Scarborough Borough Council

Core Single Entity

Statement of Accounts

2018 – 2019

Contents 2018/19

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INTRODUCTION

The following pages introduce the Borough Council's Statement of Accounts for the year ended 31 March 2019. The published accounts are an important element in demonstrating the Council's stewardship of public money, showing the resources available and how they are used to deliver everyday services to the community.

The purpose of this Narrative Report is to provide an explanation in overall terms of the Council's financial position, including the major influences affecting the accounts, and to assist in the interpretation of the accounting statements.

OVERVIEW FROM THE RESPONSIBLE FINANCE OFFICER

As the Council's statutory officer responsible for Finance, I have pleasure in writing this explanatory overview to the Statement of Accounts for 2018/19.

My key priorities are:

- To maintain sound financial management practices across the Council,
- To ensure that financial resources are spent in line with the Council's priorities,
- Ensuring Value for Money, and
- To make financial reporting meaningful for everyone.

The Council's External Auditors, Mazars LLP, inspect and assess how the Council manages its resources and its arrangements for financial management. The audit report prepared by Mazars for the year ended 31 March 2018 concluded that the auditors were satisfied that in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Whilst Mazars LLP have substantially completed the audit of the financial statements for the year ended 31 March 2016, 31 March 2017 and 31 March 2018 they have been unable to issue an opinion on the accounts or certify completion of the audit. This is due to an objection received from a local elector, which queries whether income generated from harbour activities at Whitby and land surrounding the harbour area, should be held in the Council's General Fund (as is presented in these accounts) or be specifically ring-fenced in earmarked reserves to fund harbour related expenditure. The Council have provided robust responses to the objections and expect an opinion on the accounting treatment to be issued shortly.

In line with most other public sector organisations the Council continues to suffer from significant cuts in Central Government funding due to the Government's strategy to reduce the Country's budget deficit. Funding announcements on Government cutbacks have not come as a major shock to the Council; they have been anticipated, and positive actions have been put in place to ensure that where possible the Council reduces its budget in a controlled and managed way, without the need to cut front line services.

In 2018/19 and 2019/20 the Council made savings of £2.1m and £1.5m respectively to balance the funding gap and current budget projections anticipate a further funding gap of £5m for the 3 year period to 2023.

Public sector funding reductions will likely continue over the medium to long term and this is factored into the Council's future funding models. Although the Council strives to deliver budgetary savings through efficiencies rather than cuts in service this is becoming increasingly difficult as the cumulative impact of funding cuts takes effect. The Council will consider a range of options to ensure that we continue to provide customer-focused, efficient services.

It is pleasing to report that despite the requirement to make significant savings in recent years the Council's prudent approach to budget management and control has resulted in a small year-end underspend against this year's revenue budget. In addition to this, the levels of corporate reserves have been maintained within the optimum ranges set out in the Financial Strategy.

Despite the economic conditions the Council continues to deliver an ambitious regeneration programme across the Borough. A number of schemes are progressing which demonstrate the Borough's commitment to working in partnership; improving economic prospects and encouraging enterprise in the region and it is pleasing to note that a number of the significant developments are now nearing or have reached completion in recent years.

The Council is currently progressing significant coast protection and flood alleviation works across the Borough. Although a significant proportion of the cost of the works is funded by the Environment Agency the Council has had to commit £5m of its own resources to the works as well as underwrite the risk of scheme overspends. Given the sheer size of the sums involved and the inherent high risk nature of the works involved these schemes increase the Council's exposure to financial risk significantly and will need to be carefully managed and monitored. For a lower tier authority of our size the risks associated with these schemes are particularly concerning and this, along with uncertainty in central government funding levels post 2020, represent the most significant financial risk to the Council in the short term.

I hope this Statement of Accounts helps you to better understand the Council's financial position. Please let me know how you think we are progressing with our financial reporting, as we are aiming to continuously improve in this area.

Gary Fielding.
Corporate Director (Section 151 officer)

OUR VISION AND MISSION

Our Corporate Plan is titled 'Towards 2030', with a simple Vision / Mission Statement of **'Towards a prosperous Borough, with a high quality of life for all'**.

We will achieve this through our four key aims:

- **People** – to have a safe, happy, healthy population with people who feel valued and included
- **Place** – to protect and improve our environment, now and for the future
- **Prosperity** – to develop a prosperous and innovative Borough, with a highly skilled and aspirational workforce
- **Council** – to be an efficient and effective council which is financially sustainable for the future

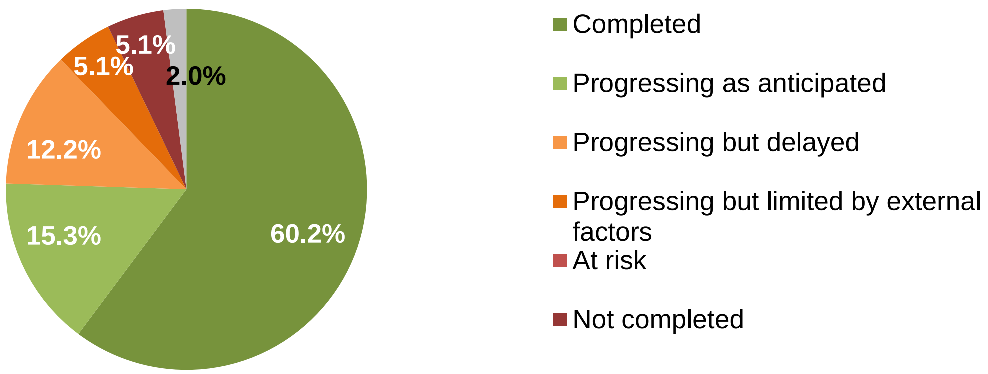
Our aims are linked to and impact on one another in complex ways. Many of the actions we are undertaking link to more than one of our aims and improvement in one area often depends upon success in one or more of the others. For example, a quality environment helps encourage the investment needed to build prosperity.

The Council's Annual Report sets out what we have achieved over the last year and our plans for the next 12 months in relation to each of our aims. We have set targets so that we are able to assess whether or not they have been met.

Each service in the Council is required to set out the improvement actions they are carrying out to assist in the delivery of the Corporate Plan priorities on an annual basis. These actions are called Critical Success Factors (CSFs), and consist of Performance Indicators and delivery measures relating to projects. In all cases the actions seek to achieve continued year on year improvement. Details of actions which will contribute to the delivery of the Corporate Plan are set out under each priority, under the heading 'Improvement Actions'.

The following graph shows details of progress against our Critical Success Factors during 2018/19:

CSF Outturns 2018/19:



Further details of the Council's achievements over the last year can be found on our website at: http://www.scarborough.gov.uk/home/open-data-and-foi/performance

OUR PERFORMANCE

The Council operates a corporate Performance Management Framework (PMF) which is used to monitor and manage the performance of its Services. A range of performance indicators are maintained by each Service and are used to measure progress of our aims and key priorities as detailed in the Corporate Plan. This report contains three types of measures:

'Quality of Life' Indicators - These PIs have been identified to supplement the range of performance information measured and monitored by the Council. The 'Quality of Life' Indicators provide contextual information about life in the Borough, but no targets are set as progress is affected by a wide range of factors and organisations and is therefore not directly in the Council's control. These measures include life expectancies, overall crime rates, employment rates, average wage rates, etc. Scarborough Borough measurements will be compared to the regional and / or national averages, with history showing direction of travel, and progress will be reviewed annually and reported in the ARIP.

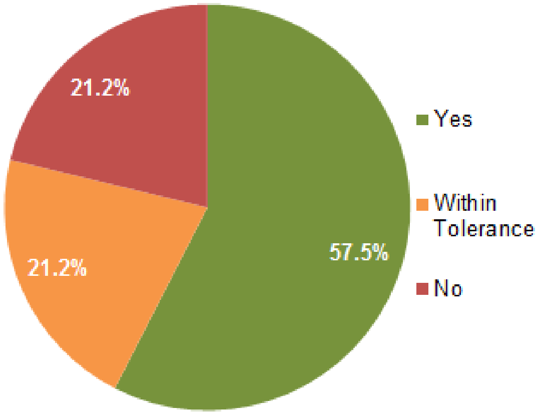
Service Performance Indicators - these PIs are those which directly measure the performance of the Council's services, such as processing times for benefits claims, planning applications, etc. Targets for these indicators are set – these are the indicators which are regularly monitored and results of the monitoring presented to Cabinet on a quarterly basis.

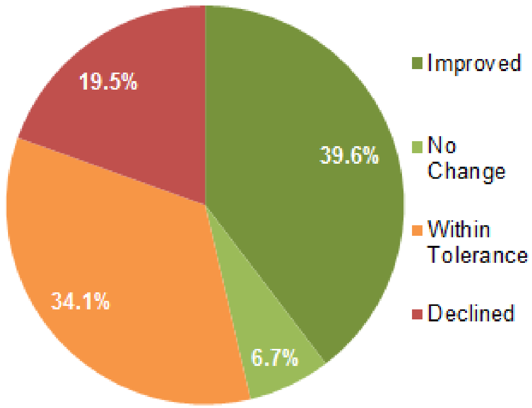
Critical Success Factors – these are measures related to key projects and actions undertaken by the Council's services, which assist in delivering the Corporate Plan. Targets are set and CSFs are monitored, with results being reported to Cabinet on a six-monthly basis.

Tables detailing the Council's performance against its Service Performance Indicators and Critical Success Factors for 2017/18 and 2018/19 are shown in this report under each of the Council's Aims. This allows you to monitor our performance against these aims. The results show areas where performance has improved and those areas where performance is lower when compared to the previous 12 months. In some cases, whilst there has been a drop in performance, the level of performance achieved is still above the target set by the Council.

The year-end figures for 2018/19 show that we have improved in 39.6% of the Priority Indicators where it is possible to make an assessment. In addition the performance of 6.7% of indicators has remained at the same level. We have met our targets for 57.5% of our indicators. We want to build on this over the next year, continuing to improve the quality and performance of our services, against a background where we are required to make significant savings in our budgets.

The following graphs show our Direction of Travel against the Priority Performance Indicators and whether or not we achieved our targets.





THE STATEMENTS

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year ended 31 March 2019. The Council is required to prepare an annual statement of accounts, in accordance with proper accounting practices, by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code)**,** 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.

The Statement of Responsibilities for the Statement of Accounts sets out the Council's and Chief Finance Officer's legal and professional responsibilities for the accounts under Local Government Legislation.

The Annual Governance Statement identifies the systems that the authority has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and provides a review of the effectiveness of internal control.

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

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

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are useable reserves, ie those reserves that the authority 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 or repay debt). The second category of reserves are those that the authority 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 those 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'.

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

The Notes to the Core Financial Statements provide supplementary information to aid the understanding of the figures shown in the Statement of Accounts.

Expenditure and Funding Analysis (EFA)
The Expenditure and Funding Analysis shows how the annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

The EFA also shows how this expenditure is allocated for decision making purposes between the council's directorates and its purpose is to report performance in a similar format to that used throughout the year in the management and committee updates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Collection Fund is an agent's 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.

REVENUE EXPENDITURE AND SERVICES PROVIDED

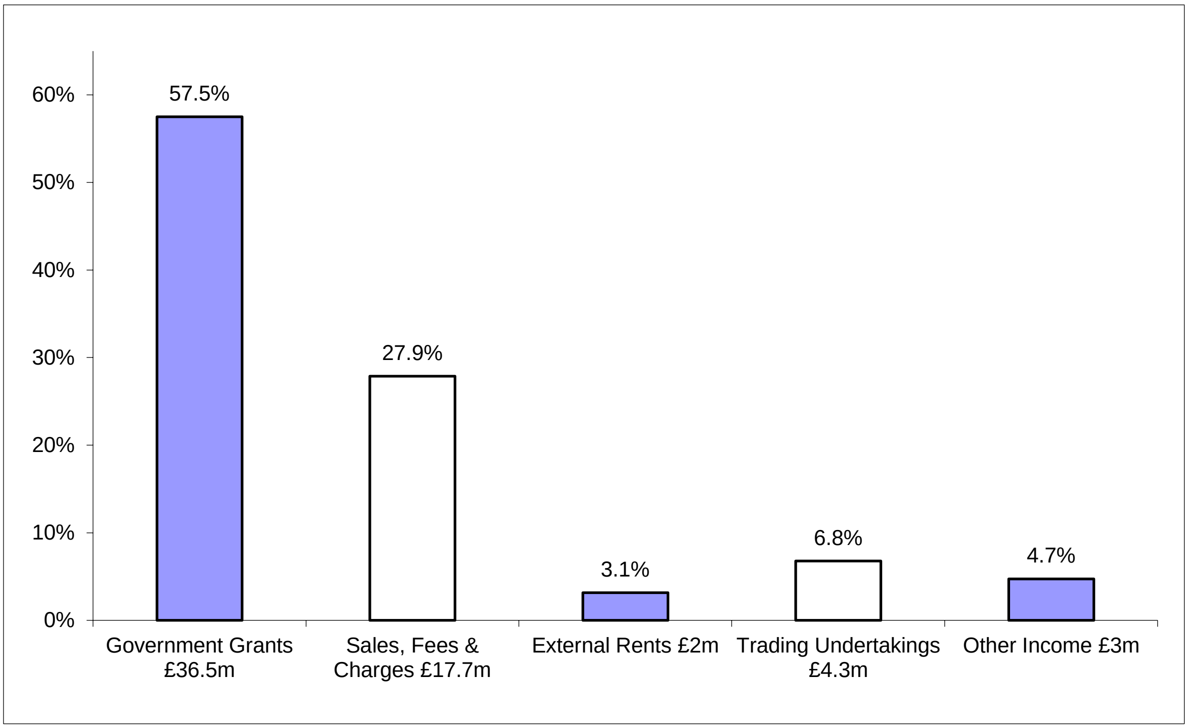
The revenue budget is used to record the day to day running expenses and income of the Council. It includes expenses such as employee costs, heating, lighting, rent, rates, and capital financing, plus income relating to those expenses.

The Council's gross revenue expenditure for the year totalled £84.627 million and its gross income, excluding Taxation and Non Specific Grant Income was £63.408 million, resulting in net operating expenditure of £21.219 million.

The following charts show the Council's sources of revenue funding, the expenditure by service and the main categories of General Fund expenditure.

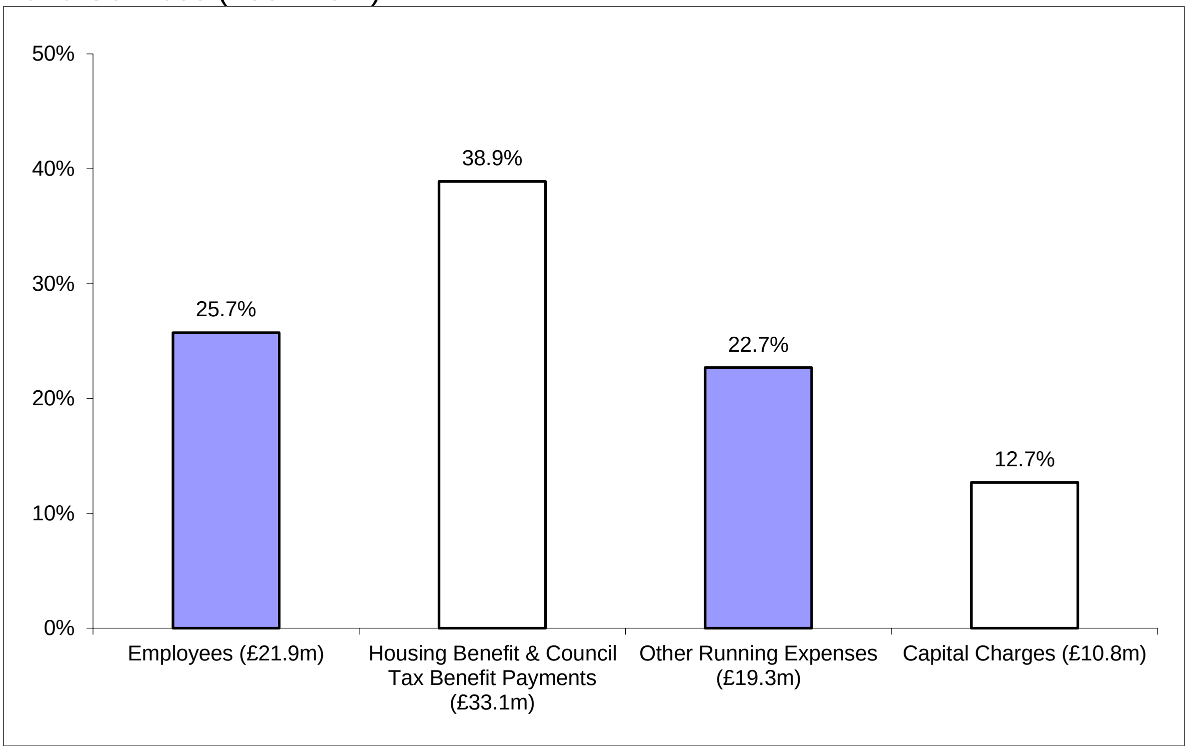
Revenue Funding

This chart shows the Council's various sources of revenue funding excluding Taxation and Non-Specific Grant Income (£63.408m):



Revenue Expenditure

This chart shows the main categories of Council gross expenditure over all General Fund Services (£85.210m).



COMPARISON OF THE BUDGET TO ACTUAL INCOME AND EXPENDITURE

At the time of setting the 2018/19 budget it was anticipated that a £200k draw would need to be made from the General Fund Reserve to balance the budget. In year budget monitoring forecasted an underspend against budget and identified that this draw would unlikely be required. The Council's 2019 Financial Strategy set out that the £200k draw from the General Fund would be deferred to future years to provide a contingency against higher than anticipated funding cuts following the outcome of the Fair Funding Review, which will be announced during 2019.

In February 2019, the quarter three forecast outturn for 2018/19 was presented to Cabinet. This was based on figures available to the end of December and showed a forecast underspend against the original 2018/19 budget of £702k. The following commitments were made against this underspend during the year; reducing the net underlying underspend to £268k:

- £150k for 2019 Tour de Yorkshire cycle event (included in Earmarked reserves at year end)
- £84k for the implementation of a trial residents car parking scheme for a period of 12 months (from 1 March 2019) without introducing a new winter charging scheme (included in Earmarked reserves at year end)
- £200k following the delay of the budgeted draw from the General Fund Reserve.

This uncommitted underspend increased slightly in the final three months of the year from £268k to £279k. The Council's Cabinet have already agreed that any surplus achieved at year end will be transferred to reserves and set aside for the capital strategy / one off priorities.

Financial Performance on General Fund Balance:

	Actual £000	Budget £000	Variance £000
Net Expenditure	14,623	15,314	691
Financed by:			
Revenue Support Grant	(672)	(672)	-
Share of Business Rates and Section 31 Grants	(4,866)	(4,866)	-
Council Tax Precept	(8,663)	(8,663)	-
Collection Fund (Surplus) / Deficit	(195)	(195)	-
Other Core Funding	(740)	(718)	22
Headline Over / (Underspend)	**(513)**	**200**	**713**
Budgeted Draw from General Fund Reserve	-	(200)	(200)
In Year Commitments:			
2019 Tour De Yorkshire cycle event	150		(150)
Trial Residents Parking Scheme	84	-	(84)
	(279)	-	279
Remaining underspend earmarked for priority areas	279	-	(279)

General Fund Balance Brought Forward	**3,026**	**3,026**
Budgeted Transfer from General Fund	-	(200)
In Year Transfer to General Fund	-	-
General Fund Balance Carried Forward	**3,026**	**2,826**

Outturn Position

The summary outturn position by Directorate is outlined below:

Directorate	2018/19 Actual £'000	2018/19 Budget £'000	Surplus / (Deficit) £'000
Chief Executive	2,276	2,363	87
Director (Nick Edwards)	7,291	7,399	108
Director (Lisa Dixon)	(2,905)	(3,012)	(107)
Director (Richard Bradley)	518	766	248
Corporate Budget Heads and Core Funding	(7,693)	(7,516)	177
Outturn Position	**(513)**	**-**	**513**
Expenditure Committed in Year (Lisa Dixon)	84	-	(84)
Expenditure Committed in Year (Richard Bradley)	150	-	(150)
Year End Underspend Earmarked for Priority Areas	**(279)**	**-**	**279**

Following completion of the year end accounts, an exercise will be undertaken by Finance to highlight any recurring areas that have not already been taken into account. The outcome of this exercise will be fed into the 2020/21 budget setting process.

The following table provides additional details with regards to the year end outturn by Director and Service and compares the outturn position to the forecast provided in the monitoring report for the period ended 31 December 2018.

