RICHMONDSHIRE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2015/16

For the Year End
31 March 2016

CONTENTS

Narrative Statement

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.

The Council's accounts for the year ended 31 March 2016 are presented in the format laid down in The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) – issued by the Chartered Institute of Public Finance and Accountancy in accordance with the International Accounting Standards Board framework for the preparation and presentation of financial statements as implemented by the code. The Code is based upon International Financial Reporting Standards (IFRS).

2. Statement of Accounts

The Council's statutory accounts for the year 2015/2016 are set out in pages 1 to 106. They consist of:-

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

Movement in Reserves Statement
The Movement in Reserves 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.

Comprehensive Income & Expenditure Statement
This statement shows the Net Cost of Services provided by the Council and how this has been financed from government grants and local taxpayers. The 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.

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 are matched by the Reserves held by the Council.

Cash Flow Statement
This statement shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Notes to the Core Financial Statements
These notes present information about the basis of preparation of the financial statements and the specific accounting policies applied.

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.

Collection Fund
This shows income and expenditure relating to Council Tax and National Non-Domestic Rate Collection.

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. Summary Financial Position for 2015/16

Revenue Expenditure
Revenue Expenditure is generally spent on items which are consumed within the year and is financed from Council Tax, Business Rates, Government Grants, rents and other income. Revenue Expenditure for 2015/2016 is summarised in the Comprehensive Income and Expenditure Statement.

The Council operates two main revenue accounts – the General Fund and the Housing Revenue Account. General Fund expenditure on items such as housing benefit payments, waste collection and planning is financed by Council Tax, fees and charges levied for services and central Government grant. The Housing Revenue Account is a statutory, ring fenced account and receives all of the costs associated with the Council's housing stock. It is financed by the rents from council housing. By law, the costs associated with the Housing Revenue Account cannot fall burden on the council taxpayer.

The main components of the Council's original, revenue budget for 2015/16 and how these compare with the actual outturn are set out below. The final revenue outturn position for 2015/16 is a total revenue funding surplus for the Council of £731,937. This is made up of £731,937 for the General Fund and £0 for the Housing Revenue Account. Details of the major variances contributing to this surplus were reported to the Council's Corporate Board meeting on 7th June 2016 and changes and updates to the latest budget for 2015/16 have been approved by Corporate Board as a result of the quarterly performance reports presented to the meetings in September, November and March. The reports are all available to view on the Council's website at www.richmondshire.gov.uk.

	Original Budget £	Actual £	Variance Over or (Under) Budget £
Net Expenditure by Business Theme:- **General Fund**			
Resources	1,600,780	1,448,965	(151,815)
Statutory & Regulatory	2,282,930	2,106,178	(176,752)
Operational Service	2,481,120	2,076,939	(404,181)
Drainage Board Levies	20,020	20,831	811
Total General Fund Net Expenditure	6,384,850	5,652,913	(731,937)
Housing Revenue Account Net Expenditure	6,576,890	6,703,825	126,935
Total Net Expenditure – Under Spend on Budget	**12,961,740**	**12,356,738**	**(605,002)**
Financed by Income from: **General Fund**			
Revenue Support Grant	(1,146,379)	(1,146,379)	0
Business Rates	(1,262,893)	(1,624,297)	(361,404)
Council Tax	(3,748,247)	(3,748,127)	120
General Fund Funding	**(6,157,519)**	**(6,518,803)**	**(361,284)**
Housing Revenue Account Funding from Rents	(6,643,790)	(6,703,825)	(60,035)
Total Funding	**(12,801,309)**	**(13,222,628)**	**(421,319)**
Budget/Funding (Surplus) Transferred (to) Reserves	**160,431**	**(865,890)**	**(1,026,321)**

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 to the CIPFA Service Reporting Code of Practice (SeRCOP) requirements. Further detailed analysis of revenue income and expenditure according to the Council's three organisational Directorates is provided in note 26.

As indicated in the table above the "bottom line" revenue outturn in 2015/16, as compared to budget, resulted in a variance, an under spend on budget, of £731,937. A summary of the main reasons for the major variances from budget is as follows:-

<u>Strategy & Regulatory</u>
Significant increase in income from planning application fees as a result of a number of major developments.

<u>Operational</u>
Significant items include staffing savings from Waste Management and Recycling pending changes to ways of working to be implemented during 2016/17 and reductions in transport costs as a result of low fuel prices and leasing agreements nearing the end of life. There were also additional grounds maintenance and parking income.

<u>Resources</u>
Salary savings across a number of areas, including Business Support, ICT Services, Finance and Customer Services partially offset by greater than anticipated provision for bad debt.

Housing Revenue Account
The significant item is additional revenue contributions, along with a number of small savings across a range of areas.

Business Rates
The business rates retention scheme introduced in 2013/14 has resulted in continued uncertainty in relation to funding estimates. A significant rating appeal in respect of the MOD properties at Catterick Garrison was settled by the Valuation Office during 2014/15 and this has had a significant impact on the Council's Collection Fund. Whilst the surplus of funding in this area looks healthy, this is a temporary position as a result of the accounting arrangements relating to the Collection Fund. The Council joined the North Yorkshire Business Rates Pool with effect from 1 April 2014 which enabled a sharing of increased and decreased business rates across the pool. Whilst the MOD appeal settlement did reduce the pool surplus considerably, it was still beneficial for all authorities to be part of the pool.

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)	**12,356,738**
Other required accounting entries reflected in the Comprehensive Income & Expenditure Statement	
- Capital Accounting	430,583
- Council Tax Collection Fund Accounting	(1,343,072)
- Holiday Pay Accounting	(2,942)
- Pensions Accounting	644,000
- Transfers to Earmarked Reserves	546,476
Less Funding (as above)	**(13,222,628)**
Deficit on Provision of Services per Comprehensive Income & Expenditure Statement	**(590,845)**

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

In 2015/16 the Council spent £2,830,018 (2014/15 £2,508,061) on capital schemes. An analysis of where the money was spent and the sources of funding are shown in the tables below:

2014/15 %	2014/15 £000's	Capital Expenditure Analysis	2015/16 %	2015/16 £000's
10	206	Central Services	9	241
1	37	Cultural and Related Services	2	58
4	67	Environmental and Regulatory Services	1	15
-	-	Planning Services	-	8
5	171	Highways and Transport Services	6	177
80	2,027	Housing	82	2,331
100	**2,508**	**Total Capital Expenditure**	**100**	**2,830**
2014/15 %	**2014/15 £000's**	**Where the Money Came From**	**2015/16 %**	**2015/16 £000's**
6	158	Government Grants	4	115
12	304	Capital Receipts	23	658
19	467	Revenue Contributions	17	484
63	1,579	Major Repairs Allowance	56	1,573
-	-	Internal Borrowings	-	-
100	**2,508**	**Total Capital Expenditure**	**100**	**2,830**

The majority of the Council's total capital expenditure in 2015/16 was in respect of improvement works to the Council's Housing Stock.

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

For Housing Revenue Account expenditure (expenditure on Council Housing funded from rents), the Council works to a 30 year business plan. The business plan 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 2015, the Council's unallocated revenue reserves stood at £7.25m (£5.5m General Fund and £1.75m Housing Revenue Account). By the end of the financial year, 31 March 2016, balances on unallocated revenue reserves totalled £6.93m (£5.17 General Fund and £1.75m Housing Revenue Account.)

The balance sheet position as at 31 March 2016 shows an increase in the Council's net worth of £3.46m. This is largely due to an decrease in the Pension Fund Liability.

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 £19,535,910. The majority of this debt, £18,607,819, is in relation to the loan taken in 2011/12 as a result of the Government's changes to the national system of social housing finance.

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 £15,971,000 as at 31 March 2016. This effectively means that the Council has historically underpaid contributions relative to the future benefits earned to date by its employees. The liability decreased by £1,968,000 (11%) in 2015/2016. This improvement in the position is as a result of a combination of the following:

- Positive changes in actuarial assumptions since last year, including modest reductions on pay and pension growth.
- Assumptions about asset values resulting on remeasurement losses on assets. The basis on which assets are measured according to accounting standards can result in short term volatility in asset values.

Further information in respect of retirement benefits is disclosed in Note 35 to the Statement of Accounts.

7. Shared Services

The unravelling of the former shared service arrangements with Hambleton District Council is now complete. The one remaining Service Level Agreements (SLA) with Hambleton District Council, for the HR & Payroll Service, came to an end during 2015/2016.

8. Changes to The Code of Practice on Local Authority Accounting 2015/16

A number of key accounting and presentational changes have been introduced in 2015/16. Details of those that impact on the financial statements of the Council are as follows:-

- **Presentation of Financial Statements –** Changes made to the code and guidance that support the Movement in Reserves.

- **Example Financial Statements –** A number of minor updates to reflect the 2015/16 Code's disclosure requirements.

- **Non Current Asset Accounting –** this module has been updated to reflect the new definition of fair value and other consequential amendments following that adoption of IFRS13 Fair Value Measurement.

- **Financial Instruments –** this module has also been updated to reflect the new definition of fair value and other consequential amendments following that adoption of IFRS13 Fair Value Measurement.

In preparing these financial statements consideration has been given to these suggested changes and amendments have been made to the approach and presentation where required.

9. 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.

10. 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 within them. The times at which the accounts are deposited for inspection are advertised on the Council's website www.richmondshire.gov.uk..

The Council's external auditors are:

Ernst & Young
1 More London Place
London
SE1 2AF

11. Further Information

Further information about the accounts is available from the Chief Financial Officer, Mercury House, Station Road, Richmond, North Yorkshire, DL10 4JX and on the Council's website at www.richmondshire.gov.uk.

S Moore
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, Governance & Standards Committee of Richmondshire District Council approved this Statement of Accounts at the meeting held on 27 September 2016.

Cllr Geoffrey Linehan
Chair of Audit, Governance & Standards Committee
Date: 27 September 2016.

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).

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

Sian Moore

Sian Moore, ACA
Chief Financial Officer
Date: 27 September 2016

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Councils services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is 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.

