



Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **WEDNESDAY, 29 SEPTEMBER 2021**
Time: **5.00 PM**
Venue: **COUNCIL CHAMBER - CIVIC CENTRE, DONCASTER ROAD, SELBY, YO8 9FT**
To: **Councillors K Arthur (Chair), N Reader (Vice-Chair), M Jordan, A Lee, K Franks, J Duggan, D Mackay and C Richardson**

Agenda

1. Apologies for Absence

2. Disclosures of Interest

A copy of the Register of Interest for each Selby District Councillor is available for inspection at www.selby.gov.uk.

Councillors should declare to the meeting any disclosable pecuniary interest in any item of business on this agenda which is not already entered in their Register of Interests.

Councillors should leave the meeting and take no part in the consideration, discussion or vote on any matter in which they have a disclosable pecuniary interest.

Councillors should also declare any other interests. Having made the declaration, provided the other interest is not a disclosable pecuniary interest, the Councillor may stay in the meeting, speak and vote on that item of business.

If in doubt, Councillors are advised to seek advice from the Monitoring Officer.

3. Minutes (Pages 1 - 6)

To confirm as a correct record the minutes of the Audit and Governance Committee held on 27 July 2021

4. Chair's Address to the Audit and Governance Committee

5. Audit Action Log (Pages 7 - 8)

To review the Audit Action Log.

6. Audit and Governance Work Programme (Pages 9 - 12)

To note the current Work Programme and consider any amendments.

7. External Audit Completion Report 2020-21 (A/21/6) (Pages 13 - 50)

To receive the report of the external auditor, which asks the Committee to consider the work of the external auditor during the financial year ending 31 March 2021.

8. Internal Audit, Counter Fraud and Information Governance Progress Report (A/21/7) (Pages 51 - 76)

To receive the report from the Audit Manager (Veritau), the Counter Fraud Manager (Veritau), and the Information Governance Manager (Veritau), which asks the Committee to note the update on progress made in delivering the internal audit, counter fraud and information governance work for 2021-22.

9. Statement of Accounts 2020-21 (A/21/8) (Pages 77 - 218)

To receive the report, which asks the Committee to approve the Statement of Accounts for the financial year 2020-21.

10. Corporate Complaints & Compliments Annual Report, April 2019 - March 2020 & April 2020 - March 2021 and Local Authority Ombudsman Annual Review Letter 2021 (A/21/9) (Pages 219 - 226)

To receive the report, which asks the Committee to provide comments and note the Corporate Complaints Annual Report and the Local Authority Ombudsman Review Letter 2021.

11. Corporate Policy: Regulation of Investigatory Powers Act 2000, Version: 2021 (A/21/10) (Pages 227 - 260)

Members are asked to note the revised draft Regulation of Investigatory Powers Act (RIPA) Policy that is intended to take effect from 1 October 2021.

12. Corporate Policy & Guidance: Surveillance Overview Document and the Overt Surveillance Policy: Version: 2021 (A/21/11) (Pages 261 - 280)

To receive the report from the Solicitor to the Council, which asks the Committee to note the Overt Surveillance Policy.

13. Private Session

That, in accordance with Section 100(A) (4) of the Local Government Act 1972, in view of the nature of the business to be transacted, the meeting

be not open to the Press and public during discussion of the following items as there will be disclosure of exempt information as defined in paragraph 3 of Schedule 12(A) of the Act.

14. Consideration of Internal Audit Reports (A/21/12) (Pages 281 - 296)

To consider the Internal Audit report as outlined.

Janet Waggott

Janet Waggott, Chief Executive

<p>Date of next meeting (5.00pm) Wednesday, 26 January 2022</p>
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Enquiries relating to this agenda, please contact Dawn Drury on 01757 292065 ddrury@selby.gov.uk.

Recording at Council Meetings

Recording is allowed at Council, Committee and Sub-Committee meetings which are open to the public, subject to:- (i) the recording being conducted with the full knowledge of the Chairman of the meeting; and (ii) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the Democratic Services Officer on the above details prior to the start of the meeting. Any recording must be conducted openly and not in secret.

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Minutes

Audit & Governance Committee

Venue:	Council Chamber - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Tuesday, 27 July 2021
Time:	5.00 pm
Present:	Councillors N Reader (Chair), K Franks, J Duggan and C Richardson
Officers present:	Karen Iveson (Chief Finance Officer), Ed Martin (Audit Manager, Veritau), Daniel Clubb (Counter Fraud Manager, Veritau), Connor Munro (Audit Manager, Veritau); and Dawn Drury (Democratic Services Officer)
Others present:	Councillor C Lunn (Lead Executive Member for Finance and Resources)

1 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Arthur, Mackay, Jordan and Lee.

2 DISCLOSURES OF INTEREST

There were no disclosures of interest.

3 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 21 April 2021.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 21 April 2021.

4 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair informed Members that whilst the government's recent announcement on the outcome of the Local Government Review (LGR) signified the abolition of Selby District Council in 2023, the work for the Audit and Governance Committee would continue unaffected for the present time, to ensure that the Council continued to actively manage its control environment and risks; to enable it to be a strong and well-run Council.

5 START TIME OF AUDIT & GOVERNANCE COMMITTEE MEETINGS

It was proposed and seconded that the start time of the Audit and Governance Committee meetings for the 2021-22 municipal year be 5.00 pm.

RESOLVED:

To approve the start time of the Audit and Governance Committee as 5.00 pm for the 2021-22 municipal year.

6 AUDIT ACTION LOG

The Committee reviewed the Audit Action Log.

The Democratic Services Officer explained that following the Audit and Governance meeting in April 2021, when Members requested that the matter of a "deep dive" into Industrial Units within the district be referred to Councillor Steve Shaw-Wright, as Chair of Scrutiny. As requested, the matter had been brought to the attention of Councillor Shaw-Wright and a "deep dive" of the Industrial units within the district had since been added to the Scrutiny Committee Work Programme.

RESOLVED:

To note the Audit Action Log.

7 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

The Chief Finance Officer informed Member's that it may be necessary to convene one additional meeting of the Audit and Governance Committee to consider the procurement of the external auditors. It was explained that Public Sector Audit Appointments would query if the Council wished to opt into their arrangements, this required a decision from Full Council in December 2021, following a recommendation by the Committee. It was further explained that the next date of the Audit and Governance Committee scheduled into the committee calendar, 29 September 2021, may be too early for the report to be available, whilst the meeting following that one, 26 January 2022, would be too late for Council in December 2021.

Members heard that following the Local Government Review (LGR), the new arrangements would be for the new unitary authority, as they would not take effect until April 2023. The Chief Finance Officer confirmed that it was not yet clear how the process would work alongside the LGR, and indeed, whether a decision would be required from the current authorities.

RESOLVED:

To note the Work Programme.

8 EXTERNAL AUDIT PROGRESS REPORT (A/21/1)

The Chief Finance Officer presented the report which set out the progress of external audit work to date on the 2020-21 financial statements. It was explained that the external auditor had been unavailable to attend the meeting, however, if Members had any questions they would be fed back to the auditors and a response would be circulated to the Committee.

Members had no questions and resolved to note the report.

RESOLVED:

To note the report.

9 DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2020-21 (A/21/2)

The Committee received the draft Annual Governance Statement presented by the Chief Finance Officer, who explained that the report provided an assessment of the governance environment for 2020-21 and would form part of the Statement of Accounts which would be brought to Committee in September 2021.