Service (£000)	Actuals	Budget	Surplus / (Deficit)	Q3 Forecast
Chief Executive				
Capital and Procurement Unit	91	93	2	-
Corporate	46	35	(11)	(29)
Electoral Services	241	238	(3)	(13)
HR and Health and Safety	342	352	10	4
Internal Audit	147	141	(6)	(9)
IT Services	925	1,026	101	35
Land Drainage and Coast Protection	268	271	3	-
Public Relations	50	54	4	-
Redevelopment Projects	(2)	(2)	-	-
Senior Management Team and Support	168	155	(13)	-
	2,276	**2,363**	**87**	**(12)**
Director (Nick Edwards)				
Accountancy	327	350	23	-
Accounts Receivable and Payable	200	200	-	-
Cash Collection and Administration	95	106	11	-
Choices 4 Energy	10	8	(2)	-
Corporate Management	151	170	19	19
Decorative Lighting	(2)	(2)	-	-
Depots and Admin Buildings	300	264	(36)	(37)
Emergency Planning	25	21	(4)	-
Energy Management	105	105	-	-
Environmental Health and Safety	71	71	-	(5)
Estates and Asset Management	245	246	1	-
Home Improvement Agency	(42)	(7)	35	-
Housing and Homelessness	909	820	(89)	-
Housing Benefits administration	572	785	213	153
Housing Benefits Subsidy	(422)	(401)	21	-
Land Drainage and Coast Protection	22	22	-	-
Local Taxation	(166)	(68)	98	34
Parks and Open Spaces	1,952	1,862	(90)	(55)
Property Services Operational Unit	(63)	(63)	-	-
Public Clocks and Fountains	-	-	-	-
Public Conveniences	169	127	(42)	(41)
Redevelopment Projects	13	-	(13)	-
Refuse Collection and Street Cleansing	2,668	2,638	(30)	(34)
Rental Properties	3	6	3	-
Scarborough Harbour	(393)	(346)	47	55
Senior Management Team and Support	97	96	(1)	-
Street Seats, Lighting and Name Boards	(4)	(4)	-	-
Transport and Vehicles Maintenance	765	698	(67)	(21)
Whitby Harbour	(316)	(305)	11	-
	7,291	**7,399**	**108**	**68**
Service (£000)	**Actuals**	**Budget**	**Surplus / (Deficit)**	**Q3 Forecast**

Director (Lisa Dixon)				
Beaches (including Beach Chalets)	69	41	(28)	(7)
Cash Collection and Administration	53	58	5	-
CCTV	173	202	29	25
Cemeteries and Crematorium	(779)	(886)	(107)	(62)
Community Centres	(34)	(31)	3	-
Corporate Costs	5	7	2	-
Environmental Health and Safety	566	659	93	50
Legal Services	255	277	22	16
Licensing	(213)	(196)	17	-
Local Land Charges	(22)	(22)	-	-
Marketing and Events	114	114	-	-
Member and Mayoral Expenses	335	336	1	-
Outdoor Leisure Sites	(300)	(374)	(74)	(66)
Outdoor Playing Fields and Amenities	(5)	(17)	(12)	-
Parking Off Street	(4,091)	(4,178)	(87)	3
Print Plus	87	194	107	29
Procurement Unit	50	48	(2)	-
Regulatory, Governance, Performance and Admin	586	620	34	16
Rental Properties	(23)	(68)	(45)	(35)
Senior Management Team and Support	128	77	(51)	(35)
Theatres	141	127	(14)	25
	(2,905)	**(3,012)**	**(107)**	**(41)**
Director (Richard Bradley)				
Community Centres	7	10	3	-
Community Partnerships and Safety	296	328	32	13
Customer Services	423	443	20	-
Decorative Lighting	48	48	-	-
Economic Development	288	325	37	9
Estates and Asset Management	178	172	(6)	23
Grants	240	245	5	5
Indoor Leisure Sites	59	59	-	-
Industrial Units	(86)	(87)	(1)	-
Land Drainage and Coast Protection	4	0	(4)	-
Marketing and Events	219	220	1	-
Markets	(123)	(186)	(63)	(45)
Outsourced services	1,588	1,558	(30)	-
Planning	217	321	104	121
Refuse Collection and Street Cleansing	(1,023)	(822)	201	150
Rental Properties	(1,995)	(2,054)	(59)	(41)
Senior Management Team and Support	105	111	6	-
Sports Development	42	41	(1)	-
Tourist Information Centres	31	34	3	-
	518	**766**	**248**	**235**
Service (£000)	**Actuals**	**Budget**	**Surplus / (Deficit)**	**Q3 Forecast**
Corporate Budget Headings				

Corporate	343	343	-	-
Corporate Costs	3,412	3,352	(60)	38
Treasury Management	234	265	31	30
Insurance	830	832	2	-
Treasury Management	44	53	9	-
Business Rates	897	1,060	163	184
MRP (Minimum Revenue Provision) & Finance leases	655	649	(6)	-
Property Repairs	452	452	-	-
Hard Standings	392	392	-	-
Utilities	607	581	(26)	-
Telephony	136	124	(12)	-
Other Staffing Costs (including apprentice levy)	136	113	(23)	-
Other	(695)	(618)	77	-
Core Funding				
Revenue Support Grant	(672)	(672)	-	-
Retained Business Rates Income and Transfer to SIF	(4,866)	(4,866)	-	-
Council Tax Precept	(8,663)	(8,663)	-	-
New Homes Bonus	(702)	(702)	-	-
Other MHCLG Core Funding	(38)	(16)	22	-
Collection Fund (Surplus) / Deficit	(195)	(195)	-	-
	(7,693)	**(7,516)**	**177**	**252**
Outturn Position	**(513)**	**-**	**513**	**502**
Expenditure Committed In Year	234	-	(234)	(234)
Uncommitted Year End Underspend	**(279)**	**-**	**279**	**268**

Utilisation of the Year End Underspend

The Council's Cabinet have already agreed that any surplus achieved at year end will be transferred to reserves and set aside for the capital strategy / one off priorities. The year end underspend of £279k is therefore included within Earmarked Reserves in these Statement of Accounts.

RESERVES AND BALANCES

In the Financial Strategy the Council set its approved criteria for assessing the minimum prudent level for the General Fund Balance and the medium term expectation for specific reserve requirements as follows:

General Fund Balance -	the balance be maintained within the range of £2.0m to £3.0m.
Capital Contingency Reserve -	the balance to be maintained within the range of £0.5m to £1.5m.
Insurance Reserve -	a minimum balance of £1.35m to be maintained in the medium term
Pension Reserve -	the balance to be maintained within the range of £0.1m to £0.75m

The General Fund Balance at 31 March 2019 was £3.026m. With £500k being drawn from the General Fund to balance the revenue budget in 2020/21, the uncommitted balance on the General Fund is currently £2.526m.

The Capital Contingency Reserve balance at 31 March 2019 is £705k; £200k of which is currently committed for the Futurist scheme. Contributions of £100k are scheduled to be paid into the reserve during the 2019/20 year therefore the balance is considered to be adequate.

The Insurance Reserve balance at 31 March 2019 was £1.975m. With £230k of the balance being earmarked, the uncommitted balance of the reserve is £1.745m. This balance is considered to be adequate.

The Pensions Earmarked Reserve balance at 31 March 2019 was £1.172m. The 2019 Financial Strategy has, however, approved the transfer of £300k of the balance to the Investment Fund. The uncommitted balance is therefore £872k. Whilst the balance is currently in excess of the range outlined above, it is recognised that the reserve could be subject to particular strain over the short to medium term as the Council delivers the high levels of savings required to balance its revenue budget.

The Financial Strategy also addresses the allocation of resources for capital investment over the next ten years (via the Capital Development Reserve and Usable Capital Receipts Reserve) so that the Council's borrowing requirement does not increase over the period unless it is planned and has been approved by Full Council.

The balance of the Service Investment Reserve has increased during the year and now stands at £6.054m. These reserves are intended to be used to support future operational requirements and specifically include funding that has been received towards the end of 2018/19 to support service and activities during 2019/20 (and beyond). A review will be undertaken to determine if any of the reserves are surplus to requirements as part of the 2020/21 budget setting process.

PENSION RESERVE

The Authority participates in the Local Government Pension Scheme, administered by North Yorkshire County Council. This is reflected in the Balance Sheet, which includes a pension liability and a pension reserve in respect of the scheme of £62.500m as at 31 March 2019. Although these pension liabilities decrease the overall level of reserves they do not represent a reduction in the Council's cash reserves or impact on Council Tax levels.

Whilst this pension liability suggests a significant shortfall between the forecast cost of future pensions and the current level of assets held in the fund, it should be noted that the fund assets are subject to fluctuations in value depending on the current state of the stock market. The North Yorkshire Pension Fund also has an investment strategy in place to address the funding deficit over a 30 year period, based on an appropriate level of employers' contributions, producing a positive cash flow into the fund. The Council is currently eight years into this period and, based on the most recent triennial valuation, will have funded the deficit within the next 21 years (slightly ahead of the original projections).

TREASURY MANAGEMENT

The Council borrows money to fund its capital investment programme and operates within its own prudential limits set in accordance with the CIPFA Prudential Code for Capital Finance. This is seen as best practice in relation to local authorities and their treasury management activities. As at 31 March 2019, the Council's Capital Finance Requirement (or underlying need to borrow) was £46.259m and its external debt was £25.786m (excluding accrued interest).

The Council's policy on borrowing is set out in its Treasury Management and Investment Strategy approved by the Council each year in March.

The Council has preferred to utilise cash holdings to fund planned capital expenditure in recent years rather than take out long term borrowing. This conscious strategic decision has been based on the fact that investment rates have been much lower than borrowing rates and it also helped to reduce the Council's exposure to credit risk should financial organisations fail by reducing the levels of cash balances invested with external institutions.

The Council has however undertaken £14m of new borrowing during the year to fund the cost of the first asset purchased as part of the Commercial Property Investment Strategy. In September the decision was taken to purchase the freehold of the Travelodge Hotel, St Nicholas Cliff and this asset has been added to the Council's commercial property portfolio.

Despite significant capital expenditure during the year, short term investment balances (including cash and cash equivalent balances) have remained broadly static during the period. This is primarily due to capital grants being received prior to the commencement of some schemes (specifically coast protection schemes) during the year. Investment balances are therefore expected to reduce over the next few years.

The Council invests its surplus cash balances on the money market in order to match the timing of both revenue and capital receipts to expenditure. These investments generated £161k worth of income to the Council during 2018/19, which assisted the overall revenue budget position.

The Council utilises Link Asset Services, a treasury management advisor, to help develop its treasury management strategy and practices.

CAPITAL EXPENDITURE AND FUNDING

The capital programme is run in tandem with the revenue budget. The following table shows the expenditure during the year and how it was financed.

Type of expenditure	**Total Spent & donated £000**	**Met By**	
		Grants & Contributions £000	**Council Resources £000**
Fixed & Intangible Assets	31,334	11,697	19,637
Grants (e.g. Disabled Facilities)	1,908	1,509	399
Capital Resources Set Aside	**33,242**	**13,206**	**20,036**
Revenue Projects	1,750	1,055	695
Total Programme	**34,992**	**14,261**	**20,731**

Unlike the Revenue Budget, the budget for the Capital Programme is set over the medium term and so an annual budget to actual comparison is not as appropriate. Unforeseen costs are covered by the Capital Contingency Reserve. A £100k budgeted contribution from the Councils Revenue resources was made to this reserve within the year which was subsequently allocated to capital works.

The capital expenditure funded from Council resources includes £16.466m which has not been set aside at the balance sheet date, but for which provision will be made in future years. This unsupported borrowing has predominantly been used to fund expenditure on the Councils Commercial Property Investment Strategy, together with the redevelopment of the Futurist site and the replacement of the Spa roof.

The Council operates limits for external borrowing to ensure it is kept within a prudent and affordable limit. Borrowing of £26.081m at year end was within the authorised limit of £58m.

Resources remaining in the Capital Development Reserve amount to £10.619m at 31 March 2019. This balance is fully committed as part of the Council's 10 year capital plan for projects such as Coast Protection schemes and the vehicle and equipment replacements.

In addition to the above, there are a number of funding sources that are not currently committed within the Council's 2019/20 budget. These monies will be utilised to develop a robust, long term capital strategy for the Council. The Strategy will integrate with the Council's revenue budget projections as well as the Property Asset Management Plan, Commercial Investment Strategy and Priority Projects Plan which are all currently being developed and drafted. These monies have increased the year end balance of the Capital Development Reserve to £16.970m.

The table below shows the expenditure in the year on fixed and intangible assets.

Scheme	**£000**
Commercial Property Investment Strategy	14,828

Whitby Piers	1,619
Vehicles and Equipment	485
Futurist Site Redevelopment	2,411
Spa Roof	615
Runswick Bay Coastal Protection	970
Spa Coastal Protection	8,779
Filey Flood Alleviation	116
North Wharf Strengthening	158
Open Air Theatre Permanent Decking	110
Peasholm Park Works	188
Other	1,055
Total	**31,334**

COLLECTION FUND

The Collection Fund is an account that the Council maintains, in its statutory role as the Billing Authority, to record the income from Council Tax and Business Rates income. It is a separate fund from the Council's general fund and the transactions involved are defined by regulation. The Collection Fund is an income and expenditure statement only showing income receivable, precepts payable to relevant bodies, and any other associated costs involved in administering the Fund. All assets and liabilities are included within each precepting bodies Balance Sheet.

The Council set a Band D Council Tax of £227.93 for 2018/19 (an increase of 2.99% against 2017/18). When the County Council, Police and Crime Commissioner and Fire Authority precepts are included, a total Band D Council Tax of £1,788.80 was set for residents within the Borough (an increase of 4.68% on the previous year). Residents within parish council areas also paid a parish precept.

In 2013/14, the local government finance regime was revised and introduced the business rate retention scheme. The main aim of this scheme was to give Council's a greater incentive to grow business rates income in their area. Although welcomed, the scheme does increase the Council's level of financial risk due to the potential non-collection of debts and the volatility of business rates particularly surrounding business rate appeals.

In 2014/15, the Council entered in a business rates pooling agreement with North Yorkshire County Council and Craven, Hambleton, Richmondshire and Ryedale District Councils. Under the pooling regime the authorities included within the pool are treated as a single authority for the localised business rates scheme. Whilst the key aim of the North Yorkshire Pool is that no participant will receive less funding than if they had not pooled, one authority performing particularly badly could affect all members of the pool and mean that all members suffer financially.

As a stand-alone authority the Council is liable to pay a levy of 50% on its share of surplus business rate income generated, however the levy rate is reduced to nil when each of the authorities in the pool are treated collectively as a single authority. This arrangement therefore allows monies to be retained within the County rather than being distributed to Central Government.

In 2018/19 all Council's within the North Yorkshire Business Rates Pool generated a surplus against their business rates baselines. The levies payable on those surpluses would have been £3.5m had the pool not existed.

The £3.5m surplus derived from the pooling was distributed amongst the pool members in line with the pooling arrangement. This Council's share of this distribution equated to £851k.

FURTHER INFORMATION

Statement of Accounts 2018/19

Enquiries or comments about this publication should be directed to the below address:

Director (Section 151 officer)
Scarborough Borough Council
Town Hall, St Nicholas Street, Scarborough, YO11 2HG

Telephone: (01723) 232323

Other sources of information about Scarborough Borough Council and its finances include:-

- Council Tax leaflet, available from the Council's website
- Financial Strategy 2019 – 2029
- Annual Report
- The Councils website at www.scarborough.gov.uk

Copies of these accounts can be downloaded from the Scarborough Borough Council website at www.scarborough.gov.uk/finance.

Further information about North Yorkshire County Council, Police and Crime Commissioner North Yorkshire, and North Yorkshire Fire Authority finances can be obtained at the following addresses:

North Yorkshire County Council
Corporate Director – Strategic Resources
North Yorkshire County Council
County Hall, Northallerton, North Yorkshire,DL7 8AD
Telephone 0845 8 72 73 74
www.northyorks.gov.uk

Police and Crime Commissioner North Yorkshire
Chief Finance Officer,
Office of the Police and Crime Commissioner
12 Granby Road, Harrogate, North Yorkshire, HG1 4ST
Telephone 0845 6060247
www.northyorkshire-pcc.gov.uk
https://www.northyorkshire-pcc.gov.uk/police-oversight/finances/

North Yorkshire Fire & Rescue Service
The Treasurer
North Yorkshire Fire & Rescue Service Headquarters
Thurston Road, Northallerton, North Yorkshire,DL6 2ND
Telephone (01609) 780150
www.northyorksfire.gov.uk

More detailed statistical information about Scarborough and all other Local Authorities are contained in a wide range of publications produced by the Chartered Institute of Public Finance and Accountancy, 3 Robert Street, London, WC2N 6BH

Statement of Responsibilities for the Statement of Accounts 2018/19

The Authority's Responsibilities

The Authority is required to:-

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director (NE) (Section 151 officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Councillor Clifford Lunn
Chair of Audit Committee
18 November 2024

The Chief Finance Officer's Responsibilities

The Chief Finance Officer (Director and Section 151 officer) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance (CIPFA) / The Local Authority Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom ['the Code of Practice'].

In preparing this statement of accounts, the Chief Finance 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 on Local Authority Accounting.
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate by the Chief Finance Officer

I certify that the Statement of Accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Authority at 31 March 2019, and of its income and expenditure for the year then ended.

Gary Fielding
Corporate Director (Section 151 officer)
6 December 2024

SCOPE OF RESPONSIBILITY

Scarborough Borough 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.

In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs, which facilitate the effective exercise of the council's functions and which includes arrangements for the management of risk.

This statement explains how the Council meets the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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.

The governance framework described in this statement has been in place for the year ended 31March 2019.

OUR GOVERNANCE FRAMEWORK

The Council is committed to and has updated its code of corporate governance to be consistent with the principles of CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the draft Local Code of Corporate Governance is attached at Appendix B to this statement and will be taken to Council for approval and adoption in due course.

The draft code sets out various documents and arrangements within these core and sub principals which demonstrate that the Council continues to seek to ensure it remains well governed, and that to deliver good governance the Council must seek to achieve its objectives whilst acting in the public interest at all times.
There is a requirement to have a robust governance framework and sound system of internal control covers all of the Council's activities. The internal control environment

within the Council consists of a number of different key elements which, taken together, contribute to the overall corporate governance framework.

ANNUAL GOVERNANCE STATEMENT 2018/2019

The key elements of the Council's governance framework are:

- Arrangements for establishing and monitoring of the Council's objectives;
- Arrangements for facilitating policy and decision making;
- Arrangements to ensure legal compliance and compliance with adopted policies and
- procedures;
- Arrangements for financial management and reporting;
- Performance management and reporting.

1. <u>Arrangements for establishing and monitoring of the Council's objectives</u>

- The Council has an adopted Corporate Plan which expresses its key priorities until 2030. The corporate plan is the Council's key strategic planning document, which articulates the Council's overall aims and ambitions, and also serves to be a focus for setting key targets for the council. The Corporate Plan is supported by the Council's Performance Framework and in particular through regular monitoring, and annual updating through an Annual Report and Improvement Plan. The Medium Term Financial Strategy sets out how the Council will finance the achievements of its objectives, and identifies the significant financial issues facing the Council over the future, including the need to achieve significant efficiencies.
- There is an integrated Service Planning and Budget Process in operation. A member/officer Executive Board operates throughout the year to consider corporate planning, financial strategy, and performance improvement. This ensures a completely integrated corporate planning cycle.
- Individual Service Unit Manages (SUMs) ensure service improvement through the development and maintenance of comprehensive performance data and business planning. The Performance Management framework continues to be reviewed, and now provides for comprehensive quarterly reporting of financial/performance information. This information is provided to the Council's Cabinet, and the Overview and Scrutiny Committee where requested as part of the Council's scrutiny function pursuant to the Localism Act 2011.
- Work continues to be undertaken to improve the monitoring of Significant Partnerships and Contracts in the Corporate Performance Framework, as well as improvements to the monitoring of complaints and Freedom of Information requests.
- The Council aims to ensure good governance runs throughout its work. In particular it aims to ensure that stakeholders can have confidence in the decision-making and management processes of the authority, and in the conduct and professionalism of its elected Members, officers and agents in delivering services. Supporting the Code of Corporate Governance is an Assurance Statement, and Action Plan, which are reported to the Audit Committee, and which also support the preparation of the AGS.
- The Council's comprehensive approach to risk management is detailed in the Corporate Risk Management Strategy. Application of the Strategy is by the section

151 Officer, the Officer Risk Champion. Risk Registers are prepared and maintained at Corporate and Directorate levels and reported to Audit Committee quarterly. The Risk Management Strategy is subject to an annual review to ensure it remains current.