2015/2016

	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 2015	**(500)**	**(4,999)**	**(958)**	**(679)**	**(365)**	**(7,501)**	**(16,337)**	**(23,838)**
Deficit/(Surplus) on the provision of services	51	-	(642)	-	-	**(591)**	-	**(591)**
Other Comprehensive Income and Expenditure		-		-	-	**-**	(2,865)	**(2,865)**
Total Comprehensive Income and Expenditure	51	-	(642)	-	-	**(591)**	**(2,865)**	**(3,456)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	268	-	642	(342)	33	**601**	(601)	**-**
Net Increase/(decrease) before Transfers to Earmarked Reserves	**319**	**-**	**-**	**(342)**	**33**	**10**	**(3,466)**	**(3,456)**
Transfers (to)/from Earmarked Reserves (Note 8)	(319)	319	-	-	-	**-**	-	**-**
Increase/(Decrease) in 2015/16	**-**	**319**	**-**	**(342)**	**33**	**10**	**(3,466)**	**(3,456)**
Balance at 31 March 2016 carried forward	**(500)**	**(4,680)**	**(958)**	**(1,021)**	**(332)**	**(7,491)**	**(19,803)**	**(27,294)**

2014/2015 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 2014	**(500)**	**(3,390)**	**(503)**	**(172)**	**(450)**	**(5,015)**	**(21,009)**	**(26,024)**
Deficit/(Surplus) on the provision of services	602	-	(489)	-	-	**113**	-	**113**
Other Comprehensive Income and Expenditure	-	-	-	-	-	**-**	2,073	**2,073**
Total Comprehensive Income and Expenditure	602	-	(489)	-	-	**113**	**2,073**	**2,186**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(2,211)	-	34	(507)	85	**(2,599)**	2,599	**0**
Net Increase/(decrease) before Transfers to Earmarked Reserves	**(1,609)**	**-**	**(455)**	**(507)**	**85**	**(2,486)**	**4,672**	**2,186**
Transfers (to)/from Earmarked Reserves (Note 8)	1,609	(1,609)	-	-	-	**-**	-	**-**
Increase/(Decrease) in 2014/15	**-**	**(1,609)**	**(455)**	**(507)**	**85**	**(2,486)**	**4,672**	**2,186**
Balance at 31 March 2015 carried forward	**(500)**	**(4,999)**	**(958)**	**(679)**	**(365)**	**(7,501)**	**(16,337)**	**(23,838)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2014/2015				2015/2016		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
866,545	(1,046,670)	(180,125)	Central Services	917,515	(903,202)	14,313
833,961	(110,085)	723,876	Cultural and Related Services	724,078	(140,839)	583,239
4,350,554	(1,992,025)	2,358,529	Environmental and Regulatory Services	3,355,564	(1,203,276)	2,152,288
1,730,236	(1,141,796)	588,440	Planning Services	1,722,098	(1,518,692)	203,406
178,173	(367,227)	(189,054)	Highways and Transport Services	327,536	(363,205)	(35,669)
5,615,297	(6,572,938)	(957,641)	Local Authority Housing (HRA)	5,656,802	(6,768,564)	(1,111,762)
10,598,843	(9,763,485)	835,358	Other Housing Services	10,352,639	(9,617,656)	734,983
966,620	(5,186)	961,434	Corporate and Democratic Core	946,820	(83)	946,737
2,054,681	(1,474,005)	580,676	Non Distributed Costs	952,208	(1,018,710)	(66,502)
27,194,910	**(22,473,417)**	**4,721,493**	**Net Cost Of Services**	**24,955,260**	**(21,534,227)**	**3,421,033**
		969,358	Other Operating Expenditure (Note 9)			614,925
		971,714	Net Financing and Investment Expenditure/(Income) (Note 10)			1,341,891
		(6,549,971)	Taxation and Non-Specific Grant Income (Note 11)			(5,968,694)
		112,594	**(Surplus) or Deficit on Provision of Services**			**(590,845)**
		(1,911,623)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment (Note 12 & Note 18)			(253,037)
		3,985,000	Actuarial (Gains)/Losses on Pension Assets / Liabilities (Note 35)			(2,612,000)
		2,073,377	**Other Comprehensive Income and Expenditure**			**(2,865,037)**
		2,185,971	**Total Comprehensive Income and Expenditure**			**(3,455,882)**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2015 £		Notes	31 March 2016 £
58,887,240	Property, Plant & Equipment	12	58,631,511
2,177,000	Investment Property	13	1,928,000
245,192	Intangible Assets	14	301,097
-	Long Term Debtors		-
61,309,432	**Long Term Assets**		**60,860,609**
103,322	Inventories		98,938
5,137,092	Short Term Debtors	16	2,770,178
2,873,292	Cash and Cash Equivalents	17	3,499,343
548,000	Assets Held for Sale	18	-
8,661,705	**Current Assets**		**6,368,459**
(1,045,647)	Short Term Borrowing	15	(1,072,176)
(6,224,387)	Short Term Creditors	19	(2,987,229)
(258,200)	Short Term Provisions		(322,494)
(7,528,234)	**Current Liabilities**		**(4,381,899)**
(20,608,086)	Long Term Borrowing	15	(19,535,910)
(20,222)	Other Long Term Liabilities		(12,486)
(17,939,000)	Pension Liability	35	(15,971,000)
(37,123)	Capital Grants Receipts in Advance	30	(33,419)
(38,604,432)	**Long Term Liabilities**		**(35,552,815)**
23,838,471	**Net Assets**		**27,294,353**
(7,501,433)	Usable Reserves		(7,490,714)
(16,337,039)	Unusable Reserves	21	(19,803,639)
(23,838,471)	**Total Reserves**		**(27,294,353)**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2014/2015 £		2015/2016 £
112,594	Net (surplus)/deficit on the provision of services	(590,845)
(5,230,007)	Adjustments to net (surplus)/deficit on the provision of services for non cash movements (Note 22)	(3,657,075)
(1,740,894)	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities (Note 23)	476,477
(6,858,307)	Net cash (inflows)/outflows from Operating Activities	(3,771,443)
1,085,821	Investing Activities (Note 24)	1,357,178
3,767,540	Financing Activities (Note 25)	1,788,214
(2,004,946)	Net (increase)/decrease in cash and cash equivalents	(626,051)
(868,346)	Cash and cash equivalents at the beginning of the year	(2,873,292)
(2,873,292)	**Cash and cash equivalents at the end of the year (Note 17)**	**(3,499,343)**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i) General Principles

The Statement of Accounts summarise the Council's transactions for the 2015/2016 financial year and its position at the year ending 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the *Accounts and Audit (England) Regulations 2011,* which those Regulations require to be prepared in accordance with proper accounting practices.

These practises primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

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 Revenue for the Use of Non-current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue 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 the General Fund and Housing Revenue Account in the financial year in which the holiday absence occurs.

Termination Benefits

Termination Benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement 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 3.4% (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 a number of components:

- Service cost comprising:

    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the 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.

    - Net interest on the net defined benefit liability (asset), ie net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and

Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Contributions paid to the North Yorkshire Local Government pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to the pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are transfers 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 pensioners and any amounts payable 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 and voluntary organisations 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 Available-for-sale Reserve.

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

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

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.

Community Infrastructure Levy

The Council is aiming to introduce a Community Infrastructure Levy (CIL) during 2016/17. No expenditure or income has been incurred to date so the CIL does not affect these statements.

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 education) 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.

x) Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible 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.

xi) Inventories and Long-term Contracts

Inventories are included in the Balance Sheet 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.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xii) Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have 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) 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.

xiv) 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 paid under operating leases 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, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

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 (whether Property, Plant and Equipment or

Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset (long-term debtor) in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted to the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

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

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

xv) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the *CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP).* The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

xvi) 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, Kier Business Services 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 Council Houses of a similar type, the "beacon" principle was adopted

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

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

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

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

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

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

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.

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

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

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

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

The criteria which must be satisfied for assets to be classified as held for sale are:-

- The asset must be available for immediate sale in its present condition subject only to terms that are usual or customary for sales of such assets.

- The sale must be highly probable

- The appropriate level of management must be committed to a plan to sell the asset.

- An active programme to locate a buyer and complete the plan must have been initiated.

- The asset must be marketed for sale at a price that is reasonable in relation to the current value.

- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) 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.

xvii) 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, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

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

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

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

xviii) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service line in Comprehensive Income and Expenditure Statement in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. An analysis of the movement on the reserves is shown in Notes 7 and 8.

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

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.

xix) Revenue Expenditure Funded from Capital under Statute

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

xx) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from Income.

xxi) Fair Value measurement

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

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

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

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

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

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

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

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 2015/2016 it would mean that any standards issued on or before 1 January 2016 will need to be disclosed.

The following accounting policy changes were issued prior to 1 January 2016, have not yet been adopted for the 2015/16 Statement of Accounts but are required to be disclosed here:

- Annual improvement to IFRSs 2011-2013 Cycle
  - IFRS 1 meaning of effective IFRSs
  - IFRS Scope exceptions for joint ventures
  - IFRS 13 paragraph 52 (portfolio exception)
  - IAS 40 interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property

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 Council has a number of vehicles and equipment under leasing agreements
- whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability. The Council has made provision for business rate appeals in relation to all businesses. This provision is based on the best estimate of the actual liability as at the year end in known appeals.
- whether land and buildings owned by the Council are investment properties – a number of the Council's assets are classified and held as 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 2016 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 £158,333 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the

	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.	discount rate assumption would result in a decrease in the pension liability of £1,032,000. However, the assumptions interact in complex ways. During 2015/16, the Council's actuaries advised that the net pension liability had decreased by £1,968m due to updating of assumptions.
Arrears	At 31 March 2016, the Council had a balance of sundry debtors for £1,113,040. A review of significant balances suggested that an impairment of doubtful debts of 62% (£685,516) 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, an increase to the amount of the impairment of doubtful debts to cover the entire balance would require an additional £427,524 to be set aside as an allowance.
Fair value measurement	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but were this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties the authorities external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16 below).	The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement assumptions regarding rent growth, vacancy levels (for investment properties) and discounted rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

5. Material Items of Income and Expense

During 2015/16 there were no material items of income and expense.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director and Section 151 Officer on the 27 September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

2015/2016	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to 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	(249)	(1,540)	-	-	1,789
Revaluation gains/(losses) on Property Plant and Equipment	(11)	(781)	-	-	792
Movements in the market value of Investment Properties	(249)	-	-	-	249
Amortisation of intangible assets	(104)	-	-	-	104
Capital grants and contributions	115	-	-	-	(115)
Revenue expenditure funded from capital under statute	(119)	-	-	-	119
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	(755)	(272)	-	-	1,027
Insertion of items debited or credited to the Comprehensive Income and Expenditure Statement but required by statute to be included in the movement on the General Fund Balance:					
Provision for the financing of capital investment	181	930	-	-	(1,111)
Capital expenditure charged against the General Fund and HRA balances	-	484	-	-	(484)
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)	836	405	(1,241)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	658	-	(658)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(12)	(9)	21	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(219)	-	219	-	-
Adjustments involving the Major Repairs Reserve:					
Reversal of Notional Major Repairs Allowance credited to the HRA	-	1,540	-	(1,540)	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	1,573	(1,573)

2015/2016	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000	£000
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 35)	(1,392)	(300)	-	-	1,692
Employer's pensions contributions and direct payments to pensioners payable in the year	901	147	-	-	(1,048)
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1,343	-	-	-	(1,343)
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	1	2	-	-	(3)
Total Adjustments	**267**	**606**	**(342)**	**33**	**(563)**

2014/2015	Usable Reserves General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to 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	(338)	(1,460)	-	-	1,798
Revaluation gains/(losses) on Property Plant and Equipment	(87)	(1,170)	-	-	1,257
Movements in the market value of Investment Properties	127	-	-	-	(127)
Amortisation of intangible assets	(64)	(33)	-	-	97
Capital grants and contributions	158	-	-	-	(158)
Revenue expenditure funded from capital under statute	(242)	-	-	-	242
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	(957)	(291)	-	-	1,248
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement but required by statute to be included in the movement on the General Fund Balance:					
Provision for the financing of capital investment	179	906	-	-	(1,085)
Capital expenditure charged against the General Fund and HRA balances	276	191	-	-	(467)
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)	562	466	(1,028)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	304	-	(304)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(13)	(12)	25	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(192)	-	192	-	-
Adjustments involving the Major Repairs Reserve:					
Reversal of Notional Major Repairs Allowance credited to the HRA	-	1,494	-	(1,494)	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	1,579	(1,579)
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES (see Note 35)	(1,423)	(219)	-	-	1,642

2014/2015	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Movement in Unusable Reserves £000
Employer's pensions contributions and direct payments to pensioners payable in the year	1,006	163	-	-	(1,169)
Adjustments involving the Collection Fund Adjustment Account:					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(1,235)	-	-	-	1,235
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	32	(1)	-	-	(31)
Total Adjustments	**(2,211)**	**34**	**(507)**	**85**	**(2,599)**

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 2014/2015.