Member's attention was drawn to the accompanying Action Plan which identified significant control issues, and it was highlighted that two actions relating to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS), and performance management had been on the action plan for a period of over one year and had been given revised dates to be actioned by.

In relation to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS), Members noted that the new income management system had been delayed to allow a review of the proposed approach to taking payments over the telephone. It was confirmed that work was ongoing, and a revised date of 5 October 2021 had been given for the system to be implemented.

The Committee heard that the Performance management action had been delayed as a direct result of the response to Covid-19, as staff members had been temporarily seconded to other teams within the Council to provide assistance; a revised date of 30 September 2021 had been agreed.

In response to a query regarding what areas of weakness had been found

within the Payment Card security, it was confirmed that the new income management system would resolve any issues, and that the standards had changed, but that the new system would enable the Council to be PCI DSS compliant. Members were assured that the security that was already in place was performing well.

RESOLVED:

To note the draft Annual Governance Statement.

**10 ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2020-21;
ANNUAL COUNTER FRAUD REPORT AND ANNUAL INFORMATION
GOVERNANCE REPORT 2020-21 (A/21/3)**

The Committee received the report, presented by the Audit Manager, Veritau, which provided a summary of the internal audit work carried out since April 2020, and the counter fraud and information governance work carried out during the year 2020-21.

The Audit Manager confirmed that the overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council was that it provided Reasonable Assurance. It was further confirmed that this opinion was however qualified, in light of the current pandemic and the impact of this on the Council.

The Committee heard that the report included the conclusion of Veritau's internal audit Quality Assurance and Improvement Programme (QAIP), it was explained that the Internal Charter set out how internal audit at the Council would be provided in accordance with the Public Sector Internal Audit Standards (PSIAS); a detailed self-assessment to evaluate performance against the Standards was undertaken in November 2018 which concluded that the internal audit activity provided by Veritau generally conformed to the PSIAS.

In response to a query regarding the validity of the applications received for grant support, it was confirmed that most of the applications received had been genuine, and the robust checking arrangements in place within the Council, supported by the work of the Veritau counter fraud team, helped to minimise and recover incorrect payments.

The Corporate Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity in 2020-21, which highlighted that actual savings of £12k had been achieved through fraud investigation; in addition, 30k of Covid-19 grant fraud had been prevented.

The Committee heard that there had been a 16% drop in the number of suspected fraud referrals in 2020-21, compared to 2019-20, this was attributed to Covid-19 and less social interaction between members of the public, which may have resulted in less suspicions being raised.

Members acknowledged that Veritau's resources had been reprioritised to support the Council's Covid-19 response, primarily through supporting Covid grant administration.

The Committee noted that in addition to the fraud work carried out, a new counter fraud strategy had been developed on behalf of the Council, and the counter fraud policy was updated.

Members queried once investigations had taken place and fraud had been proven, were the culprits prosecuted, it was confirmed that Veritau would recommend pursuing the matter through the court system, and that Selby District Council took fraud very seriously. It was further confirmed that warnings and cautions were also issued to ensure there was a formal paper trail to be followed.

The Audit Manager, Veritau presented the section of the report related to the information governance work carried out during 2020-21, which highlighted that advice and support had been provided to officers in respect of the Information Asset register, the Information Governance Policy framework, and surveillance and law enforcement policies.

Members noted that a number of meetings had taken place to progress work on overt surveillance activities, along with a review of the current Regulation of Investigatory Powers Act (RIPA) policy; it was confirmed that once finalised all the surveillance documentation would be presented to the Audit and Governance Committee for consideration.

RESOLVED:

To note the reports.

11 RISK MANAGEMENT ANNUAL REPORT 2020-21 (A/21/4)

The Committee received the report from the Audit Manager, Veritau, which summarised the risk management activity during the year 2020-21, whilst also showing the proposed actions to be taken to embed sound risk management processes within the Council for the current 2021-22 municipal year.

Members noted that over the past year, in addition to supporting managers to review risks in their service areas and to identify mitigating actions where necessary, a review of the risk management strategy was completed.

The Committee heard that further specific risk management activity was planned for 2021-22 to include a health check review of the risk management framework, an annual review of the risk management strategy, along with risk training and drop-in sessions for officers and Members.

RESOLVED:

To note the report.

12 CORPORATE RISK REGISTER 2021-22 (A/21/5)

The Committee received the report, presented by the Audit Manager, Veritau who explained that the report contained an update on movements within the Corporate Risk Register, which was last reported to the Committee in January 2021.

The Committee were informed that the risks had been reviewed and updated by officers in June and July 2021, there was a total of 12 risks on the Council's Corporate Risk Register for 2021-2022, and it was highlighted that four of these risks had been identified as being high risk, with a score of 12 or more, this was the same as at the time of the January 2021 update.

Members noted that the Local Government Reorganisation (LGR) had been added in this update, the risk described the existential threat that LGR posed to the Council, it also described the controls and mitigating actions that the Council had taken, or were planned, to manage the risk depending on the outcome, which had just been announced by the government.

The Committee was assured that an action plan had been developed for all risks requiring active management, and that the Corporate Risk Register continued to be closely monitored.

RESOLVED:

To note the current status of the corporate risk register.

The meeting closed at 5.39 pm.



Audit and Governance Committee: Action Log 2021-22

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
21 Apr 2021	No 46 Audit Action Log "Deep-dive" of Industrial Units owned by the Council	Members requested that the matter of a "deep-dive" of Industrial Units be referred to Councillor Steve Shaw-Wright, as Chair of Scrutiny, to see if the matter could be taken forward through the Scrutiny Committee Work Programme.	As requested, this matter was referred to Scrutiny Committee as a matter for consideration following the Audit and Governance Committee in January 2021. A similar item had been added to the Scrutiny work programme in August 2020. The three Chairs to meet and discuss further.	Democratic Services Officer	Completed

Last updated:

19.09.21

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Audit Committee Work Programme 2021-22

Date of Meeting	Topic	Action Required
27 July 2021	Review of Action Log	To consider the latest Action Log
	External Audit Progress Report	To review the progress of the external auditor
	Draft Annual Governance Statement (AGS) 2020-21	To comment and note the draft Annual Governance Statement 2020-21
	Annual Report of the Head of Internal Audit 2020-21	To consider and note the Annual Report of the Head of Internal Audit 2020-21. To note the outcome of the internal audit quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards To note the counter fraud and information governance work undertaken during the year.
	Risk Management Annual Report 2020-21	To consider and note the Risk Management Annual Report for 2020-21, and the proposed actions for 2021-22.
	Corporate Risk Register 2021-22	To review and note the Corporate Risk Register.