- The Corporate Health and Safety Policy reflects current requirements and operational arrangements. The present situation with regards to the Corporate and Service action plans is that Human Resources are working with services to ensure consistency across the authority. Furthermore nominated departmental Safety Advisors meet regularly to discuss health and safety issues and disseminate information to their respective Service areas.
- The Council is the harbour authority for Whitby and Scarborough and an annual report is taken to the Council's Audit Committee providing an annual assessment of performance against the Council's adopted Harbour Safety Management Systems in accordance with the requirements of the Port Marine Safety Code.
- Internal audit arrangements are provided by the Council's internal audit service which operates to professional standards. The annual work programme is set out in an audit plan which is based on an assessment of risk and consultation with senior officers, Members, and other stakeholders including External Audit. The Audit Committee approves (but does not direct) the audit plan and receives regular reports on progress. The Audit Manager expresses an annual opinion on the internal control environment for the Council as a whole in the annual report to the Audit Committee in April.
- A risk-based Service Continuity Planning process has been agreed and resourced by the Management Team. To enable the Council to fully comply with the requirements of the Civil Contingencies Act 2004 this will be linked to specific work that is being done in generic risk areas. One generic area that is currently being targeted is that relating to information and data security. The Council is also making provision to respond to Brexit to ensure minimal impact to local services. The Council's Section 151 Officer is leading on Brexit planning which includes working on post-Brexit planning and mitigating risks as part of the area's Local Resilience Forum.

2. <u>Arrangements for facilitating policy and decision making</u>

- The adopted Constitution sets out how the Council operates, how decisions are made and by whom, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- All Councillors meet together at full Council. Meetings are open to the general public and Cabinet and Council meetings are live streamed on the Council's website. At its annual meeting in May each year the Council appoints a Mayor. The Leader is appointed at the annual meeting in an election year. The Leader appoints the Cabinet. The Council is responsible for setting the budget and policy framework of the Council.
- The Leader and Cabinet are responsible for making executive decisions that implement the policies of the Council. If the Cabinet wishes to make a decision outside the policy framework (including the Budget) set by the Council, this must be referred to the Council as a whole to decide. The decision as to which items require referral to the Council rests with the Section 151 Officer and Monitoring Officer. Each Member of the Cabinet has a portfolio responsibility that relates to a specific area(s) of the Council's services and responsibilities.

- The Council has an Overview and Scrutiny Committee in accordance with the requirements of the Localism Act 2011. The Overview and Scrutiny Committee supports the work of the Council and the Cabinet. The role of the Overview and Scrutiny Committee and its responsibilities are detailed in the Constitution.
- The Audit Committee is established to deal with a range of governance issues, financial statements, risk management, and internal control within the Council. Statutory Officers/Codes and Protocol − the Council employs Officers to give advice, implement decisions and manage the day-to-day delivery of its services. Certain officers have a specific duty to ensure that the Council acts within the law and uses its resources wisely. The Protocol on Member / Officer relations, is part of the Constitution and, amongst other documents, governs the relationships between Officers and Members of the Council.
- Pursuant to its powers under Section 101 of the Local Government Act 2000 the Council arranges for certain of its functions to be discharged by officers of the Council as set out in the Officers Delegation Scheme contained in the Constitution.
- The Council is currently undertaking a review of its Constitution through a member and officer Constitutional Review Group comprising the Deputy Monitoring Officer, the Democratic Manager and member representatives from all parties to ensure that the document is fit for purpose. The review of the Council's Constitution will include the Council's standing orders, Financial Regulations, Financial Procedure Rules and Contract Procedure Rules. The work of the Constitutional Review Group will be reported to Cabinet and Council for approval and adoption in due course which will include any necessary updates to reflect legislative changes and changes in Council structure / staffing arrangements.

3. <u>Arrangements to ensure legal compliance and compliance with adopted polices and procedures</u>

- The Council's Monitoring Officer is responsible for performing the duties imposed by Section 5 of the Local Government and Housing Act 1989 and Section 5 places an obligation on the authority to provide the Monitoring Officer with the staff and resources required to perform those duties.
- The Monitoring Officer is a member of the Director's Team, and reports directly to the Chief Executive. The Monitoring Officer has unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively.
- The Monitoring Officer and Deputy Monitoring Officer have access to all reports produced for Council meetings prior to publication and are able to require amendments to such reports where necessary to ensure legal compliance. The Council is developing a sign off procedure to ensure reports are not published without prior approval of the Monitoring Officer (or Section 151 Officer).
- The Council has a corporate complaints procedure that is advertised by leaflets and on its website. The procedure includes targets for acknowledging and responding to complaints in full.
- The Council has a Corporate Counter Fraud Policy & Strategy and Anti Money Laundering Policy, including specific arrangements to respond to fraudulent activity. The Council has also adopted a Whistleblowing Policy and procedure to respond to allegations of malpractice.

- Elected members have a significant role to play in ensuring compliance and propriety, either collectively (e.g. through the work of the Overview and Scrutiny Committee), or individually as local representatives, providing feedback from their constituents.
- Elected members are required to follow a Member Code of Conduct to ensure high standards in the way they undertake their duties. The Council has procedures in place to allow the Monitoring Officer / Deputy Monitoring Officer to administer and resolve complaints brought against elected members. The Monitoring Officer is supported in this role by the Standards Committee and two Independent Persons as required by the Localism Act 2011. The Standards Committee has in place procedures for the investigation and determination of complaints against Members and a procedure for granting dispensations.
- The Monitoring Officer / Deputy Monitoring Officer attend the majority of formal meetings of elected members to advise on the constitutional and legal aspects of processes, proposed decisions and actions. Officers from the Democratic / Legal Services attend, where necessary or where the Monitoring Officer / Deputy Monitoring Officer are not in attendance.

4. Arrangements for financial management and reporting

- Within its Constitution, the Council has approved Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract Procedure Rules including land disposal procedures.
- The various procedure rules set out a framework within which the Council conducts its financial and commercial affairs, and are designed to ensure that proper financial arrangements are in place and operational at all times.

- The statutory duties of the Section 151 Officer in relation to financial management principally derive from:
  - i. Section 151 of the Local Government Act 1972
  - ii. Section 114 of the Local Government Financial Act 1988
  - iii. Local Government Act 2000 (in particular decisions contrary to policy or budget)
  - iv. Local Government Act 2003 (prudential limits for borrowing and investment)
  - v. Accounts and Audit Regulations 2015
- The CIPFA Statement on the role of the Chief Finance Officer (CFO) in Local Government recommends that the CFO should report directly to the Chief Executive and be a member of the ‘Leadership’ Team. Furthermore that the AGS should assess the position of the CFO against these criteria and report on a ‘comply or explain’ basis.
- The Council’s Section 151 officer is a member of the Director’s Team, and reports directly to the Chief Executive. The council’s Section 151 Officer has unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively.
- The Section 151 Officer and the Deputy Section 151 Officer have access to all reports produced for Council meetings prior to publication and are able to require amendments to such reports where necessary to ensure financial governance.

- Set out below are the processes and procedures in place which provide assurance that the role of the Section 151 Officer in Scarborough Borough Council meets the Statement's expectations.
    - The Section 151 Officer drafts a Medium Term Financial Strategy and presents it annually to Cabinet and the Council; linked to this Strategy are the detailed Revenue Budget, Capital Plan, Efficiency Plan, Treasury Management arrangements and Prudential Indicators.
    - The Section 151 Officer is responsible for determining the accounting procedures, the form of financial records and statements and for maintaining the financial accounts of the council. The Section 151 Officer ensures that proper accounting arrangements are established in all service areas.
    - It is the duty of all Directors and SUMs to plan and manage their budgets to meet the agreed bottom line budget figure for their Service Unit. This includes ensuring that adequate arrangements exist for monitoring budgets throughout the year, and taking action to adjust the budget to ensure that overall control of expenditure is maintained. The Section 151 Officer is responsible for submitting a quarterly report to Cabinet on the overall revenue budget position.
    - The Section 151 Officer prepares and publishes an Annual Statement of Final Accounts that conforms to all statutory and professional requirements, codes of practice and timetables.
- The independent external auditor is the Mazars Group: they publish an Annual Audit and Inspection Letter following the end of each financial year.
- Under the Accounts and Audit Regulations 2015, the Council has a legal responsibility to provide an adequate and effective internal audit and the internal audit service is provided in-house.

- The Council is pursuing a Commercial Property Investment Strategy and has established a Property Investment Strategy Board to manage its commercial property investment decisions. The Council's Section 151 Officer and Monitoring Officer are both members of the Board. Whilst decisions have been delegated to the Commercial Director (following consultation with the Board) to approve expenditure within the overall financial limits and criteria of the strategy, this does not overrule the statutory duties of the Council's Section 151 Officer (and Monitoring Officer) in relation to overseeing Council governance such the duty to report to Members on where there is or likely to be significant financial risks, unlawful expenditure or an unbalanced budget.

5. <u>Performance management and reporting</u>

- The Council has identified its corporate priorities for improvement in its Corporate Plan and these are linked to the Medium Term Financial Strategy.
- The improvement actions are set out in the Corporate Plan, which is updated at the beginning of each financial year, through an Annual Report and Improvement Plan, which sets revised targets for the forthcoming 12 months, which relate to the overall aims and objectives set out in the Corporate Plan. The Annual Report and Improvement Plan is complemented by the Corporate Financial Strategy and Business Plan, which identifies resource allocation for the year.

REVIEW OF EFFECTIVENESS

The Council has responsibility for formally conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. In preparing this statement a review of corporate governance has been undertaken co-ordinated by the Governance and Internal Control Officer Group, (which includes the Monitoring Officer, Deputy Monitoring Officer, Section 151 Officer, Audit Manager, Corporate Finance Manager and Asset and Risk Manager).

The review of matters relating to governance and the internal control environment of the organisation is also informed by the work of:

- Cabinet
- Director Management Team
- Standards Committee
- Audit Committee
- Overview and Scrutiny
- External inspectorates

This annual review of the effectiveness of internal control systems also includes the work of Internal Audit who have responsibility for the review of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

SIGNIFICANT GOVERNANCE ISSUES

The system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the council's objectives have been mitigated.

On the basis of the review work carried out it was considered that, overall, the Governance Framework has been effective. The majority of the internal control arrangements have been operating adequately in the financial year 2018/19. The issues of concern for the year continue to be around financial risks including the impact of funding reductions, capital projects as well as the Council's commercial property investment and commercial strategies. There are also more general risks relating to service delivery as well as information governance.
Having regard to the published guidance on internal control matters, a number of issues are disclosed in the table below. Whilst a small number of issues have been added to the table, it still includes the latest position on issues identified in previous years' statements where these are still relevant to consideration of the governance framework.

1	**Financial Risks** **i. Pressures – Impact of funding reductions** The Council continues to face significant funding pressures and changes to both national and regional funding regimes which present a risk to the Council's overall governance arrangements.	The Medium Term Financial Strategy reflects the need to make financial savings and informs the budget process for future years. A Capital Strategy is being developed to

	The challenging economic climate, coupled with the need to deliver significant efficiency savings may lead to budgetary cuts that could weaken the Council's governance and control framework. Impact of current and anticipated reductions in funding and the knock on effect on services. Changes continue to be significant and the lack of certainty makes planning difficult. The economic climate remains turbulent and this is therefore an ongoing risk for the Council. Uncertainty around Brexit continues to be a risk. **ii. Major Capital Projects** The Council is undertaking a number and range of concurrent high value major projects which are stretching resources and putting strain on the authority's continually reducing resources. **iii. Outstanding Objections to the Council's Accounts (2015/2016)** The Council's external auditors Mazars have been unable to certify completion of their audit of the Council's accounts due to an objection from a local elector which queries whether income generated from harbour activities at Whitby and land surrounding the harbour area, should be held in the Council's General Fund or be specifically ring-fenced in earmarked reserves to fund harbour related expenditure.	manage and allocate capital funding over a longer term period. The role of the Corporate Modernisation Board and Group is to identify efficiency savings and income revenues, through process mapping and analysis, and digital technology. Some projects are already delivering, and the results are closely monitored by the Board and Members. In future all budget savings will be managed and delivered via the overarching Corporate Modernisation Programme. There are significant risks associated with the major schemes which have been identified in various reports. The Council regularly reports to members on major capital projects through the Audit Committee in accordance with its Risk Management Strategy and to Cabinet via quarterly financial monitoring reports. The Council has provided responses to the objections, sought legal opinions from a QC and an external legal firm and responded to all queries raised by Mazars. Mazars are considering the responses provided by the Council and the objector and a provisional opinion is expected in the next months.
2	**Commercial Strategy / Service Delivery**	As each option is considered the Council will need to consider

	The Council is exploring changes in its ways of working and delivering services and activities. Options include: i. New service delivery models ii. Partnerships and Partnership working iii. Market testing iv. Private sector involvement v. Multi Agency Local Delivery Teams vi. Income generation vii. Commercial property investments	carefully the governance arrangements and legal frameworks surrounding the commercial activity; including financial, service delivery, service quality, duration, and efficiency aspects.
3	**Information Governance** New data protection legislation / Information Governance / PCIDSS issues. Significant fines from the Information Commissioners Office (ICO) and reputational risk.	Compulsory training for all staff and Members. Annual IT Health Checks and IT Security Policies Corporate Data Protection Policy an Data Retention Policies updated to reflect new legislation. Information audits undertaken Planned critical friend health check on GDPR/data protection compliance by external company with expertise in this area. Professional training undertaken by key officers. Review and explore options for a corporate EDRM system.

SUMMARY

The governance framework operating during 2018/19 is considered to have provided reasonable and objective assurance that significant risks impacting on the achievement of the Council's principal objectives would be identified and actions taken to avoid or mitigate their impact.

There is always a need to continually review and improve control systems, and further improvements have been identified for the coming year.

SIGNATURES

We, the undersigned, are satisfied that to the best of our knowledge and competence, the results of the review of the effectiveness of the governance framework, and its system of internal control by the relevant officers and the plans to address weaknesses and provide improvements to the control systems are in place.

Richard Flinton Chief Executive	Cllr Carl les Leader of the Council

Comprehensive Income & Expenditure Statement 2018/19

2017 / 18 Gross Expenditure £000	2017 / 18 Gross Income £000	2017 / 18 Net Expenditure £000		Note	2018 / 19 Gross Expenditure £000	2018 / 19 Gross Income £000	2018 / 19 Net Expenditure £000
3,647	(808)	2,839	Chief Executive		3,147	(1,334)	1,813
49,419	(42,368)	7,051	Director (Nick Edwards)		47,539	(40,500)	7,039
5,978	(8,651)	(2,673)	Director (Lisa Dixon)		6,456	(8,944)	(2,488)
6,658	(3,606)	3,052	Director (Richard Bradley)		6,831	(5,419)	1,412
13,612	(3,672)	9,940	Corporate		12,707	(1,724)	10,983
79,314	**(59,105)**	**20,209**	**Cost of Services**		**76,680**	**(57,921)**	**18,759**
856	(675)	181	Other Operating Expenditure	5	1,810	-	1,810
3,036	(2,779)	257	(Surplus)/Deficit on Trading Undertakings	6	4,499	(4,269)	230
2,108	(782)	1,326	Finance and Investment Income and Expenditure	7	2,221	(1,218)	1,003
-	(25,575)	(25,575)	Taxation and Non-Specific Grant Income	8	-	(26,455)	(26,455)
		(3,602)	**(Surplus) or Deficit on Provision of Services**				**(4,653)**
			Items that will not be reclassified to the Surplus or Deficit on the Provision of Services				
		(1,580)	(Surplus) or deficit on the revaluation of Property, Plant and Equipment	24a			(22,265)
		(6,019)	Re-measurements of the defined benefit liability	22			(6,398)
		(7,599)	**Other Comprehensive Income and Expenditure**				**(28,663)**
		(11,201)	**Total Comprehensive Income and Expenditure**				**(33,316)**

Movement in Reserves Statement 2018/19

£000	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Balance at 1 April 2018	3,026	28,619	-	9,481	**41,126**	118,357	**159,483**
Movement in Reserves during 2018/19							
Surplus or (deficit) on the provision of services	4,653	-	-	-	**4,653**	-	**4,653**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	28,663	**28,663**
Total Comprehensive Income and Expenditure	4,653	-	-	-	**4,653**	28,663	**33,316**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(607)	-	-	(3,070)	**(3,677)**	3,677	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	4,046	-	-	(3,070)	**976**	32,340	**33,316**
Transfers to / from Earmarked Reserves (Note 10)	(4,046)	4,046	-	-	**-**	-	**-**
Increase / (Decrease) in Year	-	4,046	-	(3,070)	**976**	32,340	**33,316**
Balance at 31 March 2019 carried forward	3,026	32,665	-	6,411	**42,102**	150,697	**192,799**

£000	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Balance at 1 April 2017	2,676	27,051	1,421	2,311	**33,459**	114,823	**148,282**
Movement in Reserves during 2017/18							
Surplus or (deficit) on the provision of services	3,602	-	-	-	**3,602**	-	**3,602**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	7,599	**7,599**
Total Comprehensive Income and Expenditure	3,602	-	-	-	**3,602**	7,599	**11,201**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(1,684)	-	(1,421)	7,170	**4,065**	(4,065)	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	1,918	-	(1,421)	7,170	**7,667**	3,534	**11,201**
Transfers to / from Earmarked Reserves (Note 10)	(1,568)	1,568	-	-	**-**	-	**-**
Increase / (Decrease) in Year	350	1,568	(1,421)	7,170	**7,667**	3,534	**11,201**
Balance at 31 March 2018 carried forward	3,026	28,619	-	9,481	**41,126**	118,357	**159,483**

Balance Sheet 2018/19

31 March 2018 £000				31 March 2019 £000
199,406	Property, Plant and Equipment	Note 11	226,900	
4,479	Heritage Assets	Note 12	4,869	
262	Investment Property	Note 13	15,092	
623	Intangible Assets	Note 14	495	
8,658	Long Term Investments	Note 16	7,919	
3,482	Long Term Debtors	Note 16	3,142	
216,910	**Long Term Assets**			**258,417**
20,140	Short Term Investments	Note 16	21,770	
745	Assets Held for Sale	Note 15	2,155	
56	Inventories	Note 17	89	
9,995	Short Term Debtors	Note 18	11,366	
2,993	Cash and Cash Equivalents	Note 19	649	
33,929	**Current Assets**			**36,029**
(91)	Short Term Borrowings	Note 16	(411)	
(13,461)	Short Term Creditors	Note 20	(12,460)	
(316)	Provision for Accumulated Absences	Note 24	(348)	
(1,756)	Short Term Provisions	Note 21	(1,887)	
(15,624)	**Current Liabilities**			**(15,106)**
(132)	Long Term Creditors	Note 16	(197)	
(11,859)	Long Term Borrowings	Note 16	(25,670)	
(63,741)	Liability Related to Defined Benefit Pension Scheme	Note 22	(60,674)	
(75,732)	**Long Term Liabilities**			**(86,541)**
159,483	**Net Assets**			**192,799**
41,126	Usable Reserves			42,102
118,357	Unusable Reserves	Note 24		150,697
159,483	**Total Reserves**			**192,799**

Cash Flow Statement 2018/19

2017/18 £000		2018/19 £000
(3,602)	Net (surplus) or deficit on the provision of services	(4,653)
(8,829)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(11,999)
8,285	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	9,604
(4,146)	Net cash flows from Operating Activities (Note 26)	(7,048)
7,809	Investing Activities (Note 27)	21,478
(4)	Financing Activities (Note 28)	(12,086)
3,659	Net (increase) or decrease in cash and cash equivalents	2,344
6,652	Cash and cash equivalents at the beginning of the reporting period	2,993
2,993	Cash and cash equivalents at the end of the reporting period (Note 19)	649

0 EXPENDITURE AND FUNDING ANALYSIS

2018/19	Outturn (as internally reported) £000	In year Gen Fund mvts and transfer of in year surplus £000	Movement in General Fund Balance £000	Movement in Earmarked Reserves £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in CIES £000
Chief Executive	2,276	-	2,276	135	2,411	-	2,411
Director Nick Edwards	7,354	-	7,354	(948)	6,406	-	6,406
Director Lisa Dixon	(2,799)	-	(2,799)	(34)	(2,833)	-	(2,833)
Director Richard Bradley	2,536	-	2,536	(1,124)	1,412	-	1,412
Corporate	5,539	279	5,818	(1,892)	3,926	7,437	11,363
Net Cost of Services	**14,906**	**279**	**15,185**	**(3,863)**	**11,322**	**7,437**	**18,759**
Other Operating Expenditure							
Corporate	872	-	872	-	872	938	1,810
Trading Undertakings							
Director Nick Edwards	(63)	-	(63)	19	(44)	-	(44)
Director Lisa Dixon	(22)	-	(22)	-	(22)	-	(22)
Director Richard Bradley	(1,868)	-	(1,868)	22	(1,846)	-	(1,846)
Corporate	1,266	-	1,266	-	1,266	876	2,142
Finance and Investment Income and Expenditure							
Corporate	612	-	612	2,074	2,686	(1,683)	1,003
Taxation and Non-Specific Grant Income							
Corporate	(15,982)	-	(15,982)	(2,129)	(18,111)	(8,344)	(26,455)
Total Other Income and Expenditure	**(15,185)**	**-**	**(15,185)**	**(14)**	**(15,199)**	**(8,213)**	**(23,412)**
(Surplus) or Deficit	**(279)**	**279**	**-**	**(3,877)**	**(3,877)**	**(776)**	**(4,653)**
Opening General Fund and Earmarked Reserve Balance					31,168		
Plus Surplus on General Fund and Earmarked Balance in Year					3,877		
Closing General Fund and Earmarked Balance					35,045		