	Balance at 31 March 2014	Transfers Out 2014/2015	Transfers In 2014/2015	Balance at 31 March 2015	Transfers Out 2015/2016	Transfers In 2015/2016	Balance at 31 March 2016
	£	£	£	£	£	£	£
General Fund:							
Service Improvement Reserve	**1,808,208**	(359,210)	502,661	**1,951,659**	(137,504)	189,765	**2,003,920**
Council Taxpayers Reserve	**1,064,697**	(752,244)	276,226	**588,680**	-	211,937	**800,617**
Community Safety Partnership	**47,986**	(11,349)	2,219	**38,857**	(10,943)	-	**27,913**
CCTV	**29,959**	(29,959)	-	**-**	-	-	**-**
Developers Monies Fund	**56,539**	-	-	**56,539**	-	-	**56,539**
Local Plan Enquiry Fund	**85,409**	(53,479)	-	**31,930**	-	5,262	**37,192**
Youth Council	**10,468**	-	-	**10,468**	(5,468)	-	**5,000**
Local Strategic Partnership	**22,483**	-	-	**22,483**	-	-	**22,483**
Community Opportunity Fund (New Homes Bonus)	**194,095**	(383,419)	543,620	**354,296**	(583,183)	756,095	**527,208**
Cyclical Reserve	**50,000**	(2,016)	25,000	**72,984**	(68,315)	25,320	**29,989**
Community Right to Bid	**20,000**	-	-	**20,000**	-	-	**20,000**
Lifestyle Partnerships	**-**	**-**	47,675	**47,675**	(6,878)	-	**40,797**
Collection Fund Cash Flow Reserve	**-**	(206,568)	2,009,828	**1,803,259**	(1,519,613)	697,127	**980,773**
Open Spaces Contribution	**-**	-	-	**-**	-	23,500	**23,500**
Affordable Housing Contribution	**-**	-	-	**-**	-	103,485	**103,485**
Total General Fund	**3,389,844**	**(1,798,244)**	**3,407,229**	**4,998,829**	**(2,331,904)**	**2,012,491**	**4,679,416**
Housing Revenue Account							
Major Repairs Reserve	**450,146**	(1,578,727)	1,493,862	**365,281**	(1,573,480)	1,540,313	**332,114**
Total HRA	**450,146**	(1,578,727)	1,493,862	**365,281**	(1,573,480)	1,540,313	**332,114**

The following sets out the purpose of each reserve:

Service Improvement Reserve – to improve or sustain delivery through the one-off contribution of funds towards specific projects.

Council Taxpayers Reserve – to alleviate fluctuations in the level of Council Tax.

Collection Fund Cash Flow Reserve – to hold the surplus or deficit on the Collection Fund for the year pending release back to the fund over the following two years in accordance with accounting practice.

Community Safety Partnership Reserve – to receive surpluses or deficits from the Community Safety Partnership Accounts.

CCTV – is maintained solely to support the CCTV system in Richmond Town.

Developers Monies Fund – This is a reserve of funds collected from major developers in order to maintain areas of open spaces.

Local Plan Enquiry (Local Development Framework) Fund – the purpose of this reserve is to fund specialist advice and evidence base work necessary to support the preparation of a sound LDF and the formal Examination of Development Plan Documents

Youth Council – set up with money given by the Youth Opportunity Fund, to support special events and fundraising by the Youth Council.

Local Strategic Partnership – This reserve was set up to allow projects (as supported through the Area Partnership funding scheme) time to complete their projects and spend their grant.

Community Opportunity Fund – to receive Government grants in respect of the New Homes Bonus scheme to be spent for the benefit of the residents of Richmondshire in accordance with the Council's Community Opportunity Fund Scheme.

Cyclical Reserve – to finance such cyclical events as approved by Council.

Community Right to Bid – Introduced in 2013/2014 in order to aid the Council's approach to the Localism Act 2011, which introduced the Community Right to Bid as a tool to help communities safeguard the property assets they value.

Lifestyle Partnerships – to aid in RDC delivering the Lifestyle Programme on behalf of RDC, Public Health (NYCC) and the Clinical Commissioning group for the area.

Open Spaces Contribution – This fund is used to support enhancements to existing facilities or the provision of new facilities in suitable nearby locations funded by commuted sums from new developments.

Affordable Housing Contribution – This fund is used to support the provision of affordable housing on other sites, based on commuted sums from relevant new developments.

9. Other Operating Expenditure

2014/2015 £		2015/2016 £
512,614	Parish Council Precepts	522,382
20,030	Levies	20,831
192,006	Payments to the Government Housing Capital Receipts Pool	219,437
244,708	Losses/(Gains) on the Disposal of Non Current Assets	(147,725)
969,358	**Total**	**614,925**

10. Financing and Investment Income and Expenditure

2014/2015 £		2015/2016 £
639,359	Interest Payable and Similar Charges	610,959
2,116,000	Pensions Interest Cost	1,852,000
(1,556,000)	Expected Return on Pensions Assets	(1,294,000)
(100,145)	Interest Receivable and Similar Income	(76,068)
(127,500)	Net (Income)/Expenditure in Relation to Investment Properties and Changes in their Fair Value	249,000
971,714	**Total**	**1,341,891**

11. Taxation and Non Specific Grant Income

2014/2015 £		2015/2016 £
(4,230,606)	Council Tax Income	(4,279,977)
(770,304)	Business Rates	(535,378)
(1,549,061)	Non Ring-fenced Government Grants	(1,153,339)
(6,549,971)	**Total**	**(5,968,694)**

12. Property, Plant and Equipment

Movements on Balances 2015/2016:

	Council Dwellings £	Other Land and Buildings £	Vehicles, Plant, furniture & Equipment £	Infrastructure Assets £	Community Assets £	Total Property, Plant and Equipment £
Cost or Valuation						
At 1 April 2015	**66,560,680**	**8,472,980**	**1,799,563**	**541,818**	**599,642**	**77,974,683**
Additions	2,037,105	28,503	451,228	25,684	9,257	**2,551,776**
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	-	253,037	-	-	-	**253,037**
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(742,185)	(50,280)	-	-	-	**(792,465)**
Derecognition – Disposals	(247,070)	(203,256)	(1,500)	-	(26,970)	**(478,796)**
Derecognition – Other	-	-	-	-	-	**-**
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	**-**
Other Movements in Cost or Valuation	-	-	-	-	-	**-**
At 31 March 2016	**67,608,530**	**8,500,984**	**2,249,291**	**567,502**	**581,929**	**79,508,236**

	Council Dwellings £	Other Land and Buildings £	Vehicles, Plant, Furniture & Equipment £	Infrastructure Assets £	Community Assets £	Total Property, Plant and Equipment £
Accumulated Depreciation and Impairment						
At 1 April 2015	**(15,868,550)**	**(1,445,823)**	**(1,366,317)**	**(277,312)**	**(129,442)**	**(19,087,443)**
Depreciation charge	(1,473,480)	(176,061)	(124,577)	(32,891)	-	**(1,807,009)**
Impairment	-	-	-	-	-	**-**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	**-**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	17,727	-	-	-	**17,727**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	**-**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	**-**
Derecognition - Disposals	-	-	-	-	-	**-**
Other movements in Depreciation and Impairment	-	-	-	-	-	**-**
At 31 March 2016	**(17,342,030)**	**(1,604,156)**	**(1,490,894)**	**(310,203)**	**(129,442)**	**(20,876,725)**
Net Book Value						
At 31 March 2016	**50,266,500**	**6,896,828**	**758,397**	**257,299**	**452,487**	**58,631,510**
At 31 March 2015	**50,692,130**	**7,027,157**	**433,246**	**264,507**	**470,200**	**58,887,240**

Comparative Movements on Balances 2014/2015:

	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 2014	**66,250,300**	**6,839,848**	**4,107,888**	**683,747**	**579,268**	**-**	**78,461,051**
Additions	1,762,558	176,913	139,999	37,071	-	-	**2,116,541**
Revaluation Increases/(Decreases) Recognised in the Revaluation Reserve	-	1,899,324	-	-	-	-	**1,899,324**
Revaluation Increases/(Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(1,169,768)	(71,688)	-	-	-	-	**(1,241,456)**
Derecognition – Disposals	(282,410)	(371,417)	(2,492)	(179,000)	(626)	-	**(835,945)**
Derecognition – Other	-	-	-	-	-	-	**-**
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	**-**
Other Movements in Cost or Valuation	-	-	(2,445,832)	-	21,000	-	**(2,424,832)**
At 31 March 2015	**66,560,680**	**8,472,980**	**1,799,563**	**541,818**	**599,642**	**-**	**77,974,683**

	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 2014	**(14,431,010)**	**(1,378,097)**	**(3,649,120)**	**(245,705)**	**(108,442)**	**-**	**(19,812,374)**
Depreciation charge	(1,437,540)	(165,856)	(163,029)	(31,607)	-	-	**(1,798,032)**
Impairment	-	-	-	-	(21,000)	-	**(21,000)**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	7,800	-	-	-	-	**7,800**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	11,300	-	-	-	-	**11,300**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	1,000	-	-	-	-	**1,000**
Derecognition - Disposals	-	78,030	-	-	-	-	**78,030**
Other movements in Depreciation and Impairment	-	-	2,445,832	-	-	-	**2,445,832**
At 31 March 2015	**(15,868,550)**	**(1,445,823)**	**(1,366,317)**	**(277,312)**	**(129,442)**	**-**	**(19,087,443)**
Net Book Value							
At 31 March 2015	**50,692,130**	**7,027,157**	**433,246**	**264,507**	**470,200**	**-**	**58,887,240**
At 31 March 2014	**51,819,290**	**5,461,751**	**458,768**	**438,042**	**470,826**	**-**	**58,648,677**

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 2016, the Council has a number of contracts for the enhancement of Property, Plant and Equipment in 2016/2017 and future years budgeted to cost approximately £1.5 million. Similar commitments at 31 March 2015 were £1.2 million. This major ongoing commitment is in relation to the Council's Maintenance and Improvement Partnership 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. The date for the annual revaluation of assets is always 31 March. Property valuations are carried out by the Council's external valuer's Kier Business Services 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 xvi) on page 24 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 three assets (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. 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:

2014/2015 £		2015/2016 £
2,079,000	Balance at start of the year	2,177,000
(8,500)	Disposals	
127,500	Net gains/(losses) from fair value adjustments	(249,000)
	Transfers:	
(21,000)	To Assets Held for Sale	-
	From Property, Plant, Furniture and Equipment	
2,177,000	**Balance at end of the year**	**1,928,000**

The investment properties held by the Council are mainly tracts of land.