29 September 2021	Review of Action Log	To consider the latest Action Log
	Corporate Complaints & Compliments Annual Report, April 2019 - March 2020 & April 2020 - March 2021 and Local Authority Ombudsman Annual Review Letter 2021	To provide comments and note the Corporate Complaints & Compliments Annual Report and the Local Authority Ombudsman Review Letter 2021
	External Audit Completion Report 2020-21	To receive the Audit Completion Report from the external auditors
	Statement of Accounts 2020-21	To approve the Statement of Accounts for the financial year 2020-21
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Corporate Policy: Regulation of Investigatory Powers Act 2000, Version: 2021	To note the revised draft RIPA Policy intended to take effect from 1 st October 2021
	Corporate Policy & Guidance: Surveillance Overview Document and the Overt Surveillance Policy: Version: 2021	To note the Overt Surveillance Policy
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'

26 January 2022	Review of Action Log	To consider the latest Action Log
	Information Requests Annual Report 2021	To note the annual report for 2021 in relation to information requests
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Strategy	To review the Risk Management Strategy
	Corporate Risk Register	To review the Corporate Risk Register
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Counter Fraud Framework Update	To approve the revised Counter Fraud and Corruption Strategy Action Plan; and comment on and note the updated Counter Fraud Risk Assessment.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'
	Review of Annual Governance Statement Action Plan 2020-21	To review the Annual Governance Statement Action Plan 2020-21

27 April 2022	Review of Action Log	To consider the latest Action Log.
	External Audit Strategy Memorandum	To review the external Audit Strategy
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Internal Audit, Counter Fraud and Information Governance Plan 2022-23	To approve the Internal Audit, Counter Fraud and Information Governance plans 2022-23
	Constitutional Amendments	To consider any proposed amendments to the Constitution.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.
	Annual Report 2021-22	To approve the 2021-22 Annual Report of the Audit and Governance Committee
	Work Programme 2022-23	To approve the Audit and Governance Committee Work Programme for 2022-23



Report Reference Number: A/21/6

To: Audit and Governance Committee
Date: 29 September 2021
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Audit Completion Report 2020-21

Summary:

The report from the external auditor, Mazars, is provided for comment and noting.

Recommendations:

To consider the External Audit Completion Report.

Reasons for recommendation

The Audit and Governance Committee is required, in accordance with Part 3 of the Constitution, to consider reports of the external auditor and inspection agencies relating to the actions of the Council.

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and updates the Committee on progress in delivering external audit for the financial year ending 31 March 2021.

2. The Report

2.1 The report is attached at appendix A and sets out a summary of external audit progress during the financial year ending 31 March 2021.

2.2 The report also sets out key emerging national issues and developments that may be of interest to the Committee in respect of external audit.

2.3 The Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

3. Implications

None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

6. Appendices

Appendix A – External Audit Completion Report 2020-21

Contact Officer:

Dawn Drury, Democratic Services Officer
Ext: 42065
ddrury@selby.gov.uk

Audit Completion Report

Selby District Council – Year ended 31
March 2021

September 2021
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05	Internal control recommendations
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07	Value for money arrangements

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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Audit and Governance Committee
Selby District Council
Civic Centre
Doncaster Road
Selby
YO8 9FT
September 2021

Mazars LLP
5th Floor
Wellington Place
Leeds
LS1 4AP

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07747 764529.

Yours faithfully



Signed:

Mark Kirkham

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks in our Audit Strategy Memorandum, which are:

- valuation of property, plant and equipment
- net defined benefit liability valuation; and
- management override of controls.

Section 6 sets out audit misstatements and Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021 and set out the areas of work we are yet to complete on page 7. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for money arrangements

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. A summary is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. There have been no matters arising for the 2020/21 audit.

02

Section 02:

Status of the audit

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2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Description of the outstanding matters
Income	Work on testing of grant income is not yet finalised.
Debt impairment	Work to conclude whether the level of impairment provision is reasonable
Journal Testing	Supporting evidence for a small number of transactions.
Investment Properties and Property Plant and Equipment	Work to test that valuations are based on accurate source data is on-going.
Pensions	We are awaiting the assurance from the pension fund auditor.
IT Audit Work	We are awaiting responses for the IT department with regards to our IT testing.
Whole of Government Accounts	This will be completed as part of our closure processes
Closing Procedures	Review and closure processes, final checking of the updated financial statements including final consideration of post balance sheet events.

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03

Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum April 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum

Materiality

Our provisional materiality at the planning stage of the audit was set at £1.15m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors was £1.10m. Using the same benchmark.

Use of experts

Where relevant and necessary, provide information on the planned and actual use of experts as part of the audit and any changes to the planned approach as outlined in our plan.

Item of account	Management's expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt)	PwC actuarial experts provided a review of the key assumptions used by Aon Hewitt.
Property, plant and equipment valuation	Align Property Services	We used available third party information to challenge the key valuation assumptions.
Financial instrument disclosures	Link Asset Services (formerly Capita)	No expert required



04

Section 04: **Significant findings**

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4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

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Significant risks

Management	Description of the risk
override of controls	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
How we addressed this risk	
We addressed this risk by performing audit work in the following areas:	
<ul style="list-style-type: none"> • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	
Audit conclusion	
Whilst we have largely completed our work, we are yet to finalise journals testing. To date our work our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention.	



4. Significant findings

Valuation of property, plant and equipment (PPE)	Description of the risk
	<p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk by considering the Council's arrangements for ensuring that PPE values are reasonable and reviewed third party data to assess the reasonableness of the valuations provided by the external valuer. We will also assessed the competence, skills and experience of the valuer.</p> <p>We discussed methods used with the valuer and examined their calculations. We tested all revaluations in year to valuation reports and supporting calculation sheets and ensured the calculations were correct and source data agreed with floor plans. We used indices to confirm the assets not revalued are unlikely to have materially changed in value.</p>
	<p>Audit conclusion</p> <p>Subject to the completion of our outstanding work we have not identified any material issues to bring to your attention at this stage. Our testing did identify an under-statement in the valuation of Council dwellings of £477,000 shown in section 6 of the report which was corrected by management. The Draft statements referred to a material uncertainty in the valuation which was removed by management following the latest RICS guidance.</p>

Valuation of Net Defined Benefit Pension Liability	Description of the risk
	<p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
	<p>How we addressed this risk</p> <p>We discussed with key contacts any significant changes to the pension estimates. In addition to our standard programme of work in this area, we evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally.</p> <p>We reviewed the appropriateness of the key assumptions included within the valuations, compared them to expected ranges and reviewed the methodology applied in the valuation. We considered the adequacy of disclosures in the financial statements.</p> <p>We have also sought assurance from the auditor of North Yorkshire Riding Pension Fund, which is expected to be received before 30 September 2021.</p>
	<p>Audit conclusion</p> <p>Our work so far has provided the assurance sought and is subject to receiving the assurance we have requested from the Pension Fund auditor.. The draft statements referred to a "material uncertainty" due to Covid-19 in respect of pensions investments but this has been removed to ensure consistency with the North Yorkshire Pensions Fund Accounts.</p>

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4. Significant findings

Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Council Accounting, appropriately tailored to the Council’s circumstances.

Draft accounts were received from the Council in June 2021 and were completed to a reasonable standard.

Significant matters discussed with management

There were no matters arising.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

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4. Significant findings

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

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05

Section 05: **Internal control recommendations**

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

5. Internal control recommendations

Other deficiencies in internal control – Level 3 (low)

Description of deficiency – Ledger Reconciliation to the Fixed Asset Register (FAR)

When reconciling the FAR to the statement of accounts two instances of the opening balances having not been correctly updated were identified. The opening gross cost and accumulated depreciation figures for land and buildings are understated by £188k and the opening gross cost and accumulated depreciation figures for vehicle, plant and equipment are overstated by £61k. This results in the closing gross cost and accumulated depreciation entries being misstated by the same value.

Potential effects

The asset register is not providing an accurate representation of the assets of the Council.

Recommendation

The Ledger and FAR should be reconciled regularly.

Management response

Agreed

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06

Section 06:

Summary of misstatements

Page 32

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £36,000.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Creditors			58.9	
	Cr: HRA costs		58.9		

As part of testing an accrual of £58,863 was found to be unnecessary. This was a cost that was expected to be invoiced for an enhancement to a vehicle however it was actually part of the lease cost. This constituted an error rate of 0.98% in our sample which assuming this was representative of the population we can calculate a theoretical error of £123,000 which is significantly below materiality. Management chose not to adjust for this error.