2017/18	Outturn (as internally reported) £000	In year Gen Fund mvts and transfer of in year surplus £000	Movement in General Fund Balance £000	Movement in Earmarked Reserves £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in CIES £000

Chief Executive	2,321	-	2,321	518	2,839	-	2,839
Director Nick Edwards	6,627	-	6,627	424	7,051	-	7,051
Director Lisa Dixon	(2,973)	-	(2,973)	300	(2,673)	-	(2,673)
Director Richard Bradley	2,790	150	2,940	112	3,052	-	3,052
Corporate	5,955	(490)	5,465	(1,921)	3,544	6,396	9,940
Net Cost of Services	**14,720**	**(340)**	**14,380**	**(567)**	**13,813**	**6,396**	**20,209**
Other Operating Expenditure							
Corporate	856	-	856	-	856	(675)	181
Trading Undertakings							
Director Nick Edwards	(72)	-	(72)	-	(72)	-	(72)
Director Lisa Dixon	(25)	-	(25)	-	(25)	-	(25)
Director Richard Bradley	(1,466)	-	(1,466)	143	(1,323)	-	(1,323)
Corporate	927	-	927	-	927	750	1,677
Finance and Investment Income and Expenditure							
Corporate	1,615	-	1,615	710	2,325	(999)	1,326
Taxation and Non-Specific Grant Income							
Corporate	(16,565)	-	(16,565)	(1,703)	(18,268)	(7,307)	(25,575)
Total Other Income and Expenditure	**(14,730)**	**-**	**(14,730)**	**(850)**	**(15,580)**	**(8,231)**	**(23,811)**
(Surplus) or Deficit	**(10)**	**(340)**	**(350)**	**(1,417)**	**(1,767)**	**(1,835)**	**(3,602)**
Opening General Fund and Earmarked Reserve Balance					29,401		
Plus Surplus on General Fund and Earmarked Balance in Year					1,767		
Closing General Fund and Earmarked Balance					31,168		

Adjustments to General fund to add Expenditure to add Expenditure and income not Chargeable to Taxation add Remove Items which are only Chargeable under Statute

2018/19	Adjustments for Capital	Net change for	Other	
				£000
Corporate	(7,454)	53	(36)	(7,437)
Net Cost of Services	**(7,454)**	**53**	**(36)**	**(7,437)**
Other operating expenditure	(938)	-	-	(938)
Trading undertakings	(880)	1	3	(876)
Finance and investment income and expenditure	3,342	(1,626)	(33)	1,683
Taxation and non-specific grant income and expenditure	8,612	-	(268)	8,344
Total Other Income and Expenditure	**10,136**	**(1,625)**	**(298)**	**8,213**
Difference between General Fund surplus or deficit and CIES surplus or deficit on the provision of services	**2,682**	**(1,572)**	**(334)**	**776**

2017/18	Adjustments for Capital	Net change for	Other	Total Adjustments
	£000	£000	£000	£000
Corporate	(6,538)	76	66	(6,396)
Net Cost of Services	**(6,538)**	**76**	**66**	**(6,396)**
Other operating expenditure	675	-	-	675
Trading undertakings	(760)	2	8	(750)
Finance and investment income and expenditure	2,735	(1,698)	(38)	999
Taxation and non-specific grant income and expenditure	7,520	-	(213)	7,307
Total Other Income and Expenditure	**10,170**	**(1,696)**	**(243)**	**8,231**
Difference between General Fund surplus or deficit and CIES surplus or deficit on the provision of services	**3,632**	**(1,620)**	**(177)**	**1,835**

1. **Adjustments for Capital Funding and Expenditure Purposes**

Adjustments to the General Fund Balance to meet the requirements of generally accepted accounting practices, this column adds in depreciation and impairments and revaluation gains and losses in the services line and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from financing and investment income and expenditure as these are not chargeable under generally accepted accounting properties.
- **Taxation and Non Specific Grant income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. Net change for the removal of pension contributions and the addition of pension (IAS 19) related expenditure and income

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure income and expenditure:

- For **Services** this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

3. Other Differences

Other differences between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to General Fund for timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income** and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Expenditure and Income Analysed by Nature

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

2017/18 £000		2018/19 £000
	Income;	
(17,370)	Sales, Fee and Charges	(20,270)
(3,032)	Rental Income	(3,651)
(769)	Interest and investment income	(866)
(42,170)	Other grants and other income	(38,621)
(9,280)	Council Tax Income	(9,724)
(8,775)	Non domestic rates and non-ring fenced Government Grants	(8,119)
(7,520)	Capital grants and contributions	(8,612)
(88,916)	**Total Income**	**(89,863)**
	Expenditure;	
20,968	Employee expenses	21,913
6,281	Premises	5,621
5,634	Supplies and Services	6,811
1,648	Transport	1,430
36,177	Transfer Payments	33,126
3,850	Third Party Payments	4,548
10,756	Interest Payable and Capital Charges	11,761
85,314	**Total Expenditure**	**85,210**
(3,602)	**Total Net Expenditure in Comprehensive Income and Expenditure Statement**	**(4,653)**

1 ACCOUNTING POLICIES

a) GENERAL PRINCIPLES

The Statement of Accounts summarises the authority's transactions for the 2018/19 financial year and its position as at the year end of 31 March 2019. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS).

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

b) ACCRUALS OF INCOME & EXPENDITURE

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

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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. Specifically; services provided by employees are accounted for in accordance with IAS 19 and accruals are made in relation to short term accumulating compensated absences
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty or notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature overnight or deposits that are held within call accounts 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 authority's cash management.

d) EXCEPTIONAL ITEMS

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's performance.

e) PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICY AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie 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 authority's financial position or financial performance. When a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

f) CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service.

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

g) COUNCIL TAX AND NON-DOMESTIC RATES

Billing authorities act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. Regulations do however determine the amount of council tax and NDR that must be included in the authority's General Fund. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments),the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

h) 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 wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render services to the authority. An accrual is made for the cost of holiday entitlements (including time off in lieu) 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 wage and salary applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but the reversed out through the Movement in Reserves Statement so that holiday benefits are charges to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority 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 area 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 authority to the pension fund 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 and termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the authority are members of The Local Government Pension Scheme administered by North Yorkshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

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

- The liabilities of the scheme attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates and employee turnover rates and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices.
- The assets of the scheme attributable to the authority 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 pension's liability in the year is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of service earned this year. This is allocated to the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the CIES.
- net interest on the net defined benefit liability – the net interest cost for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES. 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 at the beginning of the period taking into account

and changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the 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 authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on 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.

i) 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 end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

j) FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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.

This means that the amount presented in the Balance Sheet is the outstanding principle repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow that for premiums, the loss can be charged immediately to the General Fund Balance if the authority so determines and the Authority has applied this option. For discounts, the Authority has applied the option to write the amounts off to the General Fund Balance over the minimum ten year period, set out in the regulations.

The reconciliation of amounts charged to the CIES 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised Cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, expect for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a 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 CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the current financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Instruments entered into before 1 April 2006

Where the authority entered into financial guarantees prior to 1 April 2006 the transactions are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is required under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

k) 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 authority when there is reasonable assurance that:

- the authority 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 (CIES) 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 CIES.

Where capital grants are credited to the CIES, 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 Grant Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

l) HERITAGE ASSETS

The authority’s Heritage Assets are held both within local museums and around the Borough of Scarborough. Assets are classified into four sections and are held for their primary purpose of increasing the knowledge, understanding and appreciation of the areas heritage. Heritage assets are recognised and measured in accordance with the authority’s accounting policies on property, plant and equipment however some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Art Collections

The art collection includes paintings (both oil and watercolour) and sketches and is reported in the Balance Sheet at market value. Valuations of the authority’s most valuable works are carried out by an external valuer. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the authority does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and any donated assets are recognised at valuation with valuations provided by external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from the sales auctions.

The Council already had valuations for the most prestigious items within the collection and all art with values in excess of £20,000 had been valued. Due to the cost involved, the Council has not instructed a valuation on the rest of the collection and therefore an implied de-minimis of £20,000 exists.

Monuments, Statues and Sculptures

The monuments, statues and sculptures are reported in the Balance Sheet at either cost or valuation. Assets classified as monuments, statues and sculptures are deemed to have indeterminate lives and a high residual value; hence the authority does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost, while donations are recognised at cost where the information is available. Donations, where information on cost is not readily available, are valued at market value with valuations provided by external valuers with reference to appropriate commercial markets where relevant.

Museum Pieces

The museum pieces are reported in the Balance Sheet at market value. Assets classified as museum pieces are deemed to have indeterminate lives and a high residual value; hence the authority does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers and with reference to appropriate commercial markets.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, i.e. physical deterioration, breakage, or doubts as to its authenticity. Any impairment is recognised and measured in accordance with the authority's general policies on impairment. The authority has no intention of disposing of any of its Heritage Assets and therefore has no separate disposal policy.

m) INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it is expected that the future economic benefits or service potential will flow from the intangible asset to the authority.

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

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 £10,000), the Capital Receipts Reserve.

A de-minimis level of £10,000 has been adopted for determination of expenditure on intangible fixed assets.

n) INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First in First Out (FIFO) costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

o) 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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 line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts reserve.

p) LEASES

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or 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 (CIES)).

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

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting 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 Authority as Lessor

Finance Leases

Where the authority 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 CIES as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the CIES 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), matched by a lease (long term debtor) asset 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 charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES 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 out of 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. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against the council tax, as the cost of fixed 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 Leases

Where the authority 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 CIES. Credits 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 premium paid at the commencement of the lease). 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.

q) OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

r) 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, enhancement or provision of rights over the use of property, plant and equipment, in excess of £10,000, is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority 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 (ie repairs and maintenance) is charged as an expense when 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 authority 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 authority). 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 authority.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the CIES 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 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 CIES.

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.

Impairment

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, 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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on a straight line basis over the following periods:

Infrastructure	15 - 40 years
Operational Buildings	15 - 40 years
Mobile Plant	5 - 25 years
Motor Vehicles	3 - 10 years

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation only occurs where the asset is valued at more than £1m and where the value of the individual items (or group of items), based on useful economic life, is in excess of 20% of the total value of the asset.

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

Heritage Assets are not depreciated but are instead impaired where there is evidence of physical deterioration, breakage occurs or where doubts arise as to its authenticity.

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 CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (ie 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 for a disposal in excess of £10,000 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 the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the authority'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 fixed 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.

s) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority 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 authority becomes aware of 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 carried 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 (eg 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 authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 in a note to the accounts.

Contingent Assets

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

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

t) RESERVES

The Authority 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. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service 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 transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

u) 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 a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

v) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income. At the year-end any amounts outstanding are represented by a debtor or creditor on the Balance Sheet.

w) FAIR VALUE MEASUREMENT

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

- in the principle market for the asset of liability, or

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

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

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

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

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

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

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), the Council is required to disclose information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of new or amended standards within the 2019/20 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are due to be introduced in the 2019/20 Code are:

- Amendments to IAS40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-16 Cycle
- IFRIC22 Foreign Currency Transactions and Advance Consideration
- IFRIC23 Uncertainty over Income Tax Treatments
- Amendments to IFRS9 Financial Instruments; Prepayment Features with Negative Compensation

None of the changes due to be introduced are expected to have a material impact on the Council's Statement of Accounts.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority 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:

Central Government Funding
There is a high degree of uncertainty about future levels of funding for local government. The Authority has determined, however, that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Group Accounts
The Council has reviewed its relationship and interest with external organisations and concludes that it does not have any interests in subsidiaries, associated companies and joint ventures that are material both individually and in aggregate and therefore there is no requirement to produce a set of Group Accounts. This consideration has been made under the provisions of IFRS 10 ('Consolidated Financial Statements') and IFRS 11 ('Joint Arrangements') as required by the Code.

Investment Properties
Investment properties have been assessed using the identifiable criteria under the international accounting standards as being held for rental income or for capital appreciation. Properties have been assessed using this criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property such as regeneration.

Heritage Assets

The Council does not recognise heritage assets on the Balance Sheet where information on cost or valuation is not available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements.

Leases
When the Council enters into lease agreements it is necessary to determine whether or not the lease arrangements are finance or operating leases. This is subject to interpretation and the decision will dictate how the leases are accounted for within the financial statements.

Property, Plant and Equipment valuations
The Code of Practice has clarified the requirements for valuing Property, Plant and Equipment and states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' In order to be satisfied that the value of assets in the balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2019 the Council, for assets not valued in the year, has judged that their value has not altered materially at the balance sheet date. This judgement is supported by a year-end valuation report provided by the Council's qualified valuers that provides assurance that valuations are materially correct at the balance sheet date.

Business Rates
Since the introduction of the Business Rates Retention Scheme which came into effect on 1 April 2013, local authorities have become liable for a proportion of successful appeals against business rates charged to businesses. A provision has therefore been recognised for an estimate of the amount that businesses have been overcharged against the 2010 rating list, which covers the period up to 31 March 2017. The estimate has been calculated using the Valuation Office ratings list of appeals and historical analysis of successful appeals in the past (by category).

A business rates revaluation took effect on 1 April 2017 alongside a new “Check, Challenge and Appeal” process for lodging business rate appeals with the Valuation Office. As at 31 March 2019 minimal appeals have been lodged and remain outstanding. A provision of 4.7% of net rates payable has been allowed for in the 2017/18 and 2018/19 year, which is in line with the national losses for appeal calculation factored into the Business Rates Retention Scheme.

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 authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. As a result, balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the authority’s Balance Sheet as at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance;

- a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3,549k
- a 0.1% per annum assumed increase in salaries would result in an increase in the pension liability of £650k.
- a 0.1% per annum assumed increase in pensions in payment would result in an increase in the pension liability of £2,955k.
- a -1 year adjustment to mortality age assumptions would increase the pension liability by £6,698k

The assumptions do, however, interact in complex ways and it is unlikely that the assumptions would change in isolation.

Arrears

At 31 March 2019, the authority had a balance of sundry debtors of £4,962k. A review of balances suggested that an impairment of £1,956k was appropriate however in the current economic climate there is a risk that such allowance would be insufficient.

If collection rates were to deteriorate, an increase in the amount of the impairment of the doubtful debts would be required.

Property Plant and Equipment

Judgements are made by valuers when valuing property and a wide range of variables are involved and some, such as building costs, can be volatile. Changes to the judgements would lead to changes in the balance sheet values of non-current assets. A 1% change in the net book value of land and buildings would amount to £1.4m, under current accounting rules any revaluation gain or loss have no impact on the General Fund Balance.

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 authority 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 asset fall.

It is estimated that the annual depreciation charge for property, plant and equipment would increase by £287k if the useful lives of each of the assets was reduced by one year.

Business Rates

Since the introduction of the Business Rates Retention Scheme which became effective from 1 April 2013, Local Authorities have become liable for a proportion of successful appeals against business rates charged to businesses prior to this date.

A provision has therefore been recognised for an estimate of the amount that businesses have been overcharged up to 31 March 2019. The estimate for appeals relating to the 2010 ratings list has been calculated using the Valuation Office ratings list of appeals and historical analysis of successful appeals in the past (by category).

A business rates revaluation took effect on 1 April 2017 alongside a new “Check, Challenge and Appeal” process for lodging business rate appeals with the Valuation Office. As at 31 March 2019 minimal appeals have been lodged against the 2017 list and remain outstanding. A provision of 4.7% of net rates payable has been allowed for in the 2017/18 and 2018/19 year, which is in line with the national losses for appeal calculation factored into the Business Rates Retention Scheme.

If the level of successful appeals rose by 1% then the provision for appeals would increase by £971k from £4,718k to £5,689k. The Council’s share of this provision is 40%.

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for 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 where this is not possible judgement is required in establishing fair values. These judgements typically include consideration such as uncertainty and risk. Changes in the assumptions used could, however, 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 techniques to determine fair value (for example for the investment properties, the authority’s 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 13 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 include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount 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 investment properties and financial assets.

5 OTHER OPERATING EXPENDITURE

2017/18 £000		2018/19 £000
830	Parish Council Precepts	846
26	Levies	26
(675)	(Gains) / losses on the disposal of non-current assets	938
181	**Total**	**1,810**

6 TRADING OPERATIONS

The Council has established two trading units where service managers are required to operate in a commercial environment and balance their budgets by generating income from other parts of the Authority or other organisations.

The Property Rentals and Property Services Units all generate income from external sources and the following table show the results for all Trading Organisations.

External Trading Organisations	2017/18 £000	2018/19 £000
Property Rentals		
Turnover	(1,072)	(1,740)
Expenditure	1,249	1,905
(Surplus) / Deficit	177	165
Property Services		
Turnover	(1,707)	(2,529)
Expenditure	1,787	2,594
(Surplus) / Deficit	80	65
Total External Trading Organisations		
Turnover	(2,779)	(4,269)
Expenditure	3,036	4,499
Total (Surplus) / Deficit	**257**	**230**

7 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2017/18 £000		2018/19 £000
410	Interest payable and similar charges (including interest payable on lessee payments)	595
1,698	Net interest cost on the net defined benefit liability	1,626
(769)	Interest receivable and similar income (including interest receivable on lessee payments)	(822)
(13)	Income and expenditure in relation to investment properties and changes in their fair value	(396)
1,326	**Total**	**1,003**

8 TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE AND GRANTS CREDITED TO SERVICES

The Authority received the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

Credited to Taxation and Non Specific Grant Income

2017/18 £000		2018/19 £000
(9,280)	**Council tax income**	(9,724)
	Non domestic rates;	
(14,199)	Retained Business Rates	(14,453)
9,805	Business Rates Tariff	10,100
435	Business Rates Levy	475
(2,345)	Section 31 Grants (Business Rates)	(2,650)
	Non-ring fenced government grants;	
(1,231)	Revenue Support Grant	(672)
(1,122)	New Homes Bonus	(702)
(2)	MHCLG Transitional Grant	-
(30)	MHCLG Custom Build Grant	(30)
(35)	Transparency Code Grant	-
(17)	MHCLG Rural Services Delivery Grant	(21)
(8)	MHCLG Apprentice Funding	(36)
(26)	MHCLG New Burdens Funding	(12)
-	Other MHCLG Grants	(118)
	Capital grants and contributions;	
(6,216)	Environment Agency	(7,915)
-	European Structural and Investment Funds (ESIF)	(669)
(315)	Marine Management Organisation (MMO)	11
(15)	North Yorkshire County Council	-
(503)	Sport England	-
(471)	Other	(39)
(25,575)	**Total**	**(26,455)**

Credited to Services

2017/18 £000		2018/19 £000
(718)	DWP Benefits Admin Grant	(527)
(36,210)	DWP Rent Allowances and Rebates	(33,252)
(4)	DWP Transitional / Other Funding	(117)
(152)	North Yorkshire County Council	(72)
(84)	Police and Crime Commissioner for North Yorkshire	(56)
(2,134)	Ministry of Housing Communities and Local Government	(2,251)
(717)	Environment Agency	(964)
(144)	Heritage Lottery	(163)
-	Lottery Fund	-
(128)	Ryedale District Council	(237)
(449)	Other	(630)
(40,740)	**TOTAL**	**(38,269)**

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2018 / 2019	Useable Reserves (£000)			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	6,471			6,471
Revaluation losses on Property Plant and Equipment	1,353			1,353
Movements in the market value of Investment Properties	(9)			(9)
Amortisation of intangible assets	127			127
Capital grants and contributions applied	(7,293)			(7,293)
Revenue expenditure funded from capital under statute	1,908			1,908
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	1,662			1,662
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(498)			(498)
Capital expenditure charged against the General Fund balance	(2,845)			(2,845)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,844)		2,844	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(5,914)	(5,914)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(724)	724		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(724)		(724)

2018 / 2019 continued	**Useable Reserves (£000)**			
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Useable Reserves**
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of the sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	180			180
Adjustment primarily involving the Financial Instruments Adjustment Account				
Amount by which the costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	33			33
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,724			5,724
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,152)			(4,152)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	268			268
Adjustment primarily involving the Accumulated Absences Account 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	32			32
Total Adjustments	**(607)**	**-**	**(3,070)**	**(3,677)**

2017 / 2018	Useable Reserves (£000)			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	5,971			5,971
Revaluation losses on Property Plant and Equipment	2,654			2,654
Movements in the market value of Investment Properties	-			-
Amortisation of intangible assets	194			194
Capital grants and contributions applied	(2,565)			(2,565)
Revenue expenditure funded from capital under statute	1,560			1,560
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	727			727
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(1,450)			(1,450)
Capital expenditure charged against the General Fund balance	(1,417)			(1,417)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(8,006)		8,006	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(836)	(836)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(552)	552		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,973)		(1,973)

2017 / 2018 continued	Useable Reserves (£000)			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of the sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(597)			(597)
Adjustment primarily involving the Financial Instruments Adjustment Account				
Amount by which the costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	38			38
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,602			5,602
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,982)			(3,982)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	213			213
Adjustment primarily involving the Accumulated Absences Account				
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	(74)			(74)
Total Adjustments	**(1,684)**	**(1,421)**	**7,170**	**4,065**

10 TRANSFERS TO / FROM EARMARKED RESERVES

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

Earmarked Reserves	Balance at 1-Apr-18 £000	Transfers (to) / from General Fund £000	Transfers between Reserves £000	Balance at 31-Mar-19 £000
Insurance	1,977	202	(204)	1,975
Capital Contingency	705	100	(100)	705
Pension	1,091	81	-	1,172
Capital Development	14,152	1,753	1,065	16,970
Service Investment	5,758	1,476	(534)	6,700
Investment Fund	932	(180)	(59)	693
Section 106	2,908	282	(223)	2,967
Commuted Sums	186	8	-	194
Scarborough Harbour	528	227	47	802
Whitby Harbour	151	72	8	231
Other	231	25	-	256
Total Earmarked Reserves	**28,619**	**4,046**	**-**	**32,665**

Earmarked Reserves	Balance at 1-Apr-17 £000	Transfers (to) / from General Fund £000	Transfers between Reserves £000	Balance at 31-Mar-18 £000
Insurance	1,571	406	-	1,977
Capital Contingency	610	74	21	705
Pension	891	200	-	1,091
Capital Development	10,185	1,555	2,412	14,152
Service Investment	8,595	(1,811)	(1,503)	5,281
Investment Fund	1,591	(364)	(295)	932
Section 106	1,968	1,187	(247)	2,908
Commuted Sums	168	18	-	186
Scarborough Harbour	688	39	(199)	528
Whitby Harbour	272	68	(189)	151
Other	186	45	-	231
Total Earmarked Reserves	**26,725**	**1,417**	**-**	**28,142**

The purposes of the main reserves are:

- **The Insurance Reserve** covers risks which are by their nature difficult to insure such as cliff slippage and certain storm damage, and risks which are generally uneconomic to insure such as damage due to leakage from water pipes and the theft of small items of equipment. The fund also meets the cost of some insurance excesses.