14. 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 £103,653 charged to revenue in 2015/2016 was charged to the Technology Services cost centre. 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:

	2014/2015 Software £	2015/2016 Software £
Balance at start of year:		
Gross carrying amounts	507,144	656,869
Accumulated amortisation	(314,006)	(411,677)
Net carrying amount at start of year	193,138	245,192
Additions:		
Purchases	149,725	159,558
Reversals of past impairment losses written back to the urplus/Deficit on the Provision of Services	-	-
Amortisation for the period	(97,671)	(103,653)
Other changes	-	
Net carrying amount at end of year	**245,192**	**301,097**
Comprising:		
Gross carrying amounts	656,869	816,427
Accumulated amortisation	(411,677)	(515,330)
	245,192	**301,097**

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

	Carrying Amount		Remaining Amortisation
	31 March 2015 £	31 March 2016 £	Period at 31 March 2016
Financial Management System	30,462	30,462	3 years
Revenues and Benefits System	15,723	-	0 years
Housing Management System	30,330	-	0 years
Document Management System	36,927	34,731	2 years
Income Management System	35,485	33,433	2 years

15. Financial Instruments

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

2014/2015			2015/2016	
Long Term £	Current £		Long Term £	Current £
-	2,220,000	Loans and receivables	-	2,910,000
-	2,220,000	**Total investments**	-	2,910,000
-	5,136,951	Loans and receivables	-	2,770,178
-	5,136,951	**Total Debtors**	-	2,770,178
-	(6,216,753)	Financial liabilities carried at contract cost	-	(2,987,229)
-	(6,216,753)	**Total Creditors**	-	(2,987,229)
-	-	PWLB Premia	-	-
(20,608,086)	(1,045,647)	Financial liabilities at amortised cost	(19,535,910)	(1,072,176)
(20,608,086)	(1,045,647)	**Total Borrowing**	(19,535,910)	(1,072,176)

Income, Expense, Gains and Losses

	2014/2015 Financial Liabilities Measured at Amortised Cost £	2014/2015 Financial Assets: Loans and Receivables £	2014/2015 Financial Assets: Available-For-Sale-Assets £	2014/2015 Total £	2015/2016 Financial Liabilities Measured at Amortised Cost £	2015/2016 Financial Assets: Loans and Receivables £	2015/2016 Financial Assets: Available-For-Sale-Assets £	2015/2016 Total £
Interest Expense	596,511	-	-	**596,511**	570,640	-	-	**570,640**
Total Expense in the Surplus or Deficit on the Provision of Services	596,511	-	-	**596,511**	570,640	-	-	**570,640**
Gains on De-recognition	-	(33,520)	-	**(33,520)**	-	(37,233)	-	**(37,233)**
Total income in the Surplus or Deficit on the Provision of Services	-	(33,520)	-	**(33,520)**	-	(37,233)	-	**(37,233)**
Net Gain/(Loss) for the Year	**596,511**	**(33,520)**	-	**562,991**	**570,640**	**(37,233)**	-	**533,407**

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 2016 of 1.36% to 2.95% 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:

2014/2015 Carrying amount £	2014/2015 Fair Value £		2015/2016 Carrying amount £	2015/2016 Fair Value £
(21,653,733)	(22,392,519)	Financial Liabilities	(20,608,086)	(21,761,589)
-	-	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 higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases 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.

The fair value of Public Works Loan Board (PWLB) loans of £21,761m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions at the Balance Sheet date. The difference between the carrying amount and the fair value measure the (additional/reduced) interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the (additional/reduced) interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available form the PWLB. If a value is calculated on this basis, the carrying amount of £20.61m would be valued at £21.76m. But, if the authority were to seek to (avoid the projected loss) by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to (charging a premium for the additional interest that will not now be paid). The exit price for the PWLB loans including the penalty charge would be £23.69m.

16. Short –Term Debtors

2014/2015 £		2015/2016 £
2,233,828	Central Government Bodies	1,158,068
1,657,822	Other Local Authorities	405,353
25,000	NHS Bodies	-
2,057,504	Other Entities and Individuals	2,291,711
5,974,153		**3,855,133**
(837,061)	Provision for Doubtful Debts (see below)	(1,084,955)
5,137,092	**TOTAL**	**2,770,178**
	The provision for bad debts is made up as follows:	
(158,105)	Collection Fund	(127,885)
(448,754)	Sundry Debtors	(685,516)
(230,202)	Housing Rents	(271,554)
(837,061)	**TOTAL**	**(1,084,955)**
	The movement on the provision for bad debts is as follows:	
(609,798)	Balance as at 1 April	(837,061)
53,160	Write Offs During the Year	185,102
(280,423)	Amounts Charged to the Comprehensive Income & Expenditure Statement and the Collection Fund	(432,996)
(837,061)	**TOTAL**	**(1,084,955)**

17. Cash and Cash Equivalents

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

2014/2015 £		2015/2016 £
2,130	Cash held by the Council	2,210
651,162	Bank current accounts	587,133
2,220,000	Short-term deposits with building societies	2,910,000
2,873,292	**Total Cash and Cash Equivalents**	**3,499,343**

18. Assets Held for Sale

The following table summarises the movement in the value of assets held for sale over the year:

2014/2015 £		2015/2016 £
1,032,000	Balance at start of the year	548,000
(484,000)	Assets Sold	(548,000)
548,000	**Balance at end of the year**	**-**

19. Short-Term Creditors

2014/2015 £		2015/2016 £
(4,296,708)	Central Government Bodies	(795,741)
(391,547)	Other Local Authorities	(566,236)
(61,353)	Public Corporations and Trading Funds	(29,954)
(1,474,778)	Other Entities and Individuals	(1,595,298)
(6,224,387)	**Total**	**(2,987,229)**

20. Provisions

As a result of the localisation of Business Rates with effect from 1 April 2013, the Council makes provision for the potential costs of successful appeals against Business Rates which could result in reductions in rateable values and a reduction in rates collectable. The balance of this provision at the 31 March 2016 was £806,235.
The Councils proportion of the appeals provision as at 31 March 2016 is £322,494.
The Council has no substantial legal cases in progress and therefore no further provision has been made in the Statement of Accounts for any such costs, employee related or otherwise (2014/2015 there was nil with non known).

21. Unusable Reserves

2014/2015 £		2015/2016 £
(3,386,528)	Revaluation Reserve	(3,222,668)
(32,784,735)	Capital Adjustment Account	(33,101,180)
17,939,000	Pensions Reserve	15,971,000
1,803,259	Collection Fund Adjustment Account	460,187
91,964	Accumulating Compensated Absences Adjustment Account	89,022
(16,337,040)	**Total Unusable Reserves**	**(19,803,639)**

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

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

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

2014/2015 £		2015/2016 £	
(2,142,906)	**Balance at 1 April**		**(3,386,528)**
(1,914,496)	(Upward)/Downward revaluation of assets	(262,037)	
2,872	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	9,000	
(1,911,624)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(253,037)
99,869	Difference between fair value depreciation and historical cost depreciation	47,501	
568,134	Accumulated gains on assets sold or scrapped	369,396	
668,002	Amount written off to the Capital Adjustment Account		416,897
(3,386,528)	**Balance at 31 March**		**(3,222,668)**

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.

2014/2015 £		2015/2016 £
(33,039,048)	**Balance at 1 April**	**(32,784,734)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):	
(668,002)	Adjusting amounts written out of the revaluation reserve	(47,501)
1,831,454	Charge for depreciation & impairment non current assets	1,789,281
1,257,146	Revaluation losses/(gains) on Property, Plant & Equipment	754,215
64,250	Amortisation of intangible assets	103,653
241,796	Revenue expenditure funded from capital under statute	118,683
1,247,924	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	657,400
(29,064,482)	Net written out amount of the cost of non current assets consumed in the year	(29,409,003)
	Capital financing applied in the year:	
(303,875)	Use of Capital Receipts Reserve to finance new capital expenditure	(657,746)
(1,578,727)	Use of Major Repairs Reserve to finance new capital expenditure	(1,573,480)
(158,670)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(114,963)
(1,084,691)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,111,159)
(466,790)	Capital expenditure charged against the General Fund and HRA balances	(483,830)
(32,657,235)		(33,350,180)
(127,500)	**Movement in market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement**	249,000
(32,784,734)	**Balance at 31 March**	**(33,101,180)**

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.

2014/2015 £		2015/2016 £
13,481,000	**Balance at 1 April**	**17,939,000**
3,985,000	Actuarial (gains) or losses on pensions assets and liabilities	(2,612,000)
1,642,000	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	1,692,000
(1,169,000)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,048,000)
17,939,000	**Balance at 31 March**	**15,971,000**

Collection Fund Adjustment Account

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

2014/2015 £		2015/2016 £
568,173	**Balance at 1 April**	**1,803,259**
	Amount by which council tax income and non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rates income calculated for the year in accordance with statutory requirements:-	
7,459	Council Tax	(2,493)
1,227,627	Non Domestic Rates	(1,340,579)
1,803,259	**Balance at 31 March**	**460,187**

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 2016. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014/2015 £		2015/2016 £	
123,516	**Balance at 1 April**		**91,964**
(123,516)	Settlement or cancellation of accrual made at the end of the preceding year	(91,964)	
91,964	Amounts accrued at the end of the current year	89,022	
(31,552)	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		(2,942)
91,964	**Balance at 31 March**		**89,022**

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

The surplus or deficit on the provision of services has been adjusted for the following:

2014/2015 £		2015/2016 £
(1,798,032)	Depreciation	(1,789,281)
(1,257,146)	Impairment & Downward Revaluations	(792,465)
(97,671)	Amortisation	(103,653)
64,537	(Increase)/Decrease in Provisions	(312,188)
(3,814,544)	(Increase)/Decrease in Creditors	3,237,155
3,072,375	Increase/(Decrease) in Debtors	(2,119,020)
13,701	Increase/(Decrease) in Inventories	(4,383)
(473,000)	Movement in Pension Liability	(644,000)
(1,247,923)	Carrying Amount of Non Current Assets Sold	(1,026,795)
127,500	Movement in value of Investment Property	(249,000)
180,193	Other Non Cash Items Charged to the Surplus or Deficit on the Provision of Services	146,556
(5,230,007)	**Total**	**(3,657,075)**

23. Cash Flow Statement – Adjustment for Items that are Investing and Financing Activities

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

2014/2015 £		2015/2016 £
1,006,870	Reversal of Capital Receipts to Investing Activities	1,219,045
14,000	Reversal of Other Receipts to Financing Activities	-
(2,745,697)	Reversal of Other Payments to Financing Activities	(734,828)
(16,067)	Reversal of Finance Lease Repayments to Financing Activities	(7,739)
(1,740,894)	**Total**	**476,478**

24. Cash Flow Statement – Investing Activities

2014/2015 £		2015/2016 £
2,266,266	Purchase of property, plant and equipment, investment property and intangible assets	2,711,335
(1,006,870)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,219,045)
(173,575)	Other receipts from investing activities	(135,113)
1,085,821	**Net cash (inflow)/outflow from investing activities**	**1,357,178**

25. Cash Flow Statement – Financing Activities

2014/2015 £		2015/2016 £
(14,000)	Other receipts from financing activities	-
16,067	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	7,739
1,019,776	Repayments of short- and long-term borrowing	1,045,647
2,745,697	Other payments for financing activities	734,828
3,767,540	**Net cash (inflow)/outflow from financing activities**	**1,788,214**

26. 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 Corporate 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.