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6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Fixed assets (Council Houses)			477.4	
	Cr: Revaluation Reserve				477.4
	Correction to the valuation of a beacon property				
	Dr: Corporate Service and Commissioning expenditure		23,486.0		
	Cr: Taxation and non specific grant income	23,486.0			
	Government Covid grants grossing error no impact on net expenditure				

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6. Summary of misstatements

Disclosure amendments

During our review of the financial statements we identified a number of minor corrections to disclosure notes including:

- Note 4 - Assumptions about major sources of estimation the note on pensions liability and property plant and equipment (PPE) and investment properties refers to a material uncertainty in the valuation of investments in the pension fund accounts incorrectly and is not in accordance with the latest RICS guidance. Note 15 revaluations and Note 16 investment properties were also amended for the same issue.
- Note 18 – Disclosure added to set out investment classification between level 1, 2 and 3.
- Note 32 – minor change to the senior officer note to reflect pay awards.
- Note 37 Grants - The disclosure note in the draft omitted £0.386m of grants linked to economic development. There was no impact on the Income and Expenditure statement.
- Note 40 Leases - The analysis of future minimum lease payments due under non-cancellable leases in future years was corrected with leases due within 1 year to 0.1m and payments after 1 but sooner than 5 years to 0.4m.
- Throughout the statements there a number of references to provisions for bad debts the current terminology is debt impairment.

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07

Section 07: **Value for Money**

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7. Value for money arrangements

Audit approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and whether there are risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in December 2021.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in December 2021.

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Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Selby District Council
Civic Centre
Doncaster Road
Selby
YO8 9FT

Date: September 2021

Selby District Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Selby District Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2020/21 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;



Appendix A: Draft management representation letter

- additional information that you have requested from me for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date. There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.



Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - - management and those charged with governance;
 - - employees who have significant roles in internal control; and
 - - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code. I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.



Appendix A: Draft management representation letter

Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the Council will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that there are no unadjusted misstatements above the reporting threshold of £36,000

Yours sincerely

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Chief Finance Officer



Appendix B: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Selby District Council ("the Council") for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a 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 Council Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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Appendix B: Draft audit report (continued)

We have nothing to report in this regard.

Responsibilities of the Chief finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officers' Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Executive Director of Corporate Services is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Chief Finance Officer 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21) and the Local Audit and Accountability Act 2014 (and associated regulations made under section 32), and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Finance Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to :

- discussing with management and the Governance, Audit and Scrutiny Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to :

- making enquiries of management and the Governance, Audit and Scrutiny Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;



Appendix B: Draft audit report (continued)

- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance, Audit and Scrutiny Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Finance Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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.

Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council’s arrangements in our commentary on those arrangements within the Auditor’s Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

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 for the 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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.



Appendix B: Draft audit report (continued)

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.

Use of the audit report

This report is made solely to the members of Selby District 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.

Details in certification of completion of audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Mark Kirkham
Mazars LLP
5th Floor
Wellington Place
Leeds
LS1 4AP

September 2021

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Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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Issue	Perceived threats	Safeguards
Assurance services: Housing Benefits Subsidy Assurance (if engaged)	Self Review	No threat identified. None of the engagements result in the auditor providing accounting services to the Council.
	Self interest	No threat identified. The fees for each of the engagements is neither significant to Mazars LLP nor the Council. Safeguards include clear rules set by PSAA which limit additional services an external auditor can provide.
	Management	No threat identified as none of the engagements require the auditor to make decisions on behalf of the Council.
	Advocacy	No threat identified as none of the engagements require the auditor advocating a position on behalf of the Council.
	Familiarity	No threat identified. Safeguards include firm policies and procedures detailed on previous page.
	Intimidation	No threat identified.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Chief Finance Officer that the Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>

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Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud Page 49	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit and Governance Committee, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

Contact

Mazars

Partner: Mark Kirkham

Email: Mark.kirkham@mazars.co.uk

Senior Manager: Rob Walker

Email: rob.walker@mazars.co.uk

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Report Reference Number: A/21/7

To: Audit and Governance Committee
Date: 29 September 2021
Authors: Ed Martin; Audit Manager – Veritau
Daniel Clubb; Counter Fraud Manager – Veritau
Kirsty Bewick; Information Governance
Manager – Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

**Title: Internal Audit, Counter Fraud and Information Governance
Progress Report 2021/22**

Summary:

The purpose of the report is to provide an update on the delivery of the internal audit work plan for 2021/22. The report also updates the committee on counter fraud and information governance work undertaken so far in 2021/22.

Recommendation:

That the committee:

- (i) note progress on delivery of internal audit, counter fraud and information governance work and the plans for work to be completed.

Reasons for recommendation

To enable the committee to fulfil its responsibility to review the outcomes of internal audit and counter fraud work, including any issues arising, and action being taken.

1. Introduction and background

- 1.1 The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015).
- 1.2 The Audit and Governance Committee approved the Internal Audit, Counter Fraud and Information Governance plans for 2021/22 at the meeting held on 21st April 2021.

- 1.3 The purpose of this report is to update the committee on internal audit, counter fraud and information governance activity up to September 2021, and on plans for completion of work for 2021/22.

2. The Report

- 2.1 Details of internal audit, counter fraud and information governance work undertaken in 2021/22 are included in the reports at annexes 1 to 3 respectively.

Internal Audit

- 2.2 Veritau carries out internal audit work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3 Internal audit provides assurance on corporate governance arrangements, internal control and risk management to the Council's leadership team and this committee.
- 2.4 As noted in the Head of Internal Audit annual report to this committee on 28th July 2021, we had a higher level of outstanding 2020/21 work than would normally be expected. Much of the work that has taken place since the last report to this committee has been to finalise the outstanding 2020/21 work.
- 2.5 Annex 1 provides details of the completed and ongoing internal audit work as well as plans for audit work to be completed in the remainder of 2021/22.

Counter Fraud

- 2.6 The counter fraud progress report is contained in annex 2. It reports on progress against the counter fraud work programme. A range of work is detailed including activity to promote awareness of fraud, work with external agencies, and information on the level of fraud reported to date.

Information Governance

- 2.7 Information Governance provides advice and assurance on compliance with the GDPR and Data Protection Act 2018. This includes the Information Asset Register, Privacy Notices, Data Protection Impact Assessments and project specific advice.
- 2.8 Action is ongoing to address the outstanding areas of the Information Asset Register and other areas of GDPR compliance. The new action plan, presented to CIGG in June 2021, continues to be used when reporting progress to CIGG.
- 2.9 Veritau is in the process of reviewing the Information Asset Register and anticipates this work will be completed soon with work to implement

changes to privacy notices, based on updated asset registers to begin in October.

- 2.10 Information security incidents continue to be reported to Veritau and investigated. Veritau has provided advice on the completion of data protection impact assessments. Veritau has conducted reviews and given advice and support in respect of surveillance and law enforcement processing. Training sessions will be held with council officers. These will be held online.
- 2.11 A detailed summary of information governance activity and arrangements is included in Annex 3.

3. Implications

- 3.1 There are no legal, financial, policy & risk, corporate plan, resource or other implications from this report.