- **The Capital Contingency Reserve** provides funding support to mitigate the potential risks in relation to unforeseen costs that the Council may incur during the implementation of projects and also provides funds for small-scale projects and feasibility studies.
- **The Pensions Reserve** is used to meet the costs associated with the added year's element of employees' pensions and redundancy costs upon the termination of employees contracts of employment.
- **The Capital Development Reserve** consolidates capital resources with the intention of investing monies into priority areas in a planned and phased approach. In addition to this Reserve, Usable Capital Receipts, which are required to be brought to account as a separate item, are also available for capital investment.
- **The Service Investment Reserve** primarily relates to accumulated under spending that has been carried over to support known future operational requirements.
- **The Investment Fund** was established to provide one off funding for schemes that will help the Council to deliver revenue savings.
- **The Section 106 Reserve** collects receipts that the Borough Council has received from developers as a result of the granting of planning permission. These monies relate to maintenance costs, or new facilities that need to be provided, as a result of the granting of that permission (eg requiring the developer to provide funding to create a play area or open space). The agreements specify that the funds are to be used within a specific period or else will be returned.
- **Harbour Reserves** represent earmarked amounts for the repair and renewal of specific items of harbour equipment in future years.

11 PROPERTY, PLANT AND EQUIPMENT

The Balance Sheet records the value of fixed assets, i.e. assets giving benefit to the Council or the services it provides for a period of more than one year. Tangible fixed assets, that is, assets with physical substance, are sub-divided between Property, Plant and Equipment, Investment Properties and Assets held for Sale. The change in value of fixed assets on the Balance Sheet results from:

- capital investment each year on the acquisition, creation or enhancement of fixed assets. Enhancement refers either to the value of an asset or the use to which it can be put. This distinguishes capital investment from expenditure on routine repairs and maintenance, which is charged direct to service revenue accounts.
- the value of assets disposed of during the year
- revaluation or impairment of assets required to be carried at current value, and the depreciation of assets.

The following tables set out the change in value of each category of fixed asset shown in the Balance Sheet. Whilst the Authority has Community Assets these have a total value of less than £1,000 and therefore no separate heading has been included in the tables below for these assets.

Movement in 2018 / 2019	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Assets Under Construction £000	Total £000

Cost or Valuation					
At 1 April 2018	130,412	17,093	96,599	6,314	250,418
Additions	345	764	522	14,875	16,506
Revaluation increases / (decreases) recognised in Revaluation Reserve	19,700	-	-	-	19,700
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,467)	-	-	-	(1,467)
Category Transfers	-	-	82	(82)	-
Derecognition - disposals	(1,281)	(427)	-	-	(1,708)
Assets classified (to)/from Held for Sale	(2,594)	-	-	-	(2,594)
Other movements in cost or valuation	-	-	-	-	-
At 31 March 2019	**145,115**	**17,430**	**97,203**	**21,107**	**280,855**
Accumulated Depreciation and Impairment					
At 1 April 2018	(6,259)	(10,783)	(33,970)	-	(51,012)
Depreciation Charge	(2,255)	(1,303)	(2,483)	-	(6,041)
Depreciation and impairments written out to the Revaluation Reserve	2,175	-	-	-	2,175
Depreciation and impairments written out on revaluations recognised in the Surplus / Deficit on Provision of Services	268	-	-	-	268
Derecognition – disposals	76	419	-	-	495
Assets Depreciation(to)/from Held for Sale	160	-	-	-	160
Other movements in cost or valuation	-	-	-	-	-
At 31 March 2019	**(5,835)**	**(11,667)**	**(36,453)**	**-**	**(53,955)**

Net Book Value					
At 31 March 2019	139,280	5,763	60,750	21,107	226,900
At 31 March 2018	124,153	6,310	62,629	6,314	199,406

Movement in 2017 / 2018	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation					
At 1 April 2017	111,975	16,653	94,360	22,549	245,537
Additions	4,305	681	565	2,252	7,803
Revaluation increases / (decreases) recognised in Revaluation Reserve	1,199	-	-	-	1,199
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(2,776)	-	-	-	(2,776)
Category Transfers	16,773	-	1,674	(18,487)	(40)
Derecognition - disposals	(579)	(241)	-	-	(820)
Assets classified (to)/from Held for Sale	(485)	-	-	-	(485)
Other movements in cost or valuation	-	-	-	-	-
At 31 March 2018	**130,412**	**17,093**	**96,599**	**6,314**	**250,418**
Accumulated Depreciation and Impairment					
At 1 April 2017	(4,603)	(9,631)	(31,506)	-	(45,740)
Depreciation Charge	(2,186)	(1,321)	(2,464)	-	(5,971)
Depreciation and impairments written out to the Revaluation Reserve	375	-	-	-	375
Depreciation and impairments written out on revaluations recognised in the Surplus / Deficit on Provision of Services	120	-	-	-	120
Derecognition – disposals	23	169	-	-	192
Assets Depreciation(to)/from Held for Sale	12	-	-	-	12
Other movements in cost or valuation	-	-	-	-	-
At 31 March 2018	**(6,259)**	**(10,783)**	**(33,970)**	**-**	**(51,012)**

Net Book Value					
At 31 March 2018	124,153	6,310	62,629	6,314	199,406
At 31 March 2017	107,372	7,022	62,854	22,549	199,797

Capital Commitments

At 31 March 2019, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years. The budgeted value of the works to be completed under the most significant of these contracts is £12,462k. Similar commitments at 31 March 2018 were £2,119k.

The major commitments are:

	£000
Whitby Piers	5,398
Cell1 Coastal Monitoring	547
Whitby East Pier Footbridge	207
Spa Roof Replacement	484
Spa Coastal Protection Scheme	5,270
South Cliff gardens	556
Total	**12,462**

Revaluations

The Authority carried 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. All valuations were carried out internally by the Council's Principal Valuer who is a qualified member of the Royal Institute of Chartered Surveyors (RICS). 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 RICS.

The significant assumptions applied in estimating the fair values are:

- Specialist properties where no open market exists are valued on a Discounted Replacement Cost Basis
- Land and Buildings fair value is interpreted as its value in existing use.

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Carried at historical cost	659	17,430	18,089
Values at fair value as at:			
31 March 2019	58,393	-	58,393
31 March 2018	27,976	-	27,976
31 March 2017	19,835	-	19,835
31 March 2016	20,614	-	20,614
31 March 2015	17,638	-	17,638
Total Cost or Valuation	**145,115**	**17,430**	**162,545**

12 HERITAGE ASSETS

Heritage assets are those assets which have historical, artistic, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

The Authority recognises heritage assets where it holds information on the cost or value of the heritage asset. Heritage assets include assets both purchased by and donated to the Authority.

	Art Collections £000	Monuments, Statues and Sculptures £000	Museum Pieces £000	Other £000	Total £000
Cost or Valuation					
As at 1 April 2017	**3,220**	**370**	**270**	**619**	**4,479**
Additions	-	-	-	-	-
As at 1 April 2018	**3,220**	**370**	**270**	**619**	**4,479**
Additions	-	-	-	-	-
Revaluations	390				390
At 31 March 2019	**3,610**	**370**	**270**	**619**	**4,869**
Accumulated Depreciation and Impairment					
As at 1 April 2017					
Depreciation Charge	-	-	-	-	-
As at 1 April 2018					
Depreciation Charge	-	-	-	-	-
At 31 March 2019	**-**	**-**	**-**	**-**	**-**

Net Book Value					
31 March 2019					
Assets measured at cost	-	370	-	62	432
Assets measured at valuation	3,610	-	270	557	4,437
	3,610	**370**	**270**	**619**	**4,869**
31 March 2018					
Assets measured at cost	-	370	-	62	432
Assets measured at valuation	3,220	-	270	557	4,047
	3,220	**370**	**270**	**619**	**4,479**

The majority of the collections are on display however at times some of the assets are held in storage. Access is permitted to scholars and others for research purposes.

Where assets are held at valuation, the valuations were carried out by an independent specialist valuer external to the organisation. The Valuation of Museum Pieces and Other Assets were carried out during April 2010 when it became necessary to recognise heritage assets within the Statement of Accounts. Art Collections have been revalued during 2019/20 in line with the most recent insurance valuation.

The Authority has not recognised assets where details of the cost or valuation are not available and the cost of obtaining the information is deemed not commensurate with the benefits to users of the financial statements.

Heritage assets not reported in the balance sheet include:

- Queen Victoria Statue donated in 1903 made of bronze
- Captain Cook Statue donated in 1912 made of bronze
- Vellum scroll book detailing the Freeman of the Borough
- Oliver Mount War Memorial
- George V Memorial Clock Tower donated in 1911

For more information on the Council's heritage assets please visit, www.scarborough.gov.uk/home/tourism/museums-and-galleries

13 INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2017/18 £000	2018/19 £000
Rental Income from investment property	13	417
Direct operating expenses arising from investment property	-	(30)
Net gain/(loss)	13	387

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority 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.

	2017/18 £000	2018/19 £000
Balance at start of year	262	262
Additions	-	14,828
Disposals	-	(7)
Net gains / (losses) from fair value adjustments	-	9
Assets classified (to) / from Available for Sale	-	-
Balance at end of the year	262	15,092

Investment property valuations are carried out internally, every year, by the Council's Principal Valuer who is a qualified member of the Royal Institute of Chartered Surveyors (RICS).

14 INTANGIBLE ASSETS

The Authority recognises items of software, licenses and concessions as intangible assets. It 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 licences and 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 Authority. The useful lives assigned to the major software suites used by the Authority are:

- Financial Asset Management System 5 Years
- General Software Licenses 5 Years
- Benefits and Revenue Systems 5 years

Some rights and concessions are given an indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cashflows.

- Way Leaves / Rights up to indefinite

The carrying amount of intangible assets is amortised on a straight line basis over the life of the asset, (with the exception of those assets with an indefinite useful life which are not amortised). Amortisation of £111k charged to revenue in 2018/19 was charged to the IT Administration cost centre and then absorbed as an overhead across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. £16k was charged to the Property Trading Unit within Trading Undertakings and relates to way leaves and licences / rights for which the trading account receives the income.

	2017/18 £000	**2018/19 £000**
Balance at start of year		
Gross Carrying Amounts	2,837	2,859
Accumulated Amortisation	(2,066)	(2,236)
Net Carrying Amount at start of year	771	623
Additions	-	-
Revaluation increases/(decreases) recognised in Revaluation Reserve	6	-
Other adjustments to cost or valuation	-	(1)
Amortisation for the period	(194)	(127)
Other adjustments to amortisation	-	-
Category Transfers	40	-
Net carrying Amount at end of year	623	495
Comprising:		
Gross carrying amounts	2,859	2,858
Accumulated Amortisation	(2,236)	(2,363)
	623	495

The intangible assets recognised for which the Authority assesses as having indefinite useful lives are:

	2017/18 £000	**2018/19 £000**
Access Rights	22	22
Concessions	158	158
Grazing Rights	13	13
Other	11	11
	204	204

These assets are assessed as having indefinite lives due to their cultural or economic importance and their competitive limiting factors.

15 ASSETS HELD FOR SALE

	2017/18 £000	2018/19 £000
Balance outstanding at start of year	371	745
Assets newly classified as held for sale		
Property, Plant and Equipment	473	2,434
Revaluation losses	-	(583)
Assets declassified as held for sale		
Property, Plant and Equipment	-	-
Assets Sold	(99)	(441)
Balance Outstanding at end of year	745	2,155

16 FINANCIAL INSTRUMENTS

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

Financial Assets

	Long Term		Current	
	31-Mar-18 £000	31-Mar-19 £000	31-Mar-18 £000	31-Mar-19 £000
Investments				
Loans and Receivables held at amortised cost:				
Investments - Waterpark (Benchmark)	8,658	7,919	118	739
Investments	-	-	20,000	21,000
Accrued Interest	-	-	22	31
Cash and Cash Equivalents	-	-	2,993	649
Total Investments	**8,658**	**7,919**	**23,133**	**22,419**
Debtors				
Loans and Receivables held at amortised costs:				
Finance Leases	2,324	1,984	-	160
Financial assets carried at contract amounts	1,158	1,158	8,362	8,240
Total Debtors	**3,482**	**3.142**	**8,362**	**8,400**
Total	**12,140**	**11,061**	**31,495**	**30,819**

Financial Liabilities

	Long Term		Current	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£000	£000	£000	£000
Borrowings				
Financial liabilities held at amortised cost:				
Financial Liabilities (principle amount)	(11,786)	(25,599)	(56)	(188)
Accrued Interest	-	-	(35)	(223)
Other Accounting Adjustments	(73)	(71)	-	-
Total included in borrowings	**(11,859)**	**(25,670)**	**(91)**	**(411)**
Other Liabilities				
Finance Lease Liabilities	(72)	(46)	-	(14)
Financial liabilities carried at contract amount	(60)	(151)	-	-
Total Other Liabilities	**(132)**	**(197)**	**-**	**(14)**
Creditors				
Financial liabilities carried at contract amount	-	-	(6,422)	(5,946)
Total Creditors	**-**	**-**	**(6,422)**	**(5,946)**
Total	**(11,991)**	**(25,867)**	**(6,513)**	**(6,371)**

Income. Expense, Gains and Losses

	2017/18 £000	2018/19 £000
Interest Revenue:		
Interest income	(579)	(663)
Increase / (decrease) in fair value	-	-
Total income in surplus or deficit on the provision of services	**(579)**	**(663)**
Interest Expense:		
Interest expense	402	589
Increase / (decrease) in fair value	-	-
Total expense in surplus or deficit on the provision of services	**402**	**589**

Financial assets and financial liabilities 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.

- 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:

	31-Mar-18		31-Mar-19	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments (Note 1)				
Short Term Loans and Receivables	23,133	23,133	22,419	22,419
Long Term Loans and Receivables	8,658	8,658	7,919	7,919
Long Term Debtors				
Finance Leases	2,324	2,324	1,984	1,984
Financial assets carried at contract amount	1,158	1,086	1,158	1,126
Debtors				
Finance Leases	-	-	160	160
Financial assets carried at contract amount	8,362	8,362	8,240	8,240
Total	**43,635**	**43,563**	**41,880**	**41,848**

Note 1 – Included within this balance is a loan to Benchmark Leisure Limited as part of the Waterpark development. The carrying value of this loan is deemed a reasonable approximation of its fair value. Further information on this transaction is included in Note 39 to these accounts.

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

	31-Mar-18		31-Mar-19	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Borrowings				
Public Works Loan Board (Note 2)	(7,869)	(9,432)	(22,001)	(28,365)
Barclays Loan (Note 3)	(4,081)	(5,456)	(4,080)	(5,584)
Other Long Term Liabilities				
Finance Lease Liabilities	(72)	(72)	(60)	(60)
Financial liabilities carried at contract amount	(60)	(60)	(151)	(151)
Short Term Creditors				
Financial liabilities carried at contract amount	(6,422)	(6,422)	(5,946)	(5,946)
Total	(18,504)	(21,442)	(32,238)	(40,106)

Note 2 – The Fair Value of the PWLB loans have been calculated using the premature repayment rates and this is consistent with the way in which the PWLB treat them.

At 31 March 2019, the fair value of the PWLB loans is higher than the carrying amount because, should the Council wish to prematurely repay the borrowings, then this would be done at an amount higher than the carrying amount.

If the Fair Value of the PWLB loans had been calculated using the New Loan Rate then it would be £24,034k (£8,330k at 31 March 2018).

The New Loan Rate uses the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate is the rate applicable in the market on the date of the valuation for an instrument with the same duration.

Note 3 – The fair value of the Barclays Loan has been calculated using the New Loan Rate. At 31 March 2019 the fair value of the loan is higher than the carrying amount because the effective interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders at a rate that is higher than current market rates.

The Fair Value of the Barclays Loan would be £6,328k (£6,439k at 31 March 2018) if it was calculated in the same way as the PWLB loans, (ie premature repayment rate rather than new loan rate).

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

17 INVENTORIES

2018/19	**Stocks and Stores**		**Total**
£000	**Trading Units**	**Other**	
Balance outstanding at start of year	33	23	56
Purchases	355	71	426
Recognised as an expense in year	(321)	(72)	(393)
Balance outstanding at year end	**67**	**22**	**89**

2017/18	**Stocks and Stores**		**Total**
£000	**Trading Units**	**Other**	
Balance outstanding at start of year	48	21	69
Purchases	112	72	184
Recognised as an expense in year	(127)	(70)	(197)
Balance outstanding at year end	**33**	**23**	**56**

18 SHORT TERM DEBTORS

2017/18 £000		2018/19 £000
2,933	Central Government Bodies	5,682
1,759	Other Public Bodies (includes Local Authorities)	1,502
1,168	Local Tax Payers	1,176
6,103	Sundry Debtors	4,962
11,963		13,322
(1,968)	Bad Debt Provision	(1,956)
9,995	**Total**	**11,366**

19 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

2017/18 £000		2018/19 £000
13	Cash held by the Authority	12
2,980	Bank Current Accounts	637
-	Short-term Deposits with Banks	-
2,993	**Total**	**649**

20 SHORT TERM CREDITORS

2017/18 £000		2018/19 £000
	Creditors:	
(303)	HM Revenue & Customs	(371)
(3,366)	Central Government Bodies	(2,657)
(574)	Local Tax Payers	(581)
(4,340)	Sundry Creditors	(4,719)
(4,878)	Other Local Authorities	(4,132)
(13,461)	**Total**	**(12,460)**

21 PROVISIONS

2018/19	Municipal Mutual Insurance £000	Business Rates £000	Total £000
Balance as at 1 April 2018	22	1,734	1,756
Additional Provisions made in 2018/19	-	746	746
Amounts used in 2018/19	-	(593)	(593)
Unused amounts reversed in 2018/19	(22)	-	(22)
Balance as at 31 March 2019	**-**	**1,887**	**1,887**
Of which:			
Current Liabilities	-	1,887	1,887
Long Term Liabilities	-	-	-
Total	**-**	**1,887**	**1,887**

2017/18	Municipal Mutual Insurance £000	Business Rates £000	Total £000
Balance as at 1 April 2017	26	1,370	1,396
Additional Provisions made in 2017/18	-	1,130	1,130
Amounts used in 2017/18	-	(766)	(766)
Unused amounts reversed in 2017/18	(4)	-	(4)
Balance as at 31 March 2018	**22**	**1,734**	**1,756**
Of which:			
Current Liabilities	22	1,734	1,756
Long Term Liabilities	-	-	-
Total	**22**	**1,734**	**1,756**

Municipal Mutual Insurance

The Council was insured for a period of time with Municipal Mutual Insurance (MMI) up to 30 September 1992 when the Company ceased writing insurance business and went into run-off.