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 2015/16 Comparative Figures	Resources £	Statutory & Regulatory £	Operational Services £	Operational Services (HRA) £	Total £
Fees, charges & other service income	(661,128)	(947,015)	(1,728,556)	(6,412,492)	**(9,749,191)**
Government grants	(9,063,500)	(792,270)	(50,295)	(3,805)	**(9,909,870)**
Total Income	**(9,724,628)**	**(1,739,285)**	**(1,778,851)**	**(6,416,297)**	**(19,659,061)**
Employee expenses	2,581,244	1,263,956	1,747,691	1,183,286	**6,776,177**
Other service expenses	10,443,765	1,918,642	1,558,011	4,594,550	**18,514,968**
Support Services Recharges	(1,851,415)	662,866	550,089	638,461	**-**
Total Expenditure	**11,173,594**	**3,845,464**	**3,855,791**	**6,416,297**	**25,291,146**
Net Expenditure	**1,448,966**	**2,106,179**	**2,076,940**	**-**	**5,632,085**

Business Theme's Income and Expenditure 2014/15 Comparative Figures	Resources £	Statutory & Regulatory £	Operational Services £	Operational Services (HRA) £	Total £
Fees, charges & other service income	(724,233)	(1,870,146)	(1,654,008)	(6,852,636)	**(11,101,013)**
Government grants	(9,413,685)	(573,481)	(65,713)	-	**(10,052,879)**
Total Income	**(10,137,908)**	**(2,443,627)**	**(1,719,721)**	**(6,852,636)**	**(21,153,892)**
Employee expenses	2,754,461	1,886,365	1,738,261	1,042,610	**7,421,697**
Other service expenses	10,797,803	2,244,727	1,515,355	5,355,581	**19,913,467**
Total Expenditure	**13,552,264**	**4,131,092**	**3,253,617**	**6,398,191**	**27,335,164**
Net Expenditure	**3,414,356**	**1,687,466**	**1,533,896**	**(454,445)**	**6,181,272**

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.

2014/2015 £		2015/2016 £
6,181,272	Net expenditure in the Themed Business Analysis	5,632,084
	Net expenditure of services and support services not included in the Analysis	
(655,463)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(1,300)
(804,316)	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(2,209,751)
4,721,493	**Cost of Services in Comprehensive Income and Expenditure Statement**	**3,421,033**

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.

2015/2016	**Themed Business Analysis**	**Services and Support Services not in Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Total**
	£	**£**	**£**	**£**	**£**
Fees, charges & other service income	(9,673,122)	-	-	-	**(9,673,122)**
Interest and investment income	(76,069)	-	-	-	**(76,069)**
Income from council tax	-	-	(4,279,977)	-	**(4,279,977)**
Government grants and contributions	(9,909,870)	-	(1,780,511)	(521,615)	**(12,211,996)**
Total Income	**(19,659,061)**	**-**	**(6,060,488)**	**(521,615)**	**(26,241,164)**
Employee expenses	6,776,176	-	-	-	**6,776,176**
Other service expenses	16,286,817	-	73,498	(1,397,457)	**14,962,858**
Support Service recharges	-	-	-	-	**-**
Depreciation, amortisation and impairment	1,607,146	-	553,756	524,497	**2,685,399**
Interest Payments	610,960	-	-	-	**610,960**
Precepts & Levies	-	-	543,213	-	**543,213**
Payments to Housing Capital Receipts Pool	-	-	219,437	-	**219,437**
Gain or Loss on Disposal of Non Current Assets	10,045	-	-	(157,770)	**(147,725)**
Total expenditure	**25,291,144**	**-**	**1,389,904**	**(1,030,730)**	**25,650,318**
Surplus or deficit on the provision of services	**5,632,083**	**-**	**(4,670,584)**	**(1,552,345)**	**(590,845)**

2014/2015	Themed Business Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Total
	£	£	£	£	£
Fees, charges & other service income	(11,000,868)	-	-	-	(11,000,868)
Interest and investment income	(100,145)	-	-	-	(100,145)
Income from council tax	-	-	(4,230,606)	-	**(4,230,606)**
Government grants and contributions	(10,052,879)	-	(2,319,365)	-	(12,372,244)
Total Income	**(21,153,892)**	**-**	**(6,549,971)**	**-**	**(27,703,863)**
Employee expenses	7,421,697	-	(382,337)	-	7,039,360
Other service expenses	16,169,072	-	240,931	(350,098)	16,059,905
Support Service recharges	604,908	-	(604,908)	-	-
Depreciation, amortisation and impairment	2,663,630	-	444,845	-	3,108,475
Interest Payments	639,360	-	-	-	639,360
Precepts & Levies	-	-	532,644	-	532,644
Payments to Housing Capital Receipts Pool	-	-	192,007	-	192,007
Gain or Loss on Disposal of Non Current Assets	(163,503)	-	408,211	-	244,708
Total expenditure	**27,335,164**	**-**	**831,393**	**(350,098)**	**27,816,459**
Surplus or deficit on the provision of services	**6,181,272**	**-**	**(5,718,578)**	**(350,098)**	**112,596**

27. Members' Allowances

The total of members' allowances and expenses paid in the year was £133,722 (£135,371 in 2014/2015).

28. Officers' Remuneration

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

2015/2016	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	**95,325**	**-**	**575**	**-**	**13,822**	**109,722**
Corporate Director – Resources	**69,606**	**-**	**222**	**-**	**10,096**	**79,924**
Corporate Director – Operations	**69,606**	**-**	**1,021**	**-**	**10,100**	**80,727**
Corporate Director – Strategy	**69,606**	**-**	**120**	**-**	**10,093**	**79,819**

2014/2015	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Managing Director	**93,000**	**-**	**832**	**-**	**13,785**	**107,317**
Corporate Director – Resources	**68,582**	**-**	**650**	**-**	**9,944**	**79,176**
Corporate Director – Operations	**68,582**	**-**	**1,380**	**-**	**9,944**	**79,906**
Corporate Director – Strategy	**68,582**	**-**	**(73)**	**-**	**10,011**	**78,520**

There are no other employees whose remuneration, excluding pension contributions was £50,000 or more in 2015/2016.

29. 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:

	2014/2015 £	**2015/2016 £**
Fees payable to Deloitte/Ernst & Young with regard to external audit services carried out by the appointed auditor for the year	51,958	38,616
Fees payable to Deloitte/Ernst & Young for the certification of grant claims and returns for the year	12,305	13,068
Fees payable / (Rebate) in respect of other services provided by the Audit Commission during the year (*)	(2,100)	-
Total	**62,163**	**51,684**

2014/2015 the external Auditor was Deloitte. 2015/2016 the appointed external Auditor is Ernst & Young.

30. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/2016:

	2014/2015 £	2015/2016 £
Credited to Taxation and Non Specific Grant Income		
National Non Domestic Rates Pool	(770,304)	(627,172)
Revenue Support Grant	(1,549,061)	(1,153,339)
Other Capital Grants		
Total	**(2,319,365)**	**(1,780,511)**
Credited to Net Cost of Services		
Disabled Facilities Grant	(97,660)	(118,889)
DCLG – Business Rates New Burdens Admin Grant	(11,047)	-
New Homes Bonus	(543,620)	(751,662)
New Homes Bonus: Top Slice	(4,524)	(4,433)
Business Rates Retention – Autumn Statement	(428,976)	(150,546)
DCLG – Rural Support Top Up	(8,935)	-
New Burdens Grant – Community Rights to Challenge	(8,547)	-
New Burdens – Community Rights to Bid	(7,855)	-
New Burdens – Council Tax Reform	(58,044)	(12,141)
DCLG – Smoke & Co Alarms	-	(835)
DCLG – Sale of Higher Value Goods	-	(5,000)
DWP – Welfare Reform	-	(41,546)
DCLG – New Burdens – Property Searches	-	(36,175)
DCLG – Transparency Grant	(5,615)	(8,103)
Individual Electoral Registration	(52,670)	(21,099)
DCLG – Council Tax Discount for Family Annexes	(4,183)	-
Department of Work and Pensions – Housing Benefits	(9,374,268)	(8,862,949)
Department of Work and Pensions – Discretionary Housing Payment	-	(97,881)
Cost of Collection Administration Grant	-	(35,880)
Community Safety	(20,636)	(15,115)
Small Business Rate Relief Grant	(393,298)	(309,942)
DCLG – Right to Move	-	(3,044)
DCLG – HRA S&M	-	(761)
Total	**(11,019,879)**	**(10,476,001)**

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 2015 £	Capital Grants Receipts in Advance	31 March 2016 £
(3,155)	North Yorkshire County Council – Youth Council	-
(5,274)	Safer Stronger Communities Funding	-
(721)	Flood Response Grant	-
(11,638)	Individual Electoral Registration	(11,638)
-	Disabled Facilities Grant	(3,927)
-	Redeemed Home Improvement Loan	(5,694)
(16,336)	Town Team Funding	(12,161)
(37,124)	**Total**	**(33,420)**

31. 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 2016 are shown in Note 30.

North Yorkshire Pension Fund
Details of the Council's payment of employer's superannuation contribution to the pension fund are disclosed in Note 35 to the Statement of Accounts. Details of the Pension Fund creditors can also be found in Note 35 to the Statement of Accounts.

Veritau North Yorkshire Limited
The Council owned a 12.5% share in Veritau North Yorkshire Limited at the start of the current year. The Council's Section 151 Officer sits on the company's board of directors. The principal activities of the company are the provision of internal audit, counter fraud and information governance services to the authorities within North Yorkshire. In 2015/16 Richmondshire District Council paid the company £95,721 for these services in year. There was nothing outstanding at the year end.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/2016 is shown in Note 27. During 2015/2016 the following material transactions took place with organisations in which Members have an interest.

Councillor	Organisation	Relationship	Expenditure in year 2015/2016	Transaction
Cllr Beal	Reeth Memorial Hall	Treasurer	£18,928	Grant Funding – Community Ops Fund Phase 2 – refurb and Area Partnership grants
Cllr Blackie	Upper Wensleydale Community Association	Chairman	£14,796	Service Level Agreement
Cllr Blackie	Upper Wensleydale Community Association	Chairman	£605	Grant Funding – Community Ops Fund: Area Partnership and 2nd claim for IT suite

In 2014/2015 there were four material transactions, as shown below:

Councillor	Organisation	Relationship	Expenditure in year 2014/2015	Transaction
Cllr Allen	Hambleton & Richmondshire Citizen's Advice Bureau	Director	£35,480	Annual Grant – Core Funding
Cllr Allen	Hambleton & Richmondshire Citizen's Advice Bureau	Director	£5,000	Homeless Prevention and Financial inclusion/ Capability work
Cllr Blackie	Upper Wensleydale Community Association	Chairman	£14,665	Service Level Agreement
Cllr Blackie	Upper Wensleydale Community Association	Chairman	£9,871	Grant Funding – Community Ops Fund: Hawes Post Office Project

In 2015/2016 and 2014/2015 there were no outstanding balances.

Hambleton District Council
During 2015/16 Richmondshire District Council operated a number of Service Level Agreements with Hambleton District Council. The transactions taking place in the year and the outstanding balances with Hambleton District Council at 31 March 2016 are shown below

Service	**Service Recharge from HDC to RDC (Creditors) £**	**Service Recharge from RDC to HDC (Debtors) £**
Human Resources & Payroll	2,975	69,524
Footway Lighting	10,427	
Planning Policy		10,000
Community Safety		29,187
Business & Community		9,925
TOTAL	**13,402**	**118,636**
Amounts due to HDC at 31 March 2016		**34,425**
Amounts due from HDC at 31 March 2016	**-**	

In 2014/2015 the service recharge from Hambleton District Council (HDC) to Richmondshire District Council (RDC) was £222,288 with an amount due at 31 March 2015 of £12,399. The service recharge from RDC to HDC was £955,585 with an amount due at 31 March 2015 of £229,712.