4. Conclusion

- 4.1 A small number of internal audits from 2020/21 still need to be finalised and will be reported to the next meeting of this committee. Work is beginning on 2021/22 audits. Progress on these will be reported to subsequent meetings of this committee.
- 4.2 Through a range of activities, the work of the counter fraud team continues to support delivery of the Council's counter fraud strategy. Fraud reported to the team is investigated and progress is regularly reported to the committee.
- 4.3 An action plan is in place to deliver information governance work on behalf of Selby District Council; this is overseen by the council's CIGG. Regular liaison takes place with the council's Senior Information Risk Owner (SIRO) and regular updates are reported to this committee.

Background Documents

None

Appendices:

Annex 1: Internal audit progress report –
September 2021

Annex 2: Counter fraud progress report –
September 2021

Annex 3: Information governance progress report –
September 2021

Contact Officers:

Ed Martin; Audit Manager - Veritau
ed.martin@veritau.co.uk
01904 552932 / 01757 292281

Daniel Clubb; Counter Fraud Manager – Veritau
Daniel.clubb@veritau.co.uk
01904 552947

Kirsty Bewick; Information Governance Manager;
Veritau Group
kirsty.bewick@veritau.co.uk
01904 551761

INTERNAL AUDIT PROGRESS REPORT 2021/22

Date: 29 September 2021

Annex 1



BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with these, the Head of Internal Audit is required to regularly report progress on the delivery of the internal audit plan to the Audit and Governance Committee and to identify any emerging issues which need to be brought to the attention of the committee.
- 3 The internal audit work programme was agreed by this committee in April 2021. The number of agreed days is 375 (including time for risk management facilitation) and the plan is flexible in nature. Work is being kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the Council.
- 4 The purpose of this report is to update the committee on internal audit activity in 2021/22.

A new approach to work programme development and delivery

- 5 The indicative programme is a long list of areas of potential work which are considered the highest priority for audit, based on an assessment of risk. The difference in approach is that the programme now acts as a guide for ongoing planning through the course of the year, with the expectation being that areas will drop out of this list, and new areas will be added, as our assessment of risks and priorities changes. A strong emphasis is placed on providing assurance in key areas, and maximising use of our resources in these areas, rather than on completing a set number of audits during the year.
- 6 Using the indicative programme, we will determine audit work to be undertaken on an ongoing, rolling basis during the year on the basis of:
 - "Do now" – work of the highest value, priority, or urgency
 - "Do next" – work to be started after current audit work is completed
 - "Do later" – work to be scheduled for consideration later in the year
- 7 Decisions on which category work falls into will be based on professional judgement, together with communication with key client officers, and will be guided by the following considerations:
 - where we have no recent audit assurance, or other sources of assurance
 - where controls are changing and/or risks are increasing
 - where we are following up previous control weaknesses
 - where specific issues have arisen

- areas that are of significant importance to the Council, for example they reflect key objectives or high priority projects
- areas that provide broader assurance, for example corporate policies and frameworks
- areas that need to be covered to enable us to provide an annual opinion
- where there are time pressures or scheduling requirements, for example grant deadlines, or work scheduled to minimise the impact on council service areas at busy times.

- 8 Between now and the end of the year, the committee can expect individual pieces of work to move between the categories based on their priority at the time of assessment. For example, an audit scheduled for quarter three to minimise the impact on a service area may initially be classed as “do later”, but will become “do now” as we move into quarter three. Similarly, a project audit classed as “do now” because it represents an area of high importance to the Council may move from “do now” to “do next” or “do later”, if the project slips or planned work cannot be undertaken until a specific point is reached. Towards the end of the year, audits classed as “do later” are likely to be deferred until the next year.
- 9 To ensure the Audit and Governance Committee continues to have oversight of current and planned audit work, the current assessment of work to be undertaken (appendix 2) will be presented as part of each internal audit progress report. This will enable the committee to understand what work is currently planned and to provide input on the relative priorities of work to be carried out in the future.

INTERNAL AUDIT PROGRESS

- 10 The Head of Internal Audit report was presented to this committee on 28th July 2021. As noted in that report, the impact of the Covid-19 pandemic meant that we had a higher level of outstanding 2020/21 work than would normally be expected. The intention is to bring the audit cycle back in line with normal arrangements over the next year.
- 11 Much of the work that has taken place since the last report to this committee has been to finalise the outstanding 2020/21 work. Appendix 3 summarises the key findings from work completed that we have not previously reported to this committee.
- 12 A summary of 2021/22 internal audit work currently underway is included in appendix 1. Also included is 2020/21 work that has recently been finalised or is still to be finalised.
- 13 It is recognised that Council staff continue to deal with significant pressures and workloads. Audit work during 2021/22 will be planned and carried out accordingly, taking these pressures into account and minimising staff involvement where possible.

- 14 The prioritisation and scoping of work will continue to be discussed with officers. Appendix 2 shows the current work plan, and categorises audits by when they intend to be completed.

FOLLOW-UP OF AGREED ACTIONS

- 15 During the Covid-19 pandemic Veritau agreed with management to take a pragmatic approach to follow up work, and concentrate resources on following up higher priority actions.
- 16 This report highlights to the committee where priority 1 and priority 2 actions agreed as part of previous audit have implementation dates revised by more than 12 months from those originally agreed (see appendix 4). The revised dates agreed for these actions have not yet passed so these actions will be followed up and progress reported to the next committee.
- 17 Veritau will recommence normal follow up work during the remainder of 2021-22 and future reports to this committee will include the follow up of all actions.

APPENDIX 1: 2021/22 INTERNAL AUDIT WORK

Audit	Status	Assurance Level
Payroll	Planning commenced	
Council Tax & NNDR	Planning commenced	
2020/21 audits brought forward		
Creditors	Final issued	Limited Assurance
Debtors	Final issued	Substantial Assurance
Housing Rents	Final issued	Substantial Assurance
Community Infrastructure Levy	Final issued	Reasonable Assurance
Housing Benefits and Council Tax Support	Draft Issued	Substantial Assurance
Absence Management	Fieldwork completed	TBC

APPENDIX 2: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

Audit / Activity	Rationale
<p><u>Strategic risks / Corporate & cross cutting</u></p> <p>Category 1 (do now) Covid-19 recovery (including post-pandemic working arrangements and business continuity planning) Health and Safety</p> <p>Category 2 (do next) LGR preparations (inc. project management, contract management, financial procedure rules and decision making) Medium term financial planning</p> <p>Category 3 (do later) Programme for Growth and additional government funding</p>	<p>Significant priority for the Council.</p> <p>Deferred from 20/21 and key corporate risk.</p> <p>Significant priority for the Council.</p> <p>Key assurance area and significant risk for the Council.</p>
<p><u>Fundamental / material systems</u></p> <p>Category 1 (do now) Payroll Council Tax / NNDR (inc. review of Covid-19 related grants)</p> <p>Category 2 (do next) General ledger Creditors</p> <p>Category 3 (do later) Housing rents CTS and benefits Debt management / income collection (including enforcement)</p>	<p>Deferred from 20/21 and key assurance area. Key assurance area</p> <p>Key assurance area Key assurance area</p>

Audit / Activity	Rationale
<p><u>Operational / regularity</u></p> <p>Category 1 (do now) Planning</p> <p>Category 2 (do next) Environmental health Council house repairs Homelessness / housing options</p> <p>Category 3 (do later) Community engagement</p>	<p>Provides broader assurance.</p> <p>Provides broader assurance. Key area for the council. Not reviewed for 3 years.</p>
<p><u>Technical / projects</u></p> <p>Category 1 (do now) IT asset management</p> <p>Category 2 (do next) Information security</p> <p>Category 3 (do later) Cybersecurity IT technical infrastructure Project management</p>	<p>IT is key assurance area. IT asset management not recently reviewed.</p> <p>Key assurance area and key corporate risk.</p>