This Council is party to the contingent Scheme of Arrangement sanctioned by the Court in January 1994. As part of that Scheme of Arrangement the Council is liable to a clawback provision based on the total carried forward claims payments less £50,000.

A judgement handed down by the Supreme Court on 28 March 2012 ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

Although this judgement provides clarification on liability, it has significant implications for MMI and the Scheme Creditors, who are party to the Scheme of Arrangement and ultimately means that MMI is no longer able to meet its liabilities

An initial clawback provision (based on 15% of the outstanding claims) was triggered and became payable by the Council in 2013/14.

During 2015/16 the Council was advised that the range for the Levy had been increased to between 15% and 34% and at the end of that year the Levy actually demanded had increased to 25%.

The annual accounts for Municipal Mutual Insurance Limited for the year ended 30 June 2018 outline that no further changes to the Levy rate are expected and therefore the provision providing for claims assuming a 34% Levy rate has been released.

The Council does not currently have any material claims in progress.

Business Rates

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013.
Scarborough Borough Council, as the business rates billing authority, acts as an agent on behalf of central government, North Yorkshire County Council, North Yorkshire Fire

& Rescue Service and itself and is required to make a provision for any refunds that may become payable to ratepayers following successful appeals against the ratable value of their properties on the ratings list.

The Council retains a share of net business rates income under the new localised scheme. The amount shown in the Council's Balance Sheet reflects the Council's proportion of the appeals provision as at 31 March 2019.

22 DISCLOSURE OF INFORMATION RELATING TO RETIREMENT BENEFITS

PARTICIPATION IN PENSION SCHEMES

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

The Authority participates in the Local Government Pension Scheme (LGPS), administered by North Yorkshire County Council. The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the LGPS requires participating employers and its employees to pay contributions into the 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 defined benefit arrangement, under which liabilities are recognised when awards are made. There are, however, 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 principle risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie 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 the amounts required by statute as described in the accounting policies note.

TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income & Expenditure Account

	2018/19

	Cost of Services:		
3,879	Current Service Cost (note 1)	4,085	
25	Curtailment	13	
3,904			4,098
	Financing and Investment Income and Expenditure:		
1,698	Net Interest Expense	1,626	
1,698			1,626
5,602	Total Post Employment Benefit Charged to Surplus / Deficit on the Provision of Services		5,724
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
	Re-measurement of the net defined benefit liability comprising:		
(7,075)	Return on plan assets	(8,634)	
1,258	Actuarial gains and losses arising on changes in experience assumptions	369	
(202)	Actuarial gains and losses arising on changes in financial assumptions	10,474	
-	Actuarial gains and losses arising on changes in demographic assumptions	(8,607)	
(6,019)			(6,398)
(417)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		(674)

Note 1 – included within the Current Service Cost is an allowance of £51k (£48k 2017/18) for administration expenses.

Movement in Reserves Statement

2017/18 £000		2018/19 £000
(5,602)	Reversal of net charges made to the surplus or deficit for the provision of Services for post employment benefits in accordance with the code	(5,724)
	Actual amounts charged against the General Fund Balance for pensions in the Year:	
3,982	- Employers Contributions Payable to the Scheme	4,152

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2019 is a loss of £25.440m.

ASSETS AND LIABILITIES IN RELATION TO POST-EMPLOYMENT BENEFITS

Reconciliation of present value of the Scheme Liabilities

	2017/18 £000	2018/19 £000
Balance as at 1 April	(202,361)	(206,770)
Current Service Cost	(3,879)	(4,085)
Interest Cost	(4,990)	(5,292)
Contributions by Scheme Participants	(772)	(814)
Remeasurements (liabilities)		
Experience Gain / (loss)	(1,258)	(369)
Gain / (Loss) on financial assumptions	202	(10,474)
Gain / (Loss) on demographic assumptions	-	8,607
Curtailments	(25)	(13)
Benefits / Transfers paid	6,313	7,337
Closing balance at 31 March	**(206,770)**	**(211,873)**

Reconciliation of the movements in the Fair Value of the Scheme Assets

	2017/18 £000	2018/19 £000
Balance as at 1 April	130,636	143,029
Interest on Plan Assets	3,292	3,666
Remeasurements (assets)	7,075	8,634
Employer Contributions	3,982	4,152
Additional Employer Contributions (Note 1)	3,585	(1,759)
Contributions by scheme Participants	772	814
Benefits / transfers paid	(6,313)	(7,337)
Closing fair value of scheme assets at 31 March	**143,029**	**151,199**

Note 1 - Employer Contributions

Following the 2016 triennial pension valuation, the Council elected to prepay the deficit contribution for the next three years in a single sum (£5.278m) in April 2017. This allowed the Council to receive a discount on the payment since the money would be invested sooner and therefore have a better prospect for growth.

The Capital Finance Regulations require the Council to charge to its General Fund the amounts which are ‘payable for that financial year’. The amount relating to year three (2019/20) has therefore been included on the Council’s Balance Sheet at 31 March 2019 and the £1.826m payment in advance will therefore not be reflected in the Comprehensive Income and Expenditure Statement until 2019/20.

The scheme assets comprised;

	2017/18 £000	2018/19 £000
Cash and cash equivalents	286	7,409
Equity Instruments	92,683	85,276
Government Bonds	23,600	28,728
Property	11,442	12,701
Other	15,018	17,085
Closing fair value of scheme assets at 31 March	**143,029**	**151,199**

PENSION ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

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

	2017/18 £000	2018/19 £000
Present value of the defined benefit obligation	(206,770)	(211,873)
Fair value of plan assets	143,029	151,199
Net liability arising from defined benefit obligation	(63,741)	(60,674)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £60.674 million and the additional employer contributions of £1.826 million not yet reflected in the Comprehensive Income and Expenditure Statement has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, reducing reserves from £255.298 million to £192.798 million (24%). Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 is £4.292m (of which £1.830m has already been paid).

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 dependant on assumptions about mortality rates, salary levels etc. The fund liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2016.

The main assumptions used in their calculations have been:

2017/18		2018/19
2.1%	Rate of Inflation (CPI)	2.2%
3.2%	Rate of Inflation (RPI)	3.3%
3.35%	Rate of Increase in Salaries	3.45%
2.1%	Rate of Increase in Pensions	2.2%
2.6%	Rate for Discounting Scheme Liabilities	2.4%
	Mortality Assumptions:	
	Member aged 65 at accounting dates	
22.9	Men	22.2
26.4	Women	25.3
	Member aged 45 at accounting dates	
25.1	Men	23.9
28.7	Women	27.2

SENSITIVITY ANALYSIS (FUNDED BENEFITS)

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2019 and the projected service cost for the period ending 31 March 2020 is set out below.

The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and, in each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised in the table above. This is unlikely to occur, and changes in some of the assumptions may be interrelated.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method.

Discount rate assumption Adjustment to discount rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£000)	207,071	210,620	214,229
% change in present value of total obligation	-1.7%		1.7%
Projected service cost (£000)	4,216	4,339	4,465
Approximate % change in projected service cost	-2.8%		2.9%

Rate of general increase in salaries Adjustment to salary increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£000)	211,270	210,620	209,976
% change in present value of total obligation	0.3%		-0.3%
Projected service cost (£000)	4,339	4,339	4,339
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption Adjustment to pension increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£000)	213,575	210,620	207,711
% change in present value of total obligation	1.4%		-1.4%
Projected service cost (£000)	4,465	4,339	4,216
Approximate % change in projected service cost	2.9%		-2.8%

Post retirement mortality assumption Adjustment to mortality age rating assumption *	- 1 Year	Base Figure	+ 1 Year
Present value of total obligation (£000)	217,318	210,620	203,989
% change in present value of total obligation	3.2%		-3.1%
Projected service cost (£000)	4,504	4,339	4,175
Approximate % change in projected service cost	3.8%		-3.8%

* a rating of +1 year means that Members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep the employers' contributions at as constant a rate as possible. At the triennial valuation carried out as at 31 March 2016, a strategy was agreed with the scheme's actuary to achieve a funding level of 100% over a 22.8 year period. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019 and will be carried out during the 2019/20 financial year.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, (17 years 2017/18).

23 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 10.

24 UNUSABLE RESERVES

31-Mar-18 £000		31-Mar-19 £000
43,699	Revaluation Reserve	64,975
139,537	Capital Adjustment Account	146,288
36	Financial Instruments Adjustment Account	3
2,324	Deferred Capital Receipts Reserve	2,144
(67,326)	Pension Reserve	(62,500)
403	Collection Fund Adjustment Account	135
(316)	Accumulated Absences Account	(348)
118,357	**Total Unusable Reserves**	**150,697**

(a) REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Authority arising from increases in the fair 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 consumed through depreciation, or
- disposed of and the gains are realised

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

2017/18 £000			2018/19 £000
42,999	Balance as at 1 April		43,699
3,380	Upward revaluation of assets	23,570	
(1,800)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(1,305)	
1,580	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		22,265
(752)	Difference between fair value depreciation and historical cost depreciation		(767)
(128)	Accumulated gains on assets sold or scrapped		(222)
43,699	Balance as at 31 March		**64,975**

(b) 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 subsequent costs 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 authority 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 Authority.

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 9 provides details of the sources of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2017/18 £000			2018/19 £000
141,522	Balance at 1 April		139,537
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(5,971)	Charges for depreciation and impairment of non-current assets	(6,471)	
(2,654)	Revaluation losses/(gains) on Property, Plant and Equipment	(1,353)	
(194)	Amortisation of intangible assets	(127)	
(1,560)	Revenue expenditure funded from capital under statute	(1,908)	
(727)	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	(1,662)	
(11,106)			(11,521)
880	Adjusting amounts written out of the Revaluation Reserve		989
(10,226)	Net written out amount of the cost of non-current assets consumed in the year		(10,532)
	Capital financing applied in the year:		
1,973	Use of the Capital Receipts Reserve to finance new capital expenditure	724	
2,565	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	7,293	
836	Application of grants to capital financing from the Capital Grants Unapplied Account	5,914	
1,450	Statutory provision for the financing of capital investment charged against the General Fund balances	498	
1,417	Capital Expenditure charged against the General Fund balances	2,845	
8,241			17,274
-	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		9
139,537	Balance at 31 March		**146,288**

(c) FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The authority uses the account to manage discounts received on the early settlement of borrowings. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred and, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time the income is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the benefit on council tax. In the Authority's case, this period is ten years from the point of redemption of the loan. As a result, the balance on the account at 31 March 2019 will be credited to the General Fund balance over the next year.

2017/18 £000			2018/19 £000
74	Balance at 1 April		36
(38)	Proportion of discounts received in previous financial years to be credited against the General fund Balance in accordance with statutory requirements	(33)	
(38)	Amount by which finance costs charged to the Comprehensive Income and Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(33)
36	Balance at 31 March		**3**

(d) DEFERRED CAPITAL RECEIPTS RESERVE

The table below shows the movement on this Reserve

2017/18 £000		2018/19 £000
1,727	Balance as at 1 April	2,324
597	Transfer of deferred sales proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(180)
-	Transfer to the Capital Receipt Reserve upon receipt of cash	-
2,324	Balance as at 31 March	**2,144**

(e) PENSION RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for the 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. Statutory arrangements do, however, require benefits earned to be financed as the Authority 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 Authority 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.

2017/18 £000		2018/19 £000
(71,725)	Balance at 1 April	(67,326)
6,019	Actuarial gains or losses on pensions assets and liabilities	6,398
(5,602)	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	(5,724)
3,982	Employer's pensions contributions and direct payments to pensioners payable in the year	4,152
(67,326)	**Balance at 31 March**	**(62,500)**

Additional information relating to retirement benefits is outlined in Note 22.

(f) COLLECTION FUND ADJUSTMENT ACCOUNT

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

2017/18 £000		2018/19 £000
616	Balance at 1 April	403
(213)	Amount by which council tax 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	(268)
403	Balance at 31 March	**135**

(g) ACCUMULATED ABSENCES ACCOUNT

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in year, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000		2018/19 £000	
(390)	Balance as at 1 April		(316)
390	Settlement or cancellation of accrual made at the end of the proceeding year	316	
(390)	Amounts accrued at the end of the current year		(316)
74	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		(32)
(316)	Balance as at 31 March		**(348)**

25 EVENTS AFTER THE BALANCE SHEET DATE

The un-audited Statement of Accounts was authorised for issue by the Director (Nick Edwards, Section 151 officer) on 31 May 2019. Events taking place after this date are not reflected in the financial statement or notes but will be included in the audited Statement of Accounts due to be published in July 2019. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events after the balance sheet date to report at the date that these un-audited accounts were authorised for issue on 31 May 2019.

26 CASH FLOW STATEMENT – RECONCILIATION OF THE NET CASH FLOWS FROM OPERATING ACTIVITIES TO THE SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES

The Surplus / Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement includes some transactions which do not result in cash flows, and others which are not classified as operating activities within the Cash Flow Statement (ie classified as investing or financing cash flows). The following table identifies these transactions and reconciles the Surplus / Deficit on the Provision of Services with the net cash flows from operating activities within the Cash Flow Statement:

2017/18 £000		2018/19 £000
(3,602)	(Surplus) / Deficit on the Provision of Services	(4,653)
	Adjustment to the Surplus / Deficit on the Provision of Services for Non Cash Movements	
(6,165)	Depreciation, amortisation, impairment and downward revaluations	(6,598)
(54)	(Increase) / Decrease in Creditors	(1,353)
6,270	Increase / (Decrease) in Debtors	(1,741)
(13)	Increase / (Decrease) in Inventories	33
(1,620)	Pension Fund Adjustments	(3,331)
154	Increase / (Decrease) in impairment for provision for bad debts	12
(434)	Contributions to / (from) provisions	(98)
(1,914)	Carrying amount of PP&E, investment property and intangible assets sold	(1,738)
(5,053)	Other non-cash items charged to the net surplus or deficit on the provision of services	2,815
	Adjustments for items included in the Surplus / Deficit on the Provision of Services that are Investing or Financing Activities	
552	Proceeds from the disposal of PP&E, investment property and intangible assets	724
7,520	Capital Grants credited to Surplus or deficit on the provision of services	8,612
213	Other adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities	268
(4,146)	**Net Cash Flows from Operating Activities**	**(7,048)**

OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2017/18 £000		2018/19 £000
(769)	Interest received	(813)
408	Interest paid	405
(361)	**Total**	**(408)**

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £000		2018/19 £000
8,035	Purchase of property, plant and equipment, investment property and intangible asset	31,634
45,840	Purchase of short term and long term investments	103,410
-	Other payments for investing activities	-
(552)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(724)
(41,628)	Proceeds from short term and long term investments	(102,528)
(3,886)	Other receipts from investment activities	(10,314)
7,809	**Net cash flows from investing activities**	**21,478**

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £000		2018/19 £000
(2,500)	Cash receipts of short term and long term borrowing	(14,000)
(1,852)	Other receipts for financing activities	(75)
38	Cash payments for the reduction of outstanding liabilities to finance leases	13
2,554	Repayments of short term and long term borrowing	56
1,756	Other payments for financing activities	1,920
(4)	**Net cash flows from financing activities**	**(12,086)**

29 MEMBERS ALLOWANCES

The Authority paid the following amounts to Members of the Council during the year.

2017/18 £000		2018/19 £000
201	Salaries	206
55	Responsibility Allowances	57
256	**Total**	**263**

In addition to the above, Members can reclaim any costs that they incur in meeting their duties as Councillors (such as travel and subsistence). Total payments of £23k were made during 2018/19 (2017/18 £23k). More details on these payments can be found on the Council's website at www.scarborough.gov.uk/opendata

30 OFFICERS' REMUNERATION

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

2018 / 2019 Post Holder Information	Salary	Returning Officer Fees	Taxable Expense Allowances	**Total exc Pension**	Pension (Note 1)	**Total 2018/19**
Chief Executive (Note 2)	110,678	435	910	**112,023**	20,222	**132,245**
Director	77,178	-	914	**78,092**	14,046	**92,138**
Director	77,378	-	898	**78,276**	14,046	**92,322**
Director	77,178	-	837	**78,015**	14,046	**92,061**
	342,412	435	3,559	**346,406**	62,360	**408,766**

2017 / 2018 Post Holder Information	Salary	Returning Officer Fees	Taxable Expense Allowances	**Total exc Pension**	Pension (Note 1)	**Total 2017/18**
Chief Executive (Note 2)	108,508	9,823	907	**119,238**	21,536	**140,774**
Director	75,665	-	917	**76,582**	13,771	**90,353**
Director	75,665	-	931	**76,596**	13,771	**90,367**
Director (Note 3)	19,905	-	228	**20,133**	3,517	**23,650**
Director (Note 4)	31,934	-	386	**32,320**	5,812	**38,132**
	311,677	9,823	3,369	**324,869**	58,407	**383,276**

Note 1: The pension figures shown in the above tables reflect the employer's contribution to the Local Government Pension Scheme. Officers also make contributions, which range from 9.9% to 11.4% (9.9% to 11.4% 2017/18) of their pensionable pay, to the scheme.

Note 2: The Chief Executive receives payment for his role of 'Returning Officer' for regional, national and European elections for which the Council is reimbursed.

Note 3: The Director left the Council with effect from 2 July 2017.

Note 4: The Director was appointed to the Council with effect from 30 October 2017.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2017/18		**Salary band**	**2018/19**	
Excluding Termination Costs	**Including Termination Costs**		**Excluding Termination Costs**	**Including Termination Costs**
8	8	£50,000 to £54,999	8	8
4	4	£55,000 to £59,999	5	5
1	1	£60,000 to £64,999	-	-
-	-	£65,000 to £69,999	1	1

The termination costs exclude any pension strain payments.

31 TERMINATION BENEFITS

The Council terminated the contract of three employees in 2018/19 and severance payments of £7k were made (£4k in 2017/18). In addition to the payments made to employees, pension strain payments were also made to the pension fund and these totalled £13k in the year (£nil in 2017/18).

The number of exit packages with total cost per band is set out in the table below.

All terminations made by the Council were as a result of compulsory redundancy.

2017/18		Exit package cost band (including pension strain cost)	2018/19	
Number	**Cost**		**Number**	**Cost**
1	4,090	£0 to £20,000	3	20,215
-	-	£20,001 to £40,000	-	-
-	-	£40,001 to £60,000	-	-
-	-	£60,001 to £80,000	-	-
-	-	£80,001 to £100,000	-	-
-	-	£100,001 to £150,000	-	-
1	**4,090**	**Total**	**3**	**20,215**

32 EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims:

2017/18 £000		2018/19 £000
(8)	Refund of fees paid to the Audit commission with regard to external audit services carried out by the appointed auditor in previous years	-
52	Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor for the year	40
12	Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor in relation to objections received to the 2015/16, 2016/17 and 2017/18 accounts	3
11	Fees payable to Mazars LLP for the certification of grant claims and returns	9
2	Fees payable to Mazars LLP in respect of other services provided during the year	-
69	**Total**	**52**

33 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council may have been constrained in its ability to operate independently or may 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 Authority. It is responsible for providing the statutory framework within which the Authority 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).

Note 8 to these accounts provides information on grant income from Central Government that are not specific to service areas (such as the Revenue Support Grant) together with grants specific to services and direct grant support for capital expenditure.

Companies and Joint Ventures:

Scarborough Museums Trust

The Scarborough Museums Trust, a charitable Company Limited by Guarantee, was established as a regulatory company of the Borough Council in April 2004. The Trust subsequently deregulated in 2009.