Mercury Housing Company Limited
The Council holds long term investments on the Mercury Housing Company Limited, which is a local authority as follows:

	Shareholding	
	%	**£'000**
Mercury Housing Company Ltd	100.00	-

This company was established on 9 January 2015, with a ownership by shares. The company is currently dormant, having had no trading activities since its creation. As a result the council has not prepared Consolidated Accounts to include The Mercury House Company limited.

32. 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.

	2014/2015 Total £	2015/2016 HRA £	2015/2016 GF £	2015/2016 Total £
Opening Capital Financing Requirement	**26,618,570**	**22,108,939**	**3,424,941**	**25,533,880**
Capital Investment				
Property, Plant and Equipment *	2,116,541	2,210,876	340,900	2,551,776
Investment Properties *	-	-	-	-
Intangible Assets *	149,724	1,000	158,559	159,559
Revenue Expenditure Funded from Capital under Statute	241,796	-	118,683	118,683
Finance Lease Transactions	-	-	-	-
Sources of Finance				
Capital Receipts	(303,874)	(154,566)	(503,179)	(657,745)
Government grants and other contributions	(158,670)	-	(114,963)	(114,963)
Sums set aside from Revenue	(906,177)	(929,615)	-	(929,615)
Direct revenue contributions	(466,790)	(483,830)	-	(483,830)
Major Repairs Allowance	(1,578,727)	(1,573,480)	-	(1,573,480)
Minimum Revenue Provision	(177,677)	-	(173,909)	(173,909)
Additional Revenue Provision	(836)	-	(7,634)	(7,634)
Closing Capital Financing Requirement	**25,533,880**	**21,179,324**	**3,243,398**	**24,422,722**
Explanation of movements in year				
Provision for Repayment of Debt	(1,084,690)	(929,615)	(181,543)	(1,111,158)
Assets acquired under finance leases	-	-	-	-
Increase/(decrease) in Capital Financing Requirement	**(1,084,690)**	**(929,615)**	**(181,543)**	**(1,111,158)**

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

33. Leases

Council as Lessee

Operating Leases

The Council has a number of vehicles it leases that are nearing the end of their lives. The Authority also leases Leyburn Community Office on a short term lease which is been accounted for as Operating Leases.

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

2014/2015 £ (*)		2015/2016 £
385,054	Not later than one year	162,054
173,636	Later than one year and not later than five years	10,007
-	Later than five years	-
558,690		**172,061**

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

2014/2015 £ (*)		2015/2016 £
385,055	Minimum lease payments	385,054
-	Contingent rents	-
385,055		**385,054**

(*) 2014/2015 figures have been amended to correct a minor mis-statement

Council as Lessor

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 2016 is £631,150, with a Gross cost of £727,219 and accumulated depreciation of £96,069.

34. 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 14 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The North Yorkshire County Council's pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of North Yorkshire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Strategic Director - Resources of North Yorkshire County Council and AON Hewitt Ltd.

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

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.

	Local Government Pension Scheme	
	2014/15 **£000**	**2015/16** **£000**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
• Current service cost	1,001	1,117
• Past service costs	-	-
• (Gain)/loss from settlements	-	-
• Curtailments	62	-
• Administration expenses	19	17
Financing and Investment Income and Expenditure		
• Net interest expense	560	558
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,642**	**1,692**
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	(3,985)	1,242
• Actuarial (gains) and losses arising on changes in liability experience	-	(670)
• Actuarial (gains) and losses arising on changes in financial assumptions	7,970	(3,184)
• Other (gains) and losses	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**3,985**	**(2,612)**
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	(1,642)	(1,692)
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to the scheme	1,169	1,048
• Retirement benefits payable to pensioners		

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains and losses on pensions assets and liabilities line was at 31 March 2016 a gain of £2,612,000 and at 31 March 2015 a loss of £3,985,000.

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2014/15	**2015/16**
	£000	**£000**
Present value of the defined benefit obligation	58,512	56,323
Fair value of plan assets	(40,573)	(40,352)
Net Liability arising from defined benefit obligation	**17,939**	**15,971**

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

	Local Government Pension Scheme	
	2014/15	**2015/16**
	£000	**£000**
Opening fair value of scheme assets	35,284	40,573
Interest income	1,556	1,294
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	3,985	(1,242)
• Other	(19)	-
The effect of changes in foreign exchange rates	-	-
Contributions from employer	1,169	1,048
Contributions from employees into the scheme	313	278
Benefits Paid	(1,715)	(1,599)
Closing fair value of scheme assets	**40,573**	**40,352**

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

	Local Government Pension Scheme	
	2014/15	2015/16
	£000	£000
Opening balance at 1 April	48,765	58,512
Current service cost	1,001	1,117
Interest cost	2,116	1,852
Contributions from scheme participants	313	278
Remeasurement (gains) and losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	-	-
• Actuarial gains/losses arising from changes in financial assumptions	7,970	(3,184)
• Other	-	(653)
Past service cost	-	-
Losses/(gains) on curtailment	62	-
Liabilities assumed on entity combinations	-	-
Benefits paid	(1,715)	(1,599)
Liabilities extinguished on settlements	-	-
Closing balance at 31 March	**58,512**	**56,323**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets (a)	
	2014/15	**2015/16**
	£000	**£000**
Cash and cash equivalents	487	323
Bonds:		
By sector		
• Corporate	6,857	2,179
• Government	2,759	5,690
Sub-total bonds	9,616	7,869
Property:		
By type		
• Retail	-	-
• Commercial	2,637	2,946
• Residential	-	-
Sub-total property	2,637	2,946
Private equity:		
• UK	17,325	25,099
• Overseas	7,019	-
Sub-total private equity	24,344	25,099
Other investment funds:		
• Infrastructure	-	-
• Property	3,489	4,116
Sub-total other investment funds	3,489	4,116
Derivatives		
• Forward foreign exchange contracts	-	-
Total Assets	**40,573**	**40,353**

(a) All scheme assets have quoted prices in active markets.
(b) The risks relating to assets in the scheme are also analysed by company size below:

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by AON Hewitt Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2016.

The significant assumptions used by the actuaries have been:

	Local Government Pension Scheme	
	2014/15	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	23.1 yrs	23.3yrs
• Women	25.6 yrs	25.8 yrs
Longevity at 65 for future pensioners:		
• Men	25.4 yrs	25.6 yrs
• Women	28 yrs	28.1 yrs
Rate of inflation	2.0%	1.8%
Rate of increase in salaries	3.5%	3.3%
Rate of increase in pensions	2.0%	1.8%
Rate for discounting scheme liabilities	3.2%	3.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be inter-related. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the Scheme £000
Longevity (increase or decrease in 1 year)	1,135
Rate of inflation (increase or decrease by 0.1%)	1,050
Rate of increase in salaries (increase or decrease by 0.1%)	228
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,032

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 27 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on the 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2015 (or service after 31 March 2016 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £1,042,000 expected contributions to the scheme in 2015/2016.

The weighted average duration of the defined benefit obligation for scheme members is 18 years, 2015/2016 (18 years 2014/2015).

36. Contingent Liabilities

At 31 March 2016, the Council had one material contingent liability:

- 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 2016 this liability is estimated to be in the region of £597,000 (£788,000 as at 31 March 2015).

  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)

37. 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 2015/16, determined that deposits with an individual institution would be limited to 50% of total investments or £3.5m per counterparty whichever is the lower. This limits the amount of credit risk exposure.

In addition the Council uses the creditworthiness service provided by Capita 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 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 Council’s deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise to a minimum.

The Council does not generally allow credit for customers, such that £969,953 of the £1,113,040 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2015 £	31 March 2016 £
Less than one month	211,569	249,384
One to two months	61,193	164,594
Two to three months	76,616	63,289
More than three months	447,720	492,686
	797,098	969,953

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:

	2014/2015 £	2015/2016 £
Less than one year	1,045,647	1,072,176
Between one and two years	1,072,176	1,099,380
Between two and five years	3,382,541	3,468,380
More than five years	16,153,369	14,968,150
	21,653,733	20,608,086

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.

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.

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

2014/2015		2015/2016	
£		£	£
	Expenditure		
1,641,914	Repairs and maintenance	1,892,792	
1,193,529	Supervision and management	1,380,036	
18,030	Rents, rates, taxes and other charges	15,456	
2,663,630	Depreciation and impairment of non-current assets	2,282,498	
93,283	Movement in the allowance for bad debt provision	73,642	
5,610,386	**Total Expenditure**		**5,644,424**
	Income		
(6,144,957)	Dwelling rents	(6,293,870)	
(102,066)	Non-dwelling rents	(101,949)	
-	Contributions towards expenditure	(52,805)	
(325,915)	Charges for services and facilities	(319,940)	
(6,572,938)	**Total Income**		**(6,768,564)**
(962,552)	**Net Expenditure or (Income) for HRA Services**		**(1,124,139)**
4,911	HRA services share of Corporate and Democratic Core	12,378	
4,911	Net cost of services not allocated to specific services		**12,378**
(957,641)	**Net Expenditure or (Income) for HRA Services as included in the Council's Comprehensive Income and Expenditure Statement**		**(1,111,762)**
	HRA share of operating income and expenditure included in the Council's Comprehensive Income and Expenditure Statement		
(163,503)	(Gain) or loss on sale of HRA non current assets	(157,770)	
558,452	Interest payable and similar charges	535,014	
-	Amortisation of premiums and discounts	-	
(5,240)	Interest and investment income	(7,448)	
78,506	Pensions interest cost and expected return on pensions assets	99,882	
(489,426)	**(Surplus) or deficit for the year on HRA services**		**(642,084)**

MOVEMENT ON THE HRA STATEMENT

2014/2015 £		2015/2016 £
(502,715)	Balance on the HRA at the end of the previous year	(957,517)
(489,426)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(468,313)
34,624	Adjustments between accounting basis and funding basis under statute	468,313
(454,802)	Net increase/(decrease) before transfers to or from reserves	-
-	Transfer to/(from) earmarked reserves	-
(454,802)	Increase or (decrease) in year on HRA	-
(957,517)	**Balance on the HRA at the end of the current year**	(957,517)

NOTE TO THE MOVEMENT ON THE HRA STATEMENT

2014/2015 £		2015/2016 £
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year	
(1,035)	Accumulated Absences Accrual adjustment	1,177
(1,169,768)	Transfers to or (from) Capital Adjustment Account	(915,956)
163,503	Gain or (loss) on sale of HRA fixed assets	157,770
(54,943)	Net charges made for retirement benefits in accordance with IAS 19	(188,123)
(1,062,243)		**(945,132)**
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year	
-	Transfers to or (from) Major Repairs Reserve	-
-	Transfers to or (from) Housing Repairs Account	-
-	Transfers to or (from) other housing reserves	-
-	Employer's contributions payable to the North Yorkshire Local Government Pension Fund and retirement benefits payable direct to pensioners	-
906,177	Voluntary set aside for debt repayment	929,616
190,690	Capital expenditure funded by the HRA	483,830
1,096,867		**1,413,445**
34,624	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**468,313**

HOUSING REVENUE ACCOUNT NOTES

1. Analysis of Gross Rental Income

2014/2015 £		2015/2016 £
(6,320,934)	Dwellings	(6,407,408)
175,977	Less Voids	113,538
(6,144,957)		(6,293,870)
(96,896)	Garages	(97,849)
(4,750)	Shops	(3,710)
(420)	Other	(390)
(6,247,023)		(6,395,819)
(271,035)	Add Income from Welfare Charges	(280,964)
(54,880)	Other Charges/Income	(38,975)
(6,572,938)		(6,715,759)

2. Rent Arrears

2014/2015 £	**Arrears as at 31 March**	2015/2016 £
221,599	Current Tenant Arrears	262,302
91,752	Former Tenant Arrears	98,987
313,351		361,288

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

During year 2015/2016 all rent arrears as a proportion of gross rent and charges due was 5.41% (4.81% in 2014/2015).