APPENDIX 3: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
Debtors	Limited Assurance	Ordering, receipting, invoice payments, supplier management, user access controls	September 2021	Delegated authority levels incorrect in system; segregation of duties not always enforced by system; user access control inconsistencies; low use of purchase orders. No significant risks seem to have materialised but key control weaknesses to be addressed.	Delegated authority levels to be checked and corrected; enforce segregation of duties in system; review access control procedures; review POs exemptions.
	Substantial Assurance	Invoice raising, authorising; debt management and recovery; write offs	August 2021	Overall, systems found to be working well; no major issues identified. User access issue, with too many users able to raise credit notes, refunds and write offs.	User access reviewed and removed where not needed and functions limited to only appropriate users.
Housing Rents	Substantial Assurance	Rent calculations, billing, arrears and recovery action.	September 2021	Overall, systems found to be working well; no major issues identified. Photos not held of all tenants.	To review and determine reasonable process for getting photos of all tenants.
Community Infrastructure Levy (CIL)	Reasonable Assurance	CIL charging, scheme prioritising, income calculation and collection, regulatory compliance, accurate reporting.	September 2021	Overall, acceptable control environment but some weaknesses. Insufficient plans to spend CIL income; overall reliance on small number of officers; access control of CIL database.	Infrastructure Delivery Plan will be prepared and presented to members. Additional resources to support CIL officer. Privileged database access removed from officers.

APPENDIX 4: HIGHER PRIORITY ACTIONS WITH REVISED DATES OF MORE THAN 12 MONTHS FROM ORIGINALLY AGREED DATE

Audit	Agreed Action	Priority Rating	Responsible Officer	Due	Notes / Update
Payment Card Industry Data Security Standard (PCI DSS)	New software purchased as old system ceased to be supported. Implementation of new software should resolve PCI DSS issues Management responsibility has been defined. Responsibility for completing annual PCI DSS assessment to be assigned.	1	Head of Business Development and Improvement	Revised date: October 2021 (previously December 2020 and July 2021)	A new income management system has been procured from Civica that will enable PCI DSS compliance. Originally it was planned that this would be implemented by September 2020 but was delayed due to Covid. CivicaPay was rescheduled to launch on 27 July and the council was on track to do so. However, the proposed approach to taking telephone payments will be reviewed first and the go live date has been moved to 5 October 2021.
Performance Management	PDR guidance to be reviewed and updated HR to undertake QA review of sample of PDRs Return rate of PDRs to be monitored & all PDRs reviewed and returned to manager if not complete. Training plan to be completed promptly following PDR process.	2	Head of Business Development and Improvement	Revised date: September 2021 (previously December 2020 and June 2021)	In light of local government re-organisation, a review of PDR guidance has been conducted and the council has concluded that arrangements are appropriate and no changes to the overall policy, procedure and guidance are proposed at this time. Return rates, quality assurance and training plans still need to be addressed. The council will be issuing reminders to managers regarding completion of 2021 PDRs, following which they will review completion of PDRs and develop the training plan. This has been delayed due to other priorities.

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COUNTER FRAUD PROGRESS REPORT 2021/22

Date: 29 September 2021

Annex 2



BACKGROUND

- 1 Fraud is a significant risk to local government. Losses to councils are estimated to exceed £7.8 billion annually in the United Kingdom.¹
- 2 Veritau delivers a corporate fraud service to the Council which aims to prevent, detect and deter fraud and related criminality. A total of 105 days of counter fraud work has been agreed for 2021/22. This time will be used to investigate allegations of fraud, plan and take part in counter fraud campaigns (e.g. the National Fraud Initiative), undertake fraud awareness activities with staff and the public, and maintain and update the Council's counter fraud framework and associated policies.
- 3 The purpose of this report is to update the Committee on counter fraud activity between 1 April 2021 and 31 August 2021.

FRAUD MANAGEMENT

- 4 Raising awareness of fraud is an important function of the counter fraud team, amongst Council staff and the public. Fraud awareness training is delivered to staff on a rolling basis. Sessions are due to take place with revenues and benefits staff this year.
- 5 Veritau continue to support the Council with Covid-19 related payments. The team works with officers to ensure that the Council meets the government mandated verification, investigation and recovery requirements for Covid-19 related grant payments.
- 6 Veritau attends the Yorkshire and Humber Fraud Investigation Group on behalf of the Council to share best practice and regional fraud threats.
- 7 In May 2021, the Council's counter fraud transparency data was updated to include data on counter fraud work in 2020/21, meeting the Council's obligation under the Local Government Transparency Code 2015.

MULTI-AGENCY WORK

- 8 Work on the 2020/21 National Fraud Initiative is ongoing. The counter fraud team is reviewing over 800 matches flagged during the current exercise, including matches relating to Covid-19 grant payments. Instances of suspected fraud will be considered for investigation.
- 9 Veritau responds to requests for information from the Department for Work and Pensions (DWP) fraud and error service on behalf of the Council. Six information requests have been received to date. In cases where council tax support is in payment, the counter fraud team can jointly investigate with DWP counterparts. No joint working cases have been identified in 2021/22.

¹ Annual Fraud Indicator 2017, Crowe Clark Whitehill

INVESTIGATIVE WORK

- 10 In 2021/22, the team has received 44 referrals of suspected fraud. These cover areas including council tax, council tax support, business rates, housing, and Covid-19 support payments.
- 11 There are currently 16 cases under investigation, covering a range of fraud types.
- 12 During the pandemic, the counter fraud team has established practices to conduct interviews under caution using video conferencing. This will allow interviews to be conducted remotely where in the best interest of the Council and the member of the public (e.g. inability to attend Council offices).
- 13 A summary of investigation work is included in appendix A, below.

APPENDIX A: SUMMARY OF INVESTIGATION ACTIVITY

Activity to date includes the following:

	2021/22 (As at 31/08/21)	2021/22 (Target: Full Yr)	2020/21 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£2,415	£14,000	£12,687
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	67%	30%	37%
Amount of savings from the prevention of Covid-19 grant fraud	£8,097	n/a	£30,000

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Caseload figures for the period are:

	2021/22 (As at 31/08/21)	2020/21 (Full Year)
Referrals received	44	96
Referrals rejected	31	51
Number of cases under investigation	16	18 ²
Number of investigations completed	3	20

² As at the end of the financial year (i.e. 31/03/2021)

Work completed or in progress

The service promotes the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity completed in 2021/22 includes the following:

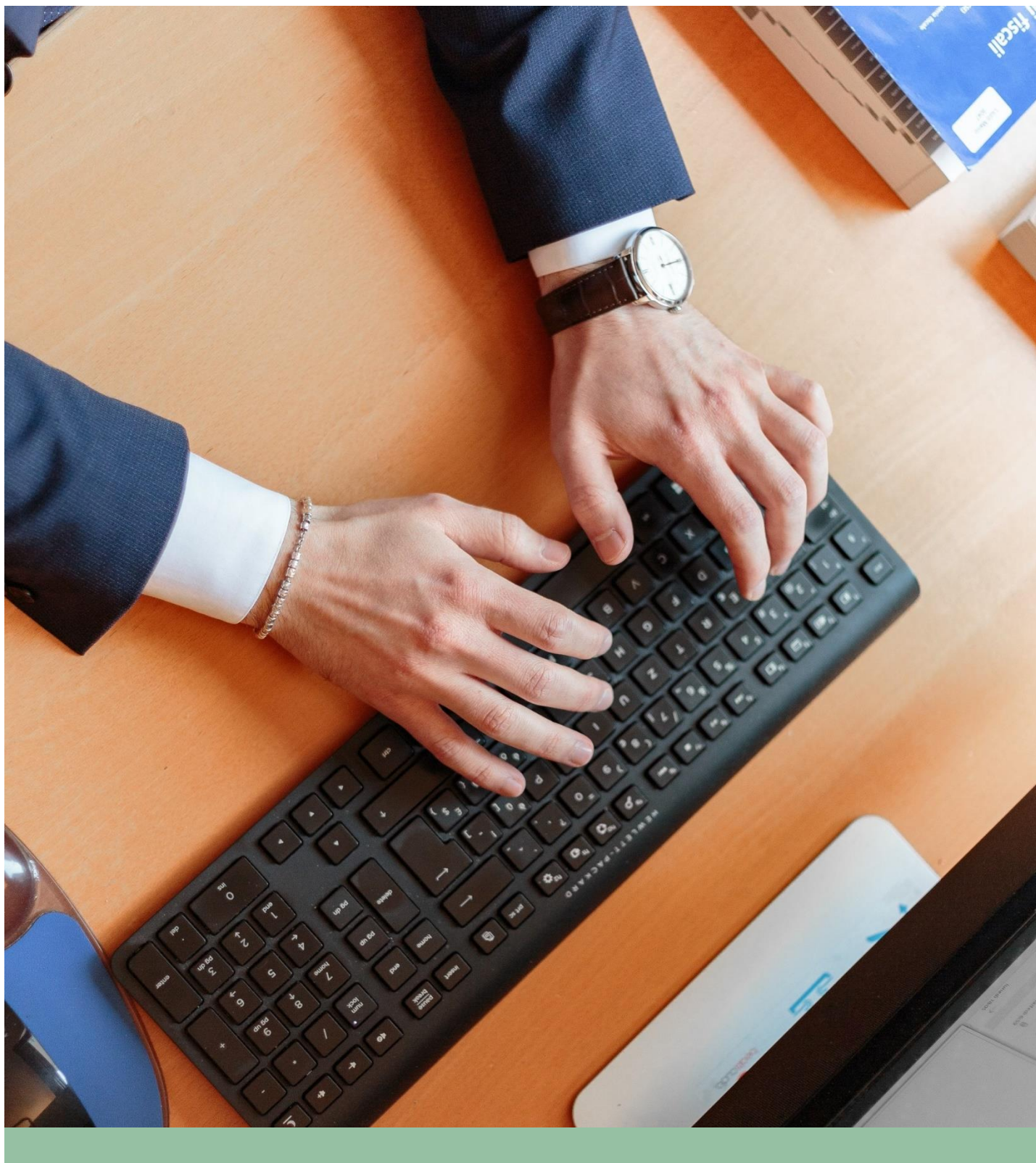
- **Covid-19 related fraud** – Four reports of Covid-19 related fraud have been received to date. Two Covid-19 grant applications have been investigated which resulted in a payment of over £8k being stopped. There are five ongoing investigations.
- **Council Tax Support fraud** – To date the team has received 31 referrals for possible CTS fraud. No new fraud or error has been detected during the current financial year but savings of £1.3k have been identified from previous cases. There is currently one case under investigation.
- **Council Tax Fraud** – Five referrals for council tax fraud have been received in 2021/22. There are currently seven cases under investigation. One investigation resulted in a warning being issued in relation to a Single Person Discount award.
- **Housing Fraud** - The team has received two referrals for investigation in the year. There are currently three ongoing investigations in this area.
- **NNDR fraud** - One referral for NNDR fraud has been received in 2021/22. To date, no fraud and error has been detected in this area. No cases are currently under investigation.
- **Internal fraud** – No cases of internal fraud have been reported this year.

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INFORMATION GOVERNANCE WORK PROGRAMME 2021/22

Date: 29 September 2021

ANNEX 3



PURPOSE OF THE REPORT

- 1 To provide an update on Information Governance matters and developments in the Council's Information Governance arrangements and compliance with relevant legislation.
- 2 Information governance is the framework established for managing, recording, protecting, using and sharing information assets in order to support the efficient and effective delivery of services. The framework includes management structures, policies and processes, technical measures and action plans. It helps to ensure information is handled securely and correctly, and provides assurance to the public, partners and other stakeholders that the Council is complying with all statutory, regulatory and best practice requirements. Information is a key asset for the Council along with money, property and human resources, and must therefore be protected accordingly. Information governance is however the responsibility of all employees.
- 3 The Council must comply with relevant legislation, including:
 - The Data Protection Act 2018
 - The UK General Data Protection Regulation (UK GDPR)
 - Freedom of Information Act 2000
 - Environmental Information Regulations 2004
 - Regulation of Investigatory Powers Act 2000
- 4 In March 2018, the Council appointed Veritau to be its statutory Data Protection Officer (DPO).
- 5 The Corporate Information Governance Group (CIGG) is responsible for overseeing information governance within the Council. The group is chaired by the Chief Finance Officer, who is the Senior Information Risk owner for the Council (SIRO) and provides overall direction and guidance on all information governance matters. CIGG also helps to support the (SIRO) to discharge their responsibilities. CIGG is currently coordinating the delivery of the UK GDPR action plan, which includes reviewing and updating the Council's Information Sharing Agreements (ISAs) and Data Processing Contracts (DPCs).

UK GDPR ACTION PLAN UPDATE

- 6 A new 2021/22 action plan has been provided to the Council. This includes a detailed breakdown of actions required to achieve agreed deliverables.
- 7 Following completion of the privacy notice review in 2020/21, Veritau have now started applying the relevant changes and will be starting to make contact with service areas to complete privacy notices that have been identified for drafting.
- 8 A number of privacy notices have been completed and uploaded to the Council website including Planning Policy, Complaints and Explore Heart of Yorkshire. Updates have been applied to the corporate privacy notice.

- 9 A small number of policies remain for CIGG approval and should be approved and published before the end of Quarter 2.
- 10 The Information Asset Register (IAR) was amended to reflect UK GDPR compliance needs and now includes columns for law enforcement processing. A review of the IAR was started with copies being sent to each service area for them to check. Most service areas have responded with only a small number of them outstanding. Currently, the outstanding areas are Democratic Services, Finance, Housing and Environmental Health, this is expected to be completed before the end of September.
- 11 In 2020/21 a gap analysis of the Council's ISAs and DPCs was completed and a number of areas were identified where there was insufficient information. Work is ongoing to locate and acquire copies of documentation in these areas so they can be reviewed and updated with the appropriate clauses where necessary.

TRAINING

- 12 It was agreed at CIGG that training sessions will be held online and in smaller sessions. The training sessions, which will be bookable, includes Records Management, Data Protection Rights and Principles and a new session around Data Protection Impact Assessments. The Council has been approached in relation to identifying dates and once these are confirmed, the sessions will be formally booked in.