The Council's museum service transferred to the Trust on 1 January 2008 and the Trust is now primarily responsible for running the Art Gallery and Rotunda Museum under a Service Level Agreement (SLA). In return for this the Council paid a grant of £516,660 (£466,660 2017/18) for the year. The Council also offers the use of the Rotunda and Art Gallery at a peppercorn rent and has, historically, paid amounts equal to the rents and service charge for space that is occupied at the Creative Industries Centre. Following changes to the SLA agreement the Trust now make payment for this space directly to the Creative Industries Centre. The Council paid £61,797 on behalf of the Trust in 2017/18.

The Museums Trust and the Creative Industries Centre are currently exploring the opportunity to merge. During the year Cllr Mallory has had oversight of the merger process and Cllr Smith has been appointed to the interim Board.

Due to the significance of the annual grant in relation to the Trusts total projected income levels, along with the use of Council buildings at a peppercorn rent, the Council is deemed to have a significant influence over the Trust, although in practice this has not been exercised. The Trust has therefore been classified as an associate for Group Account purposes.

The audited Trust accounts for the year ended 31 March 2018 show a deficit of £82,074 and net assets as at 31 March 2018 of £388,431. No figures are yet available from the Trust for 2018/19.

The reserves held by the Trust are restricted to ensure that they are used to meet its charitable objects and cannot be distributed to Members. If the Trust were to be wound up the Councils exposure to risk is limited to a maximum of £1 and any property remaining after debts and liabilities have been satisfied would be transferred to a charity with objects similar to the Trust rather than being distributed to Members.

North Yorkshire Procurement Partnership

The North Yorkshire Procurement Partnership was set up to provide a shared internal procurement provision for the constituent partners.

Scarborough Borough Council is the Lead Authority responsible for the administration of the partnership, including the provision of accountancy services. The partnership consists of Scarborough Borough Council together with the District Councils of Ryedale and Selby.

During the year the Partnership made a surplus of £9,221 (£9,717 2017/18). The Borough Council's proportion of the cumulative net surplus made by the Partnership at the 31 March 2019 is £59,400.

At 31 March 2019 the council held £105k of monies relating to the partnership (£93k 31 March 2018).

This Partnership ceased with effect from 31 March 2019.

North Yorkshire Building Control Partnership

The Borough Council's Building Control Service was transferred to the North Yorkshire Building Control Partnership on 1 April 2008. This partnership was set up to provide a more cost effective method of delivering building control services for the geographical area and Councils of Scarborough Borough Council and the District Councils of Ryedale, Selby, Richmondshire and Hambleton.

The Lead Authority responsible for the administration of the partnership, including the provision of accountancy services, is Ryedale District Council.

During the year the partnership made a trading surplus of £71,572 (£115,548 2017/18).

The Borough Council's proportion of the cumulative net surplus made by the Partnership at the 31 March 2019 is £50,000.

Other Bodies

The Council collects Council Tax to fund its own revenue requirements and to distribute to other precepting authorities, these being North Yorkshire County Council, Police and Crime Commissioner North Yorkshire, North Yorkshire Fire Authority, and the Parish Councils. Details of these amounts are shown in the Collection Fund Accounts.

Significant funding provided to the Council by other bodies was:

Capital funding - £8,612k including £7,915k from the Environment Agency and £669k from the European Structural and Investment Funds (ESIF).

North Yorkshire County Council – estimated funding of £72k in respect of specific services. It also administers the Local Government Pension Scheme (note 22).

Police and Crime Commissioner for North Yorkshire - £56k in respect of funding specific services.

The following Councillors were Councillors of North Yorkshire County Council at 31 March 2019: Cllr Backhouse, Cllr Bastiman, Cllr Broadbent, Cllr Chance, Cllr Colling, Cllr Jeffels, Cllr Jefferson, Cllr Jenkinson, Cllr Pearson, Cllr Plant, Cllr Randerson, Cllr Swiers and Cllr Walsh.

Cllr Turner is a member of the Police and Crime Panel.

Cllr Backhouse, Cllr Randerson and Cllr Swiers were members of the North Yorkshire Fire and Rescue Authority Management Board until November 2018. As of 15th November 2018, the North Yorkshire Fire and Rescue Authority's governance of the North Yorkshire Fire and Rescue Service passed to Julia Mulligan as the North Yorkshire Police, Fire and Crime Commissioner

Cllr Jenkinson is a Board Member of the Scarborough Theatre Trust, a body that the Borough Council paid a grant to of £116,604 during the financial year. Cllr Swiers is also a Board Member under her remit as a county councillor.

Cllr Mallory is a Director of the Creative Industries Centre Trust, a body to whom the Council leases the Creative Industry Centre building to at a peppercorn rent.

Cllr Chatt was a Board member of Yorkshire Coast Homes, the body to whom the Council's housing stock was transferred in 2003. During the year the Council made payments to the organisation of £5,351. Yorkshire Coast Homes merged with coat and Country during the year to create Beyond Housing. The Council does not have a representative on the Beyond housing Board.

Cllr Colling, Cllr Jenkinson, Cllr Ritchie and Cllr Swiers are Directors of the Citizens Advice Bureau, during the year the Council made grant payments to the organisation of £73,528.

Cllr Mortimer is a Director of Coast & Vale Community Action. During the year the Council made payments to the organisation of £128.

Cllr Colling is a Director of Create Arts Development. During the year the Council made payments to the organisation of £17,100.

Cllr Pearson is a Director of the North Yorkshire Moors National Park Authority. During the year the Council made payments to the organisation of £13,955.

Cllr Cross and Cllr Jeffles are Directors of Dial a Ride (Scarborough & District). During the year the Council made payments to the organisation of £1,500.

Members also have interests in other organisations and payments to these organisations totalled £5,309 during the year.

All values quoted above exclude VAT.

34 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 authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2017/18 £000	2018/19 £000
Opening Capital Financing Requirement	29,721	31,055
Capital investment		
Property Plant and Equipment	7,803	16,506
Investment Properties	-	14,828
Intangible Assets	-	-
Heritage Assets	-	-
Revenue Expenditure Funded from Capital under Statute	1,560	1,908
Long Term Investment re Waterpark Development	340	-
Sources of Finance		
Capital receipts	(1,973)	(724)
Government grants and other contributions	(3,401)	(13,207)
Repayment receipts re Long Term Investment	(128)	(118)
Sums set aside from Revenue		
Direct revenue contributions	(1,417)	(2,845)
Minimum Revenue Provision / Loans Fund Principle	(1,450)	(498)
Closing Capital Financing Requirement	**31,055**	**46,905**

	2017/18 £000	2018/19 £000
Explanation of movements in year:		
Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	1,372	15,863
Assets acquired under finance leases	(38)	(13)
Increase / (decrease) in Capital Financing Requirement	**1,334**	**15,850**

35 LEASES

Authority as Lessee

Finance Leases

The Council has acquired a number of administrative buildings under finance leases.

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

	31 March 2018 £000	31 March 2019 £000
Other Land and Buildings	49	41
Vehicles, Plant, Furniture and Equipment	-	-
	49	41

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

	31 March 2018 £000	31 March 2019 £000
Finance lease liabilities (net present value of minimum lease payments)	72	59
Finance costs payable in future years	71	67
Minimum lease payments	143	126

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

	Minimum Lease Payments		Finance Costs	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Not later than one year	17	17	4	3
Later than 1 year and not later than five years	42	31	9	7
Later than five years	84	78	58	57
	143	126	71	67

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The contingent rents are nil for the Council as rent reviews are carried out based on market values, not specified amounts.

The Authority has sub-let some property held under finance leases. At 31 March 2019 the minimum payments expected to be received under non-cancellable sub-leases was £196k (£188k at 31 March 2018).

Operating Leases

The Authority has entered into several operating leases for plots of land and a small number of buildings.

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

	31 March 2018 £000	31 March 2019 £000
Not later than one year	96	123
Later than one year and not later than five years	85	85
Later than five years	607	546
	788	754

The Authority currently does not sub-let any properties classified as operating leases.

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

	2017/18 £000	2018/19 £000
Minimum lease payments	87	85
Sublease payments receivable	-	-
	87	85

Authority as Lessor

Finance Leases

The Authority has leased out property and leisure amenities around the Borough on finance leases with remaining terms of up to 36 years.

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

	31 March 2018 £000	31 March 2019 £000
Finance lease debtor (net present value of minimum lease payments)	2,324	2,143
Unearned finance income	1,486	1,327
Gross investment in the lease	3,810	3,470

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

	Gross Investment in the lease		Minimum Lease Payments	
	31 Mar 2018 £000	31 Mar 2019 £000	31 Mar 2018 £000	31 Mar 2019 £000
Not later than one year	308	303	154	160
Later than 1 year and not later than five years	1,193	1,133	684	673
Later than five years	2,309	2,034	1,486	1,310
	3,810	3,470	2,324	2,143

The Authority does not make an allowance for possibility of lease payments not being made.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The contingent rents are nil for the Council as rent reviews are carried out based on market values, not specified amounts.

Operating Leases

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

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

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

Not later than one year	3,090	4,417
Later than one year and not later than five years	7,288	12,072
Later than five years	23,818	44,714
Total	**34,196**	**61,203**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The contingent rents are nil for the Council as rent reviews are carried out based on market values, not specified amounts.

The table below shows the net book value of the assets generating the lease income outlined above:

Buildings	11,651	26,751
Land	8,247	8,092

Intangibles	305	208
Investment Properties	207	209
Total	**20,410**	**35,260**

36 THE 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 sufficient funds available to meet its commitments to make payments as they fall due.
- **Re-financing Risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market Risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless the meet identified minimum credit criteria. The Council's Treasury Management Strategy also considers maximum investment limits at any one time, to any institution and also duration that an investment can be made for.

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

- credit watches and credit outlooks from credit reference agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

The full Treasury Management Strategy for 2018/19 was approved by Full Council on 2 March 2018 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £21.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principle sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at 31 March 2019 that this was likely to crystalise.

Note 39 to these accounts provides additional information on the loan to Benchmark Leisure Limited.

The Council does not generally allow credit for customers but some of the current balance is past its date for payment. The past due but not impaired amount can be analysed by age as follows:

31-Mar-18 £000		31-Mar-19 £000
* 1,335	Less than 3 months	372
92	Between 3 to 6 months	144
48	Between 6 months and one year	50
93	More than one year	114
1,568	**Total**	**680**

* Balance includes one outstanding invoice of £935k which was paid at the beginning of April 2018.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through ha comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1982, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

31-Mar-18 £000	Analysis of Maturity	31-Mar-19 £000
23,014	Less than one year	21,680
-	Between 1 and 2 years	-
-	Between 2 and 3 years	-
-	Maturing in more than 3 Years	-
23,014	**Total**	21,680

The table above does not include the balance owed in relation to the loan to Benchmark Leisure Limited. Note 39 to these accounts provides additional information on this loan.

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

Refinancing Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

31-Mar-18 £000	Analysis of Maturity	31-Mar-19 £000
(91)	Less than one year	(411)
(58)	Between 1 and 2 years	(193)
(184)	Between 2 and 5 years	(614)
(11,617)	Maturing in more than 5 Years	(24,863)
(11,950)	**Total**	(26,081)

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movement in interest rates can have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowings would be postponed.

At present, all of the Council's borrowing is at a fixed interest rate.

If interest rates had been 1% higher / lower during the year then, assuming all other variables held constant, the financial effect would be:

	1% Increase £000	1% Decrease £000
Change in interest payable on variable rate borrowing	-	-
Change in interest receivable on variable rate investments (note 1)	214	(161)
Impact on Surplus or Deficit on the Provision of Services (note 1)	214	(161)
Change in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(4,452)	5,763

Note 1: The Council did not achieve rates in excess of 1% on its investments during the year. The effect of a 1% decrease in rates outlined in the table above therefore assumes that no interest would be earned on variable rate investments.

Price Risk

With the exception of the pension fund, the Council does not generally invest in equity shares and is therefore not subject to any price risk, that is, the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

37 CONTINGENT LIABILITIES

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. As at 31 March 2019 the Council has identified two material contingent liabilities.

NHS Foundation Trust Business Rates Appeal
In September 2016 the Council received a claim from the York Teaching Hospital NHS Foundation Trust for mandatory charitable business rates relief on properties within the Borough, dating back to 2010. Similar claims have been lodged by 20 other foundation trusts across the country. The Local Government Association is acting on behalf of those local authorities affected and has obtained Leading Counsel opinion disputing the entitlement to the relief. The case is now listed for another High Court hearing in October 2019. The potential business rate refund associated with this claim has not been recognised within the Council's accounts as the LGA are confident that it will not be successful. If the claim was successful the refund would amount to £4.2 million and the Council would be liable for a proportion of the cost in line with its share of income retained under the localised business rates scheme.

The McCloud Judgement (Pensions)
In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

The transitional protections applied to all active members of public service schemes who were within 10 years of their Normal Pension Age on 1 April 2012. In relation to the LGPS, all members were moved into the new 2014 Scheme, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits would be at least as valuable in terms of amount and when they could be drawn than if they had remained in the 2008 Scheme.
The Government has applied to the Supreme Court for permission to appeal this judgement.

If this appeal is unsuccessful, the case would be referred back to the Employment Tribunal to agree what the remedy would be following appropriate consultation. For the purpose of reporting a contingent liability it would be prudent to assume the remedy would be equivalent to extending the 'best of both' underpin to all members.

The Government Actuary's Department (GAD), under instruction of the LGPS Scheme Advisory Board, has calculated a potential IAS 19 accounting liability of between 0.50% and 1.0% of defined benefit obligation, should the government be unsuccessful in its application to appeal or if the Court of Appeal's judgement is upheld by the Supreme Court and the agreed remedy for the LGPS is to extend the 'underpin' protections to all members. This estimate is at Scheme level encompassing a range of different assumptions typically used by employers to report pension costs. The eventual impact on the council's accounts will depend on the remedy chosen by government to compensate members (which may not be the scenario modelled by the GAD); the membership profile (age/sex/salary) of the Council's membership, and the assumptions used to report pension costs at time of recognition.

The estimated liability makes a number of simplifications including: assuming that all post-2012 joiners would be compensated; assuming members would receive 'better of both' the pre-2014 Scheme benefits and post-2014 Scheme benefits by the time they reach their pre-2014 normal pension age; assuming the underpin applies only to members on retirement, and not in the case of members voluntarily leaving the scheme before retirement, and assuming no compensation would be granted to employees who paid higher contribution rates whilst in the 2015 Scheme.

It is unknown what impact this will have on future employer contributions to the Fund. The Fund is a funded arrangement with employers paying contributions based on the results of regular local valuations, with the next valuation due as at 31 March 2019. Where an additional liability arises in the Fund in relation to past service this will result in increased employer contribution rates in the future. Employer contributions towards future service may also increase if the 'better of both' test is extended beyond members within 10 years of normal pension age at 1 April 2012.

However, legislation requires government to monitor and control the underlying costs of the Scheme (via the Cost Management process agreed as part of the reform of public service pension schemes). If the cost of the LGPS, as monitored by both the LGPS Scheme Advisory Board and HM Treasury under separate legislation, moves out of line with the envelope cost set when the Scheme was reformed, this could trigger amendments to member benefits, or contributions, to bring the cost to the Employer/taxpayer back into line. The SAB in England and Wales had agreed recommended changes to member benefits and contributions to increase the cost by 0.9% of pay as required by the SAB cost management process. However, the Cost Management process across all of the public service schemes is currently on hold pending the outcome of the government's appeal to the McCloud judgement, so the net effect of both the McCloud judgement and the Cost Management processes is currently unknown. Further information is published by the LGPS Scheme Advisory Board on their website (lgpsboard.org/index.php/structure-reform/cost-management).

GMP Indexation and Equalisation

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. All of the public service schemes, including the LGPS were contracted out.

Reforms to the State Pension system on 6 April 2016 removed the facility by which central government paid top-up payments to members with GMP who reached State Pension Age after that date. Before 6 April 2016 the LGPS was not required to pay full CPI increases on GMPs, so the top up payments had ensured that both state and scheme pensions, when combined, kept pace with inflation.

In March 2016 the government introduced an 'interim solution' which made the LGPS responsible for paying the full increases on GMPs for individuals reaching State Pension Age (SPA) from 5 April 2016 through 6 December 2018. This cost was accounted for in 2017.

In January 2018 Government extended the interim solution to individuals reaching SPA before 5 April 2021, passing further cost to the LGPS. This has not yet been accounted for. Government policy is to fully index and equalise GMP pensions for men and women reaching SPA after 5 April 2021 but has not yet enacted this in legislation.

Separately, on 26 October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. The ruling confirmed that trustees have a duty “to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs".

HM Treasury have responded to confirm that public sector schemes already have a method to equalise guaranteed minimum pension benefits (through the interim solutions and commitment to pay full increases on GMPs) and they do not plan to change their method as a result of that judgment.

Aon, as the Fund's actuary has estimated that the potential IAS 19 accounting liability of full GMP indexation (and equalisation) for members reaching State Pension Age from 6 December 2018 to be in the region of 0.3% of the defined benefit obligation. This estimate has been calculated for a typical LGPS Fund and is indicative of an additional liability for a typical employer and does not reflect the individual characteristics of the Council's membership. Costs could be higher for employers with a membership that is older than average (who predominantly accrued service between 1978 and 1997 when GMPs were being accrued).

The Fund is a funded arrangement with employers paying contributions based on the results of regular local valuations, with the next valuation due as at 31 March 2019. The 2019 valuation of the Fund is expected to include the liability of the second interim solution to April 2021. It is currently not known if the 2019 valuation will allow for indexation beyond 2021, as this will depend on the timing of any Scheme changes announced by HM Treasury and the Administering Authority's policy on reflecting this risk within contribution rates. Where an additional liability arises in the Fund in relation to past service this will result in increased employer contribution rates in the future.

38 CONTINGENT ASSETS

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. At 31 March 2019 the Council has identified one material contingent asset:

Middle Deepdale

In December 2015, the Council sold a piece of land at Middle Deepdale to Keepmoat Homes Limited. This land will form part of a housing development together with land that Keepmoat Homes Limited already own.

Under the terms of the sale agreement, the Council received an upfront payment of £1.525m with an additional payment of £1.158m being due after 3 years and a further £1.158m after 6 years. All of these payments were recognised as capital receipts during 2015/16 along with a long term debtor for the monies still owed. In line with the sale agreement the Council received a payment of £1.158m during 2018/19 and therefore the debtor within the Council’s financial statements now only reflects the payment due in 2021.

In addition to the above, the Council may also receive £2.378m after 9 years. The deferred payments are not guaranteed by way of legal charge against the property but by a parent company guarantee from Keepmoat Limited. If both companies dissolve before the ninth anniversary the Council will not receive all the payments for the land but the land will have been transferred.

Keepmoat Homes Limited will retain payment, or a proportion thereof, of the final instalment of £2.378m to ensure they are protected against affordable housing requirements exceeding those which are viable and which are placed on them by the Planning Authority at the determination of reserved matters. The Council may therefore receive none of this final payment, payment in full or a value somewhere in between. Due to the uncertainty surrounding this final payment, it has not been recognised as a capital receipt within the accounts. This position will continue to be reviewed as the development progresses.

39 WATERPARK - BENCHMARK

In April 2014 the Council entered into a supplemental agreement with Benchmark Leisure Limited (Benchmark) relating to the construction of the Water Park phase of the Sands Development. Under the terms of the agreement Benchmark were responsible for constructing a Water Park at an anticipated cost of £14.1 million. The first £5.1 million of the construction cost was funded from Benchmark's own funds and the Council then provided funding of £9 million by way of a loan. Benchmark were responsible for any cost overruns.

The Council's loan was paid to Benchmark on a staged basis as the works progressed in accordance with agreed development milestones. Whilst the Water Park was being constructed any interest and finance costs incurred by the Council were added to the outstanding loan amounts and thereafter a fixed, commercial rate of interest is applied to outstanding amounts.

On practical completion of the Water Park the Council granted Benchmark a 35 year lease on the facility and Benchmark now pay the Council fixed, commercial rentals on that lease. The rental payments are used to repay the outstanding loan amounts.

Benchmark has been granted an option to buy the long leasehold interest in the Water Park within thirty years of its practical completion. The buy-back price will be equivalent to the outstanding loan amount at that time along with a sum for the associated land value. Benchmark will not be entitled to take any profit out of the Sands scheme until the loan has been repaid in full.

Benchmark had drawn down the full £9 million of the loan facility by the end of 2017/18 and the amount outstanding on the loan is now £8.66 million. This amount is shown in the Council's Balance Sheet as a long-term investment with the amounts due over the next 12 months shown as a short-term investment.

40 Whitby Harbour Revenue Account

The Council does not separately produce individual financial statements with regard to the harbour undertakings, activities throughout the year are incorporated within the Cost of Services. The table below shows the individual financial performance of the Harbour.