The provision for Bad Debts as at 31st March 2016 was £271,554 (£230,202 as at 31st March 2015).

An amount of £32,290 was written off during the year (£42,428 in 2014/2015).

3. Housing Stock & Valuation

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

Stock as at 31 March 2015	Sales / Demolitions in 2014/2015		Stock as at 31 March 2016	Sales / Demolitions in 2015/2016
		DWELLINGS		
691	7	Houses	685	6
382	2	Flats	365	18
403	-	Bungalows	402	-
88	4	Other	88	-
1,564	11	Total Dwellings	1,540	24
		OTHER HRA		
373	7	Garages	361	12
4	-	Shops	4	-
2	-	Land (sites)	2	-
379	7		367	12
		ASSET VALUATION		
50,692		Housing Stock	50,267	
480		Garages	551	
1		Community Assets	1	
118		Other HRA	101	
51,291			50,920	

2014/2015 £	Balance Sheet Values	2015/2016 £
597,726	Land and Property	652,250
50,692,130	Houses	50,266,500
1,334	Other Community Assets	1,334
51,291,190		50,920,084
51,291,190	Operational	50,920,084
-	Non-operational	-
51,291,190		50,920,084

In accordance with DCLG Guidance, a full revaluation of the housing stock was undertaken during 2012/2013. This full revaluation is carried out every 5 years with desk top reviews being carried out annually in between.

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

The vacant possession value as at 1 April 2016 was £162.150m (£163.523m as at 1 April 2015). 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 2014/2015) 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.

2014/2015 £		2015/2016 £
1,437,540	Houses	1,473,480
56,322	Other	66,833
1,493,862	Total	1,540,313
1,493,862	Operational	1,540,313
-	Non-operational	-
1,493,862	Total	1,540,313

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.

2014/2015 £		2015/2016 £
-	Land	-
163,503	Houses	157,770
-	Other	-
163,503	Total	157,770

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. Capital Charges

2014/2015 £		2015/2016 £
558,452	Interest Payable	535,014
558,452	Capital Asset Charge	535,014

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 consolidated rate of interest charged in year was 1.51% (1.51% in 2014/2015).

In addition to this interest charged on historic debt, the council pays interest on a loan from the PWLB as part of the HRA Self financing arrangements that were put in place on the 1st April 2012. The rate of interest paid on this debt is 2.57% and is fixed over the 20 year period of the loan.

7. IAS 19 Retirement Benefits

2014/2015 £		2015/2016 £
98,467	Direct service costs chargeable to the HRA	111,702
(140,330)	Less Current Service Costs (IAS19)	(199,943)
(41,864)		(88,241)
296,642	Interest Cost	331,508
(218,136)	Expected Return on Assets	(231,626)
(36,643)	Net appropriation reversal	(11,641)
41,864		88,241

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 employer's superannuation costs direct to each service. The net IAS 19 based costs are transferred out of the appropriation section of the Housing Revenue Account.

8. Major Repairs Reserve

2014/2015 £		2015/2016 £
450,146	Opening Balance 1 April 2014	365,280
1,493,862	Transfer from CFA (equivalent to HRA depreciation)	1,540,313
-	Transfer to HRA – Depreciation on Non-Dwellings	-
(1,578,727)	Financing of Capital Expenditure in Year – Housing	(1,573,840)
365,280	Closing Balance 31 March 2015	331,753

9. Housing Capital Receipts

Total Usable 2014/2015 £		Receipts 2015/2016 Total £	Pooled £	Usable £
220,093	House Sales	404,840	219,437	185,403
-	Discount Repaid	-	-	-
-	Mortgage Repaid	-	-	-
42,500	Sale of Land	-	-	-
262,593	Total	404,840	219,437	185,403

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.

7 dwellings were sold under Right to Buy in 2015/2016 (9 dwellings were sold in 2014/2015).

10. Capital Expenditure & Sources of Finance

2014/2015 £		2015/2016 £
	Capital Expenditure	
-	Land and Infrastructure	-
1,762,558	Houses	2,037,105
-	Other – Self Financing Arrangements	-
6,859	Other	174,771
1,769,417	Total	2,211,876
	Sources of Finance	
-	Loans (Internal)	-
1,578,727	Major Repairs Reserve	1,573,840
-	Capital Receipts	154,206
-	Reserves	-
190,690	Revenue Contributions	483,830
1,769,417	Total	2,211,876

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 commenced from 2012/2013.

COLLECTION FUND

The Collection Fund is an agents statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2014/2015 Business Rates £	2014/2015 Council Tax £	2014/2015 Total £		2015/2016 Business Rates £	2015/2016 Council Tax £	2015/2016 Total £
			INCOME			
	(29,154,995)	**(29,154,995)**	Council Tax Receivable		(30,199,220)	**(30,199,220)**
(8,563,242)		**(8,563,242)**	Business Rates Receivable	(12,438,059)		**(12,438,059)**
108,731		**108,731**	Transitional Protection Payments	38,190		**38,190**
(8,454,511)	**(29,154,995)**	**(37,609,505)**		**(12,399,869)**	**(30,199,220)**	**(42,599,089)**
			EXPENDITURE			
			Apportionment of Previous Year surplus/(Deficit)			
(224,204)		**(224,204)**	Central Government	(1,887,682)		**(1,887,682)**
(179,363)	10,160	**(169,203)**	Richmondshire District Council	(1,510,146)	33,547	**(1,476,599)**
(40,357)	47,222	**6,865**	North Yorkshire County Council	(339,783)	156,617	**(183,166)**
(4,483)	2,774	**(1,709)**	North Yorkshire Fire & Rescue	(37,754)	9,196	**(28,558)**
	9,134	**9,134**	North Yorkshire Police & Crime Commissioner		30,295	**30,295**
(448,407)	**69,290**	**(379,117)**		**(3,775,364)**	**229,655**	**(3,545,709)**
			Precepts, Demands and Shares			
6,279,562		**6,279,562**	Central Government	6,162,853		**6,162,583**
5,023,650	4,220,446	**9,244,096**	Richmondshire District Council	4,930,282	4,270,509	**9,200,791**
1,130,321	19,855,866	**20,986,187**	North Yorkshire County Council	1,109,314	20,471,024	**21,580,338**
125,591	1,165,924	**1,291,515**	North Yorkshire Fire & Rescue	123,257	1,202,043	**1,325,300**
	3,840,755	**3,840,755**	North Yorkshire Police & Crime Commissioner		3,959,726	**3,959,726**
12,559,124	**29,082,991**	**41,642,115**		**12,325,706**	**29,903,302**	**42,229,008**
			Charges to the Collection Fund			
18,430	19,079	**37,509**	Less: write offs of uncollectable amounts	260,624	141,812	**402,436**
31,763	37,472	**69,235**	Less: Increase / Decrease (-) in Bad Debt Provision	(63,907)	(73,700)	**(137,607)**
(729,500)		**(729,500)**	Less: Increase / Decrease (-) in Provision for Appeals	160,735		**160,735**
96,960		**96,960**	Less: Cost of Collection	96,555		**96,555**
(4,793)		**(4,793)**	Less: Deferrals and Interest	44,083		**44,083**
(587,139)	**56,551**	**(521,003)**		**498,090**	**68,112**	**566,202**
3,069,067	**53,838**	**3,122,905**	**(Surplus)/Deficit arising during the year**	**(3,351,437)**	**1,849**	**(3,349,588)**
1,507,095	**(267,098)**	**1,239,996**	**(Surplus)/Deficit Brought forward 1 April**	**4,576,162**	**(213,260)**	**4,362,901**
4,576,162	**(213,260)**	**4,362,901**	**(Surplus)/Deficit carried forward 31 March**	**1,224,725**	**(211,411)**	**1,013,313**

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 18,610.36 for 2015/2016 being the total number of properties converted to an equivalent number of band D dwellings.

The average Council Tax for Richmondshire at Band D was £1,578.74 made up as follows:

2014/2015 £		2015/2016 £
201.40	Richmondshire District Council	201.40
1,078.52	North Yorkshire County Council	1,099.98
208.62	North Yorkshire Police Authority	212.77
63.33	North Yorkshire Fire and Rescue	64.59
1,551.87	TOTAL	1,578.74

2. Business Rates (BR)

Business Rates are collected locally on the basis of a nationally determined rate in the pound of 49.3p for 2015/2016 for all Businesses not entitled to Small Business Rate Relief and 48.0p for those that are entitled to the relief, (48.2p and 47.1p in 2014/2015), 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.

The BR income after reliefs and provisions of £12,422,261 for 2015/2016 was based on an aggregate rateable value for the Council's area of £32,640,717 for the year (£32,582,772 in 2014/2015).

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 debt.

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 to 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 2015-16

1.0 Scope of Responsibility

1.1 Richmondshire District Council ('the 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. The 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.

1.2 In discharging this overall responsibility, the Council is also 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.

2.0 The Purpose of the Governance Framework

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

2.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it 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 the 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.

2.3 Following the Local Government Elections, the Council revised its governance framework in 2011. The Council has continued to operate a Leader and committee model. Officer structures were also substantially revised in 2012 and thus the governance framework has been in place at Richmondshire District Council for at least two years and has remained in place for the year ended 31 March 2016 and up to the date of the approval of the Statement of Accounts.

3.0 Richmondshire District Council's Governance Framework

3.1 The key elements of the Council's Governance Framework are as follows:

3.1.1 The Council's Strategy is reflected in its Corporate Plan. The current Plan, which was approved by Corporate Board, covers the period 2015-19 and sets out three corporate themes that the Council will work on, which have been identified and developed in consultation with the public and key partners.

3.1.2 The formal Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are lawful, efficient, transparent and accountable to local people. This incorporates the Members' Code of Conduct and a number of other locally agreed codes and protocols.

3.1.3 The Council's budget and policy framework is set by the Full Council. The Corporate Board has delegated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.

3.1.4 In addition to the Corporate Board, there are two specific regulatory committees for Licensing and Planning. These have independent powers within their legislative frameworks. Each of these acts within defined terms of reference agreed by the Full Council.

3.1.5 The Standards Committee was combined with the Audit and Governance Committee in 2012 when the Localism Act 2011 removed the statutory requirement to establish and maintain a Standards Committee. The Council adopted a set of arrangements for dealing with allegations of failure to comply with the Code of Conduct. These arrangements were adopted on 24 July 2012 and came into effect that day.

3.1.6 The Corporate Board's decisions are subject to review by the Council's Overview and Scrutiny function, which has the ability to call in and review decisions and also to contribute to the development of policy. There are two statutory scrutiny committees: Policy Review, and Scrutiny. The Audit, Governance and Standards Committee also contributes to scrutiny and overview.

