through Performance Clinics. Service Reviews and are reported to the Strategy Board on a regular basis.

Following the elections in May 2011, the Council developed a new Council Plan.

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

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

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

The Audit and Governance Committee considers amendments to the Constitution.

<u>Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities:</u>

The Audit & Governance 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.

<u>Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:</u>

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

- The Assistant Director, and the Legal Service has access to all draft Committee and Council reports and approves the minutes;
- The Legal Section monitors legal developments and notifies relevant senior officers;
- A protocol for the Monitoring Officer (Assistant Director) 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 the North Yorkshire Audit Partnership (who provided internal audit services in 2011/12);
- The Monitoring Officer, Legal Section, s.151 Officer and North Yorkshire Audit Partnership 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.
- Whilst not reporting directly to the Chief Executive there is a close working relationship, and unfettered access. The S151 is not a member of the Strategic Management Team, but is a member of the Assistant Directors Team.
- The CFO has unfettered access to information, to the Chief Executive, to Members of the Council and attends every Strategy Board meeting in order that they can discharge their responsibilities effectively. Therefore we consider that there are the processes and procedures in place which provide assurance that the role of the CFO (Head of Finance) in Richmondshire District Council meets the Statements' expectations.
- All Assistant Directors have completed an Assurance Statement for the 12 months to 31st March 2012. This provides a wider assurance as to the soundness of the system on 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 Council's and agencies, which reflects the work of the theme groups and picks up on existing strategies such as the young and older person work streams.

Embedding risk management in the activity of the authority, 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:

Richmondshire District Council has a risk management strategy. The Audit & Governance Committee has assumed responsibility overseeing risk management.

Risk management is yet to be fully embedded within the processes of the Council.

Members of the Council, Risk Owners and other selected staff are due to receive specialist training.

Risk Management issues are reported to the Audit & Governance Committee and Scrutiny, which have in there remit the duty to support the implementation of a strategy and to further embed risk management within the Council.

The Risk Register has been created, which identifies the risks to the Councils' Corporate Objectives.

Additionally, the strategic risks are reviewed by the priority theme Performance Clinics and Boards who in turn report to the Scrutiny and Strategy Boards 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.

The Council recognises the need to ensure that good governance arrangements and robust controls exist within all partners & 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

Richmondshire 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 authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Strategy Board and Council:

There is a hierarchy of decision making at Richmondshire District Council. Any new draft policies or strategies are developed and then submitted to the Strategic Management Team. Once any amendments have been made, the policy/strategy moves on to Strategy Board and then on to the full Council. In addition, cross cutting strategies are submitted to the Richmondshire Strategic Partnership for joint development with partner agencies.

The Audit & Governance Committee:

The Audit and Governance Committee has specific responsibility for monitoring the effectiveness of the Council's Code of Corporate Governance.

The Standards Committee:

The Council has a Standards Committee to ensure that the Council undertakes its duties in an appropriate manner and maintains a high standard of Corporate Governance.

The Overview and Scrutiny Committees:

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

Internal Audit:

During the year April 2011 to March 2012 the Council's internal audit service was provided by the North Yorkshire Audit Partnership (NYAP). From 1st April 2012, NYAP was dissolved and responsibility for the provision of the internal audit service transferred to Veritau North Yorkshire Ltd. (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 Partnership 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 Committee considers and approves both the strategic and annual plans and receives regular updates of actual performance against the plan and an Annual Internal Audit report at the year end which will contain an opinion or assurance statement from Internal Audit on the operation of the overall Governance Framework, incorporating the system of internal control.

A requirement under the Accounts & Audit Regulations 2011 is that every local authority undertakes a review of the effectiveness of its system of internal audit annually. The North Yorkshire Audit Partnership undertook this review, and presented their report to the Audit & Governance Committee in March 2012.

Other explicit review/assurance mechanisms:

The Council is 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.

Governance Issues

During the year the arrangements for sharing a Chief Executive with Hambleton District Council changed. From February, 2012, the duties and responsibilities of the Chief Executive were undertaken by the Deputy Chief Executive. The Council took steps to ensure continued effective governance was maintained throughout this period.

In 2012 the Council initiated a review of the shared service arrangements with Hambleton District Council. The Council is currently operating its own senior management team led by the Deputy Chief Executive pending completion of a review of its senior management arrangements. This review process is on-going and is scheduled to be completed in 2013.

Signed: --

Councillor John Blackie

Leader of the Council

Signed: --

Tony Clark

Deputy Chief Executive

Independent Auditor's Report to Members of Richmondshire District Council

Opinion on the Authority accounting statements

We have audited the accounting statements and related notes of Richmondshire District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, Notes to the Collection Fund Accounting Statement and the related notes 1 to 43. 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 2011/12

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

Respective responsibilities of the Head of Finance (s151) and auditor

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

Scope of the audit of the financial statements

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

Opinion on accounting statements

In our opinion the accounting statements:

- give a true and fair view of the state of Richmondshire District Council's affairs as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Richmondshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Paul Thomson

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

28 SEPTEMBER 2012