Income & Expenditure

	2017/18 £000	2018/19 £000
Income	(1,020)	(1,079)
Employees	495	518
Premises	65	44
Supplies & Services	50	58
Transport	54	34
Third Party Payments	36	37
Service Costs	**(320)**	**(388)**
Contributions to/from General Fund		
Trf to/from Whitby Harbour Reserves	62	72
Total Service Costs	**(258)**	**(316)**
Corporate Headings	240	235
Capital Programme funded from General Fund	6	25
Net (surplus)/deficit from Whitby Harbour activities	**(12)**	**(56)**

Whitby Harbour Reserves

	2017/18 £000	2018/19 £000
Opening Balance	**271**	**151**
Trf to/from Whitby revenue account	62	72
Trf to/from General Fund	7	
Contributions to Capital Works	(189)	8
Closing Balance	**151**	**231**

Collection Fund 2018/19

This account reflects the statutory requirement for the Council, as a billing authority, to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non Domestic Rates (NNDR). The account shows the income received from Council Tax and NNDR and how that income is distributed between Central Government, the Borough Council, Police & Crime Commissioner for North Yorkshire, North Yorkshire Fire Authority and North Yorkshire County.

31 March 2018 Council Tax	31 March 2018 Business rates			31 March 2019 Council Tax	31 March 2019 Business Rates
		Income			
(66,453)		Income from Council Tax Payers		(70,385)	
-		Transfers to/from General Fund Transitional Relief		-	
	(41,264)	Income from Business Rate Payers			(40,907)
	2,688	Transitional Protection Payments			2,208
	(97)	Contribution towards previous year's Collection Fund deficit	Note 4		-
(66,453)	**(38,673)**	**Total Income**		**(70,385)**	**(38,699)**
		Less: Expenditure			
		Precepts and Demands:			
8,326		Scarborough Borough Council		8,663	
44,753		North Yorkshire County Council		47,465	
8,327		Police & Crime Commissioner for North Yorkshire		8,849	
2,528		North Yorks Fire & Rescue Authority		2,630	
830		Parish Councils		846	
1,960	-	Distribution of Collection Fund Surplus	Note 4	1,315	59
		Business Rates:			
	17,896	Central Government			18,427
	14,317	Scarborough Borough Council			14,741
	3,221	North Yorkshire County Council			3,317
	358	North Yorkshire Fire & Rescue Authority			369
		Impairment of debts and appeals			
352	297	Write offs of uncollectable amounts		426	456
377	2,520	Allowance for impairment		(196)	1,850
	260	Cost of Business Rate Collection Allowance			260
67,453	38,869	**Total Expenditure**		69,998	39,479
1,000	**196**	**Movement on Fund Balance**		**(387)**	**780**
(3,021)	(551)	Opening Fund Balance (Surplus) / Deficit		(2,021)	(355)
(2,021)	**(355)**	**Closing Fund Balance (Surplus) / Deficit**		**(2,408)**	**425**

1 ACCOUNTING POLICIES

The Collection Fund Income and Expenditure Accounts are prepared on an accruals basis and comply with appropriate regulations and the Code of Accounting Practice.

The transactions of the Collection Fund are wholly prescribed by legislation. The Collection Fund balances attributable to the Borough Council are consolidated into the Council's Balance Sheet rather than being disclosed separately.

2 INCOME FROM COUNCIL TAX

The Council Tax Base, which is used in the Council tax calculation, is based on the number of dwellings in each band expressed as Band D equivalents. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The tax base estimates were:-

Council Tax Valuation Band	2017/18		2018/19	
	Chargeable Dwellings	Band 'D' Equivalent Numbers	Chargeable Dwellings	Band 'D' Equivalent Numbers
A* (up to £40,000 with disabled band reduction)	-	15	-	15
A (up to £40,000)	15,860	9,131	15,867	9,129
B (£40,001 to £52,000)	14,413	10,159	14,573	10,261
C (£52,001 to £68,000)	12,504	10,252	12,617	10,339
D (£68,001 to £88,000)	6,968	6,549	7,029	6,605
E (£88,001 to £120,000)	3,942	4,553	3,956	4,569
F (£120,001 to £160,000)	1,647	2,271	1,653	2,282
G (£160,001 to £320,000)	665	1,013	664	1,016
H (over £320,000)	45	68	45	69
	56,044	44,011	56,404	44,285
Plus:				
Contributions in Lieu		25		24
Localised Support for Council Tax Scheme		(5,666)		(5,440)
Provision for Non Collection		(746)		(862)
Council Tax Base		**37,624**		**38,007**

Dwellings for residents entitled to 'disabled band reduction' are reduced to the next lowest band and therefore, as Band A is the lowest band, Band A* exists. The only dwellings included in this band are therefore Band A properties that are eligible for the 'disabled band reduction'.

3 BUSINESS RATE INCOME

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a standard rate. The total non-domestic rateable value at 31 March 2019 was £104.61m, (31 March 2018 £104.46m). The national non-domestic and the small business non-domestic rating multiplier were 49.3p and 48.0p respectively (47.9p and 46.6p 2017/18).

4 CONTRIBUTIONS TO THE COLLECTION FUND SURPLUSES AND DEFICITS

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit that is expected to arise on the Collection Fund at the end of the financial year.

DISTRIBUTION OF COUNCIL TAX SURPLUSES

In January 2018 the Council declared a £1.315m surplus on the Council Tax Collection Fund (January 2017 £1.960m) and therefore precepting authorities received the following amounts:

2017/18 £'000		2018/19 £'000
1,364	North Yorkshire County Council	921
259	Police and Crime Commissioner North Yorkshire	171
79	North Yorkshire Fire Authority	52
258	Scarborough Borough Council	171
1,960	**Total**	**1,315**

CONTRIBUTION TO BUSINESS RATE DEFICIT

In January 2017 the Council declared a £97k deficit on the Business Rates Collection Fund and therefore preceptors made payments of the following amounts to the fund during 2017/18:

2017/18 £'000		2018/19 £'000
9	North Yorkshire County Council	-
1	North Yorkshire Fire Authority	-
48	Central Government	-
39	Scarborough Borough Council	-
97	**Total**	**-**

DISTRIBUTION OF BUSINESS RATE SURPLUSES

In January 2018 the Council declared a £59k surplus on the Business Rates Collection Fund and therefore precepting authorities received the following amounts during 2018/19:

2017/18 £'000		2018/19 £'000
-	Central Government	30
-	Scarborough Borough Council	23
-	North Yorkshire County Council	5
-	North Yorkshire Fire & Rescue Authority	1
-	**Total**	**59**

Independent auditor’s report to the Members of North Yorkshire Council as successor body of Scarborough Borough Council

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Scarborough Borough Council (“the Council”) for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, theCollection Fund, and notes to the financial statements, including the summary of significant accounting policies. 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 2018/19.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 (‘The Amendment Regulations’) came into force. The Amendment Regulations require the Council to publish its Accountability Statements, which include the financial statements and auditor’s opinion for the year ended 31 March 2019, by 13 December 2024 (‘the backstop date’). The backstop date introduced by the Amendment Regulations has impeded our ability to obtain sufficient appropriate evidence upon which to form an opinion on the financial statements as there has been insufficient time to perform all necessary audit procedures. Further, the Council was unable to demonstrate compliance with the Whitby Urban District Council Act 1905 and as a result was unable to provide sufficient, appropriate evidence to support the allocation of income to the General Fund and the Whitby Harbour statutory reserve. The Council was also unable to demonstrate compliance with the Scarborough Corporation Act 1925 and as a result was unable to provide sufficient, appropriate evidence to support the allocation of income to the General Fund and the Scarborough Harbour statutory reserve.

Responsibilities of the Corporate Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Corporate Director of Resources 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 2018/19, and for being satisfied that they give a true and fair view. The Corporate Director of Resources is also responsible for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Corporate Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements
Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, with the exception of the matter reported in the basis for qualified conclusion paragraph below, we are satisfied that, in all significant respects,Scarborough Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for qualified conclusion
The Council had arrangements in place to support sustainable resource deployment with a budget and financial planning process, financial and performance reports and decision making with expected arrangements in place. However, the Council's failure to demonstrate compliance with the Whitby Urban District Council Act 1905 means there has been uncertainty in the allocation of income to the General Fund and the Whitby Harbour statutory reserve. The Council did not, therefore, have arrangements in place to ensure reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people or for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. The Council was also unable to demonstrate compliance with the Scarborough Corporation Act 1925 and as a result was unable to provide sufficient, appropriate evidence to support the allocation of income to the General Fund and the Scarborough Harbour statutory reserve. These matters are evidence of weaknesses in proper arrangements for informed decision making and sustainable resource deployment.

Responsibilities of the Council

The Council 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 in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014;

or

- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Use of the audit report

This report is made solely to the Members of North Yorkshire Council as successor body to Scarborough Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Scarborough Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice**.**

Mark Kirkham, Partner
For and on behalf of Forvis Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Accounting Period
The period of time covered by the accounts, normally a period of twelve months commencing on 1st April. The end of the accounting period is the balance sheet date, 31 March.

Accounting Policies
Accounting policies are the principles, base conventions, rules and practices applied by the Authority that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy will, for example, specify the estimation basis for the allocation of support service costs, or specify the estimation basis for accruals where there is uncertainty over the amount

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

Actuary
An actuary is an expert on pension scheme assets and liabilities.

Amortisation
The process of charging capital expenditure, usually on intangible fixed assets, to the accounts over a suitable period of time.

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 Authority, which has a monetary value. Assets are defined as current or fixed.

Balance Sheet
The Balance Sheet is a summary of an Authority's financial position at the year end. It shows the balances and reserves at an Authority's disposal.

Budget
A statement of the Authority's expected level of service and spending over a set period, usually one year.

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.

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

The Statement of Recommended Practice (SORP) defines capital expenditure as:

a) The acquisition, reclamation and laying out of land;

b) The acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;

c) The acquisition, installation or replacement of movable or immovable plant, machinery, apparatus and vehicles.

In this context, enhancement means the carrying out of works which are intended to lengthen the useful life of the asset, increase substantially the open market value of the asset or increase substantially the extent to which the asset can or will be used for the purposes of the activities of the Authority.

Capital Financing
This is the means by which capital expenditure incurred by the Authority is funded. Usually such funding comprises grants, contributions from third parties, receipts from the sale of assets, contributions from Authority reserves, revenue and borrowing.

Capital Financing Requirement
A prudential indicator in the CIPFA prudential code. It is derived from information in the balance sheet. The indicator generally represents the underlying need to borrow for capital purposes.

Capital Grant
Grant provided for the purpose of capital expenditure on projects.

Capital Programme
The capital schemes the Authority intends to carry out over a specified time period.

Capitalisation
The classification of expenditure as capital rather than revenue, subject to the condition that the expenditure yields a benefit to the Authority for a period of more than one year.

Capital Receipts
Proceeds received from the sale of capital assets. The proceeds are set aside in the Capital Receipts Reserve in order to repay the Authority's borrowings or to finance new capital expenditure.

Cash Equivalents
Current investments that are readily disposable by the Authority without disrupting its business and are readily convertible to cash.

Cash Flow Statement
Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes. It provides a link between the Balance Sheet at the beginning of the year, the Income and Expenditure Account for the year and the Balance Sheet at the end of the year.
Charging Authority

The Authority responsible for administering the Collection Fund, including raising bills for and collecting appropriate council tax and national non-domestic rates (NNDR) and paying precepting bodies.

CIPFA
The Chartered Institute of Public Finance and Accountancy is the accountancy body which recommends accounting practice for the preparation of local authority accounts.

Code of Practice on Local Authority Accounting
The Code has been written by CIPFA to assist local government in ensuring that it's Statements of Account comply with IFRS and local government accounting regulations.

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 Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions in their disposal.

Comprehensive Income and Expenditure Account
This Account sets out the income, expenditure, gains and losses for the all the Authority's functions for the financial year, according to the Best Value Accounting service expenditure analysis.

Consistency
The principle that the same accounting treatments are used from year to year so that useful comparisons can be made. Any significant change in policies must be declared in the accounting statements.

Contingencies
Sums set aside to meet either the potential costs of activities expected to occur during the year, over and above those costs included in the services budgets (pay and price), or items which are difficult to predict in terms of financial impact or timing (uncertain items).

Corporate and Democratic Core
Corporate and Democratic Core represents costs associated with democratic representation and management and corporate management. Democratic representation and management includes all aspects of Members' activities. Corporate management concerns the cost of the infrastructure that allows services to be provided and the cost of providing information that is required for public accountability. Such costs form part of total service expenditure, but are excluded from the costs of any particular service.

Council Tax
The means of raising money locally to pay for local authority services. This is a property based tax where the amount levied depends on the valuation of each dwelling.

Creditors

Amounts owed by the Authority for goods or services that it has received but for which payment had not been made at the year end.

Current Assets and Liabilities
Current assets are cash and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term. By convention these items are ordered by reference to the ease that the asset can be converted into cash, and the timescale in which the liability falls due.

Current Service Cost (IAS 19 term)
Employer pension contributions charged during the year have been removed from the Income and Expenditure account and replaced with an amount (i.e. current service cost) which reflects the estimated benefits that employees have accrued in the year of account.

Curtailment
For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments can include termination of employees' services earlier than expected and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Amounts owed to the Authority at the year end, where services have been delivered but payment has not been received.

Deferred Capital Receipts
Amounts due to the Authority from the sale of fixed assets that are not receivable immediately on sale.

Deferred Discounts and Premiums on Early Repayment of Debt.
The Authority has in previous years decided to repay external debt before it was due to mature, these repayments lead to either a premium being payable or receipt of a discount. The accumulated balance of these premiums and discounts, as at 1 April 2007, have been derecognised by transferring the balance to the Financial Instruments Adjustment Account via the Statement of Movement on General Fund Balance following the implementation of Accounting for Financial Instruments.

Defined Benefits Pension Scheme
A pension scheme which is constructed to provide pre-determined pension benefits for retired members, with employers' and employees' contribution rates being calculated based on actuarial assumptions.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, age or obsolescence through technological or other changes.

Depreciated Historic Cost
The value of an asset shown in the Balance Sheet calculated from the original cost less depreciation to date.

Earmarked Reserves
These reserves represent monies set aside to be used for a specific usage or purpose.

Emoluments
All sums paid to or received by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to United Kingdom income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Exceptional Items
Material items which derive from events or transactions which fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation to the accounts.

Exchange Transactions
These are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange.

Expected Return on Assets (IAS 19 term)
The average rate of return expected on the actual assets held by the scheme.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

Financial Guarantee Contracts
A contract that requires the guarantor to reimburse the holder of a debt instrument should they fail to make payment when due and in accordance with the terms of the loan. Commercial organisations may charge a fee for accepting the risk involved in giving such financial guarantees but local authorities enter into such arrangements for policy rather than commercial reasons and do not usually receive a fee.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial instruments include: trade and other payables; borrowings; financial guarantees; bank deposits; trade receivables; loans receivable; other receivables and advances and investments.

Finance Lease
An arrangement whereby the owner of an asset (the lessor) accepts a rental in return for allowing another party (the lessee) use of an asset for a specified period, such that the substantially all of the risks and rewards associated with ownership are transferred to the lessee.

Fixed Asset
An asset which is intended to be in use for several years such as a building or a vehicle. These may be Tangible or Intangible.

General Fund Balance
The Authority's main revenue fund to which all revenue receipts are credited, and from which revenue liabilities are discharged. The movement in the fund year represents the excess of income over expenditure once notional charges and credits have been replaced by the amounts required to be funded from Council Tax.

Going Concern
The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants
Amounts received from central Government towards funding the Authority's activities. Revenue grants and contributions are credited to the appropriate service revenue account. Capital grants and contributions are credited to the 'Taxation and Non specific Grant Income' heading in the Comprehensive Income and Expenditure Account.

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.

Impairment
A reduction in the value of a fixed asset arising from reductions in market values, physical damage, dilapidation or obsolescence.

Infrastructure Assets
This relates to Coastal Protection, footpaths and railings.

Income
Amounts which the Authority receives, or expects to receive, from any source. Income includes fees, charges, sales, capital receipts, government grants, the precept on Council Tax collection funds, Revenue Support Grant and National Non-Domestic Rate.

Intangible Fixed Assets
Expenditure incurred on those fixed assets that do not have physical substance but which are separately identifiable and provide the Authority with a right of use for a period in excess of one year.

Interest Cost (IAS 19 term)
A financing charge reflecting the increases in the present value of scheme liabilities.

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
Short term investments comprise deposits of temporary surplus funds with banks or similar institutions. Long term investments comprise similar funds held for a period of more than one year.

Liquid Resources
Current asset Investments that are readily disposable by the authority without disrupting its business and are readily convertible to known amounts of cash.

Loan and Receivables - assets
A financial Instrument which represents an asset to the authority and includes loans and investments made by the Authority to third parties. They are characterised by fixed or determinable payments and are not quoted in an active market. They do not include investments by way of shares and equity.

Local Authority Business Growth Incentive Scheme (LABGI)
The Local Authority Business Growth Incentives scheme (‘LABGI’) provides an incentive for local authorities to promote economic growth in the area by allowing them to retain a proportion of any increase in business rates revenues.

Long Term Borrowing
The main element of long term borrowing is comprised of loans that have been raised to finance capital expenditure projects.

Market Value
The monetary value of an asset as determined by current market conditions at the Balance Sheet date.

Materiality
The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by a reader.

Minimum Revenue Provision
The minimum amount (as laid down in statute) that the Authority must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

Movement in Reserves Statement
This statement reconciles the outturn on the Income and Expenditure Account to the General Fund balance.

Net Book Value
The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation and impairment.

Net Realisable Value
The expected proceeds from the sale of an asset when sold on the open market between a willing buyer and a willing seller less all the expenses incurred in selling the asset.

Non Distributed Costs
Costs that cannot be specifically applied to a service or services and are held centrally, Comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

Operating Lease

An arrangement similar to a finance lease but where the risks and rewards associated with ownership remain with the lessor.

Past Service Cost (IAS 19 term)
The increase in the scheme liabilities arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept
The amount of money the Authority collects from Council Tax payers.

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.

Prepayments
Amounts paid by the Authority at the year end that related to goods and services not received until later years.

Prior Year Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include minor corrections or adjustments of accounting estimates made in prior years.

Provisions
Amounts set aside to meet costs that are likely or certain to be incurred but where the amount of cost or timing of payment is uncertain.

Public Works Loan Board (PWLB)
A Government agency that lends money to local authorities at lower interest rates than those generally available from the private sector. Local authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

Realisable Value
The value of an asset at existing use, if sold between a willing buyer and a willing seller.

Receipts in Advance
Amounts received by the Authority during the year which relate to goods or services delivered in future years.

Related Party
A person or organisation which has influence over another person or organisation.

Reserves
Specific amounts set aside for future policy purposes or to cover contingencies. There are two types of reserve, those available to meet current expenditure (usable), and those that are not (unusable). Most revenue reserves are capable of being used, but the Revaluation Reserve and Capital Adjustment Account cannot be used to meet current expenditure.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on current prices at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price.

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
Revenue expenditure is spending on the day to day running costs of the Authority. It includes expenditure on employees, premises, transport and supplies & services.

Revenue Support Grant
Central Government grant support towards local government expenditure.

Scheme Liabilities (IAS 19 term)
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Section 151 Officer
The Officer designated to assume overall responsibility for the administration of the financial affairs of the Authority and for the preparation of the Authority's Statement of Accounts.

SerCOP
Service Reporting Code of Practice for Local Authorities

Settlements and Curtailments (IAS 19 term)
Settlements are liabilities settled at a cost materially different to the FRS 17 reserve during the year. Curtailments represent the cost arising from early payment of accrued pensions in respect of any redundancies during the year.

Slippage
This is when delays occur in capital works and therefore payments are not made in the financial year originally anticipated.

Soft Loans
A loan made to a third party or received from a third party where the interest rate is less than the prevailing market interest rate. Local authorities sometimes make such loans for policy reasons, i.e. to assist local charities or voluntary organisations that undertake activities that the authority considers benefits the local population.

Statement of Recommended Practice
This is the guidance issued by CIPFA to enable Authority's to ensure that the Accounts published comply with UK GAAP as it applies to local authority financial matters.

Stock
Raw materials and consumable goods bought but not yet used at the end of the accounting period.

Support Services
The costs of departments that provide professional and administrative assistance to services.

Surplus
The remainder after taking away all expenditure from income.

Tangible Fixed Assets
Fixed assets that have physical substance and which yield benefits to the Authority for a period of more than one year.

TUPE
Transfer of Undertakings – Protection of Employment.

Usable Capital Receipts Reserve
A reserve held to provide a source of financing for future capital expenditure or to repay the Authority’s borrowings.

Useful Life
The period over which the Authority will derive benefits from the use of a fixed asset.

Work in Progress
The value of rechargeable work which has not been recharged at the end of the financial year.