3.1.7 The Council has developed and adopted a community engagement strategy with other Councils and Agencies and has established five Area Partnerships, working with them in the development of locally based service delivery options using spare and limited funds.

3.1.8 Meetings are open to the public except when exempt or confidential matters are being disclosed. The public has an opportunity to participate in some of the meetings, such as Area Partnership meetings, and can speak at Corporate Board / Council / Planning Committee.

3.1.9 A number of areas are delegated to officers for the purposes of decision making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers forming part of the Council's Constitution. Officers can also be called to Scrutiny to give account of decisions made.

3.1.10 The Council has adopted a Local Code of Corporate Governance which is reviewed by the Audit, Governance and Standards

Committee.

3.1.11 The Council also has a separate Whistleblowing Policy and Counter Fraud and Corruption Policies, which were reviewed and approved in February 2015. The low level of cases points towards a Council that has a strong and effective counter fraud and corruption culture.

3.1.12 The Corporate Director (Strategy and Regulatory) has been appointed as the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Council. The Monitoring Officer also has responsibilities relating to the Members' Code of Conduct.

3.1.13 The Corporate Director (Resources) and S151 Officer is the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with the Section 151 of the Local Government Act 1972. In compliance with the Chartered Institute of Public Finance and Accountancy ('CIPFA')'s "Statement on the Role of the Chief Financial Officer in Local Government", Richmondshire District Council is in full compliance as the Corporate Director (Resources) and S151 Officer, is a member of the Senior Management Team.

3.1.14 Both the statutory officers referred to above have unfettered access to information, to the Chief Executive and to Members of the Council, in order that they can discharge their responsibilities effectively. The functions of these officers and their roles are clearly set out in the Council's Constitution.

3.1.15 The Council's financial management framework comprises the following:

- Financial and Contract Procedure Rules as part of the Council's Constitution
- A four-year Medium Term Financial Strategy which provides the framework for financial planning
- Medium term financial planning is updated annually, to align resources to corporate priorities
- Service and financial planning integrated within the corporate performance management cycle
- Annual budget process involving scrutiny and challenge
- Monthly monitoring by management of revenue and capital budgets – with regular reports to Corporate Board and Senior Management Team
- Embedded arrangements for securing efficiencies and continuous improvement
- Producing a Statement of Accounts annually, compliant with the requirements of local authority accounting practice; and

- Compliance with requirements established by CIPFA.

3.1.16 The Council's performance management framework provides an explicit link between the corporate priorities and personal objectives of Council staff. Performance is reported to Members and the Council's Senior Management Team on a systematic basis with areas of poor performance investigated. Key features of the performance management framework include the following:

- A regular review of the Corporate Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council
- Service Plans are produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable
- The Council's performance review system links personal objectives directly to Service Plans
- Regular quarterly performance and finance reports set out performance on key indicators, actions and budget management; and
- The use of performance briefings which focus on performance management with a smaller group of Members

3.1.17 The Council maintains a professional relationship with Ernst & Young, the body responsible for the external audit of the Council.

3.1.18 Recruitment and selection procedures are based on recognised good practice and all staff posts have a formal job description and person specifications. Services are delivered and managed by staff with the necessary knowledge and expertise with training needs identified via the formal appraisal process contributing to a corporate training plan.

3.1.19 Pay is governed by a Pay Policy considered and approved annually by Council.

3.1.20 The maintenance of systems and processes identifies and manages the key strategic and operational risks to the achievement of the Council's objectives.

3.1.21 Risk management is an integral part of the Council's performance management framework. Corporate and strategic risks are reviewed annually and service risks six monthly, with relevant actions included in Service Plans. The risk management framework includes the following:

- A Risk Management Policy and Strategy has been adopted by the Council and is reviewed annually
- The establishment of a risk register comprising both Corporate and Operational risks for the Council as a whole, assigned to designated officers, with appropriate counter measures and an action plan established for each key risk

- The Audit, Governance and Standards Committee reviews and approves the Risk Management Strategy
- The use of Internal Audit of a risk based approach in the preparation and delivery of the internal audit plan
- The requirement for Council officers to consider risk management issues when submitting reports to the Senior Management Team and Corporate Board for consideration by Members; and
- The Council has recently adopted a corporate project management and business review approach which has been rolled out to managers for use in managing all the Council's projects

3.1.22 Managing information governance and data protection has been prioritised, and a corporate group manages the action plan; this is regularly updated at Audit, Governance and Standards Committee and progress is satisfactory. The Corporate Director (Resources) and S151 Officer is the Senior Information Risk Owner ('SIRO') who sponsors and drives the work forward.

3.1.23 The maintenance of an adequate and effective system of Internal Audit is a requirement of the Accounts and Audit Regulations. From 1 April 2012, responsibility for the provision of the internal audit service transferred to Veritau North Yorkshire Ltd ('VNY'), 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.

3.1.24 Internal Audit examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control.

3.1.25 This work is delivered by way of a Strategic Audit Plan developed using a risk based approach. Audit plans are agreed and monitored by the Audit, Governance and Standards Committee with client responsibility assigned to the Corporate Director (Resources) and S151 Officer. Internal Audit is required to give an opinion on the adequacy of the Council's system of internal control each year.

3.1.26 The Council seeks to ensure resources are utilised in the most economic, effective and efficient manner whilst delivering continuous improvement. It aims to achieve this by a variety of means, including the following:

- Service / process transformation and efficiency reviews
- Working with partners; and
- External and Internal Audit feedback

3.1.27 The Audit, Governance and Standards Committee also monitors progress on the Council's approach to Equalities and Diversity to ensure compliance with legislation and best practice.

4.0 Review of Effectiveness

4.1 The Council has a responsibility for conducting, at least on an annual basis, a review of the effectiveness of its governance framework including the system of internal control. This review takes account of the work of Internal Audit and the Council's Senior Management Team which has a responsibility for the development and maintenance of the governance environment, and also by comments made by external auditors and other review agencies and inspectorates.

4.2 The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances, and should result in an action plan to address significant internal control issues.

4.3 The process that has been applied in maintaining and reviewing the effectiveness of the Council's system of internal control includes the following:

4.3.1 The Council's Monitoring Officer oversees the operation of the Constitution to ensure its aims and principles are given full effect.

4.3.2 The arrangements for Overview and Scrutiny have operated throughout the year allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. The revised arrangements have operated since May 2011.

4.3.3 The Audit, Governance and Standards Committee met throughout the year and received reports on the progress by Internal Audit against their work plan. The Committee also considered auditable areas where Internal Audit raised any internal control concerns.

4.3.4 The Corporate Director (Resources) and S151 Officer supports the Audit, Governance and Standards Committee and attends all meetings of the Committee.

4.3.5 Internal Audit completes a programme of scheduled audits during the year according to its plan, including follow up audits. There were no specific investigations in the year. All high risk and key financial systems were audited. The overall opinion expressed by Internal Audit stated:

"The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating in the Authority is that it provides **Substantial Assurance**. There are no qualifications to this opinion and no reliance was placed on the work of other assurance bodies in reaching that opinion. There are also no significant control weaknesses which, in the opinion of the Head of Internal Audit need to be considered for inclusion in the Annual Governance Statement".

4.3.6 Internal Audit has not raised any specific overall concerns about internal controls across the Council

4.3.7 The Council's Risk Register has been maintained under review during the year and updated accordingly. Reports on risk management have been considered by the Senior Management Team and the Audit, Governance and Standards Committee. The Audit, Governance and Standards Committee has approved a revised Risk Management Strategy.

4.3.8 Monitoring information on key areas of performance has been provided to Senior Management Team and Members on a regular basis with attention focused on those areas that are considered by the Council to be vulnerable.

4.3.9 The External Auditor's annual letter confirmed that the Council had satisfactory arrangements to secure value for money. In respect of the Council's Statement of Accounts, an unqualified opinion was issued.

4.3.10 The External Auditor did not identify any significant weaknesses in our internal control arrangements.

5.0 Significant Governance Issues

5.1 No system of governance or internal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance. In concluding this review of the Council's Governance Framework and Internal Control arrangements, new issues identified have been included in the detailed Action Plan. A detailed plan to address existing weaknesses and ensure continuous improvement in the system of internal control has been produced in response and this will be subject to regular monitoring by the Council's Senior Management Team and the Audit, Governance and Standards Committee, where appropriate. The aim is to address these areas of concern during the 2016/17 financial year.

Signed

Yvonne Peacock

Cllr Yvonne Peacock
Leader of the Council

Signed

Tony Clark
Chief Executive

27 September 2016

ACTION PLAN – completed actions from 14/15 AGS

Action No.	Year	Issue(s) Identified	Source(s) of Evidence	Update / Summary of Action(s) Taken, and Action(s) Proposed	By when By whom	Current Position
01	2013/14	**Separation of shared services from Hambleton District Council**	Actual issues caused by separation. Internal and External Auditor concerns.	Separation of all services almost complete. Environmental Health, Communications, and Legal Services completed March 2015. HR & Payroll scheduled for completion by September 2015, by which time all ICT separation issues will also be complete.	SMT	All services now separated. There are a small number of service level agreements with Hambleton District Council for ongoing business purposes
02	2013/14	**Employment Tribunal Case**	Cost incurred. HR, Internal and External Auditor concerns.	Policies and procedures and management of cases reviewed to ensure adherence in the future. New policies, procedures and training provided. Regular review by HR & Payroll Manager and SMT.	Corporate Director (Resources)	Specific issues now addressed and policy and operational changes now part of day to day operations.

ACTION PLAN for 2016/17						
Action No.	**Year**	**Issue(s) Identified**	**Source(s) of Evidence**	**Update / Summary of Action(s) Taken, and Action(s) Proposed**	**By when By whom**	**Current Position**
03	2014/15	**Financial Sustainability** The Council is facing an ongoing gap between funding and spend of more than £400k by 2019/20, commencing in 2017/18. Members agreed an efficiency plan to deliver savings in April 2016 leaving the ongoing £400k+.	Medium Term Financial Strategy April 2016	This continues to be an ongoing issue and the highest risk the Council faces. SMT and Corporate Board continue to monitor and implement savings. Ongoing programmes of work including business process improvements and major amendments to the way the waste and recycling services are provided	SMT	
04	2014/15 and into 2015/16	The Council has considered the future of **delivering affordable housing** in Richmondshire in line with recent Government changes to policy. The Council is considering whether the established Trading Company provides an option to address this issue across Richmondshire.	Report to Corporate Board – April 2016	The Council has earmarked £150k previously set aside for the housing company and an additional sum was identified to pilot options for shared and discounted home ownership.	Chief Executive / CD Operations	
05	2015/16	Councils across the Yorkshire and Humber region are being asked to consider the role of **Combined Authorities** to work towards the Government's ambition of **Devolution.** This could have significant ongoing issues for Richmondshire in terms of its long term governance and operations	Ongoing CE and leader meetings	There is currently no agreement across the Yorkshire and Humber region, and the issue is unlikely to be resolved in the early part of 2016/17. However Richmondshire needs to continue to be engaged to ensure its best interests are retained.		

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF RICHMONDSHIRE DISTRICT COUNCIL

Opinion on the Authority's financial statements

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

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement; and
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Collection Fund and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Richmondshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 8, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the financial position of Richmondshire District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters
In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception
We report to you if:
- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

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

Auditor's responsibilities
We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

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

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

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Richmondshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

Nicola Wright

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

27 September 2016