INFORMATION SECURITY INCIDENTS (DATA BREACHES)

- 13 Information Security Incidents have been reported to Veritau as required. The incidents are assessed, given a RAG rating and then investigated as required. Green incidents are unlikely to result in harm but indicate a breach of procedure or policy; Amber incidents represent actual disclosure, but harm is unlikely to be serious; and Red incidents are sufficiently serious to be considered for self-reporting to the Information Commissioner's Office (ICO). Some incidents are categorised as 'white'. White incidents are where there has been a failure of security safeguards but no breach of confidentiality, integrity, or availability has actually taken place (i.e. the incident was a near miss).
- 14 The number of Security Incidents reported to the Council and Veritau in 2021/22 up until August are as follows:

Year	Quarter	Red	Amber	Green	White	Total
2021/22	Q1	1	0	4	1	6
	Q2	0	0	0	1	1
	Q3					
	Q4					
	Total	1	0	4	2	7

- 15 The red incident in Q1 was reported to the ICO who responded with no further actions for the Council.

SUBJECT ACCESS REQUESTS - INTERNAL REVIEWS

- 16 Veritau provides advice on internal reviews relating to Subject Access Requests as required.

DATA PROTECTION IMPACT ASSESSMENTS

- 17 Veritau is supporting the Council in completing a number of DPIAs as well as providing advice on whether a DPIA was required for other projects.
- 18 CCTV for Town Centre: An initial draft is being prepared to cover town centre CCTV cameras. The relationship the Council has with the police will need to be explored as part of this work as only the police access the footage for law enforcement purposes.
- 19 MyView: In 2019, the council implemented MyView. However a DPIA was not done before implementation. A first draft of the DPIA was received by Veritau in September 2020. Comments have been returned to the service area.
- 20 A number of DPIAs have been identified as needing to be completed following the completion of the surveillance review (see below). These will be progressed during 2021/22.

SURVEILLANCE

- 21 In early 2020/21, Veritau had a number of meetings with the Head of Communities, Partnerships and Customers (the designated Senior Responsible Officer with the Surveillance Camera Commissioner) and others to progress work on overt surveillance activities. The surveillance log was circulated and a gap analysis completed. This included the need to ensure all relevant DPIA's and ISAs were in place. This work is now complete.
- 22 Draft policy documents and privacy notices are also complete, and have been presented at CIGG for consultation.
- 23 Discussions also took place on other aspects of surveillance, including covert surveillance. To assist with this, Veritau conducted a review of the current RIPA (Regulation of Investigatory Powers Act) policy and provided general advice to assist the Monitoring Officer.
- 24 The Surveillance Overview Policy, Overt Surveillance policy and Corporate Policy RIPA are due to be presented at September A&G Committee.

LAW ENFORCEMENT

- 25 An initial scoping exercise has been completed to ascertain which areas of the Council might be undertaking law enforcement processing, as governed by Part 3 of the Data Protection Act 2018. Areas were mapped out as far as possible and amendments to the Information Asset Register now reflect where law enforcement processing is taking place, linking back to the relevant legislation and/or enforcement policies.
- 26 Documents such as the new DPIA template and guidance were also drafted to include law enforcement considerations.
- 27 Privacy notices were reviewed with law enforcement in mind. It has been agreed that any changes to the notices will occur at the same time as any identified updates as noted in paragraph 7 above. The corporate privacy notice has been updated to include information about conditions for criminal offence data, enforcement investigations and prosecutions.
- 28 The Law Enforcement Policy, required for compliance with section 42 of the Data Protection Act 2018 to cover data processed under Part 3 of the Act alone, was approved by CIGG in April 2021. The policy has now been published.
- 29 A virtual training course has also been designed although further work is being carried out to ensure that the course meets all the requirements of the Council. The intention is to make the course available later in 2021.

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Agenda Item 9



Report Reference Number: A/21/8

To: Audit and Governance Committee
Date: 29 September 2021
Author: Christopher Chapman, Accountant
Lead Officer: Karen Iveson, Chief Finance Officer
Executive Member: Cllr Cliff Lunn, Executive Lead Member for Finance and Resources

Title: Statement of Accounts 2020/21

Summary: The purpose of this report is to enable Councillors to undertake an examination of the Council's financial accounts for the financial year 2020/21 and seek approval of them.

Recommendations:

Councillors approve the 2020/21 Statement of Accounts

1. Introduction and background

- 1.1 The Accounts and Audit Regulations 2015 require members to approve the Council's audited statutory accounts by 31st July 2021 following the financial year-end. However, due to the effects of the ongoing Covid-19 pandemic, this deadline was extended until 30th September 2021 for the 2020/21 Accounts.
- 1.2 At the time of writing this report there is still an element of audit work outstanding, which may potentially lead to changes to the Final Statement of Accounts. The Committee will be updated should any changes be necessary
- 1.3 The accounts have been produced under the requirements of International Financial Reporting Standards (IFRS).

2. The Report

- 2.1 The Statement of Accounts represents the culmination of the formal financial reporting obligations placed upon the Council and the content

of the Accounts presented is largely prescribed by the statutory and professional guidance.

- 2.2 The Council's Statement of Accounts for 2020/21 is attached for approval at Appendix A. The Accounts have been prepared in accordance with the code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.3 It is important that the Council has sound financial, governance and resource management arrangements in place to ensure that the resources are available and used to support the Council's priorities, improve services and secure value for money for our citizens.
- 2.4 Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny."
- 2.5 To assist Councillors in this regard, an explanatory paper is attached at Appendix B.
- 2.6 The Statement of Accounts also contains a Narrative Statement which highlights the key financial issues during 2020/21, and considers these in the context of the Council's future financial challenges and objectives.
- 2.7 Councillors are asked to consider the Statement of Accounts in detail along with the supporting notes, and either raise issues with the Chief Finance Officer prior to the meeting so that a response can be prepared, or discuss any such matters as necessary and appropriate at the meeting of the committee.
- 2.8 The draft accounts were made available for public inspection from 18th June to 30th July, this is a departure from normal practice in which the unaudited accounts are published on 31 May each year. The Ministry of Housing, Communities and Local Government (MHCLG) passed new legislation, The Accounts and Audit Amendment Regulations 2021, which relate to financial years ending 31 March 2021 and 31 March 2022. The amendment stipulates that unaudited accounts must be published by 31 July in each of these years but local authorities can choose to publish earlier. Selby District Council has elected to publish the unaudited accounts on 18 June 2021. The auditor was available to answer queries regarding the accounts during this period.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

None as a consequence of this report.

3.2 Financial Issues

The financial implications are as given in the report.

4. Conclusion

- 4.1 Production of the Annual Statement of Accounts is a statutory requirement. The Statement of Accounts is the financial expression of the Council's overall worth and financial standing.

5. Background Documents

- 5.1 2020/21 closedown working papers.

Contact Officer:

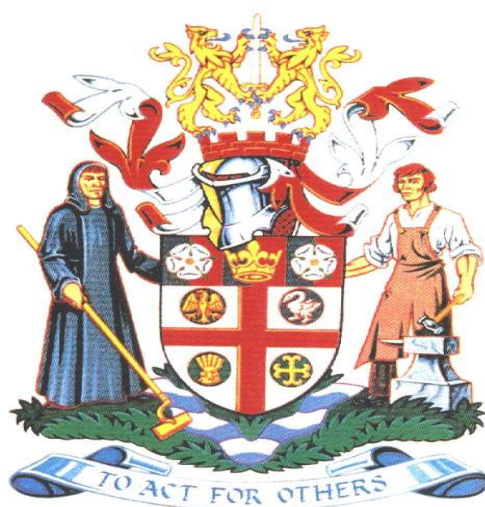
Christopher Chapman – Accountant

Appendices:

Appendix A: 2020/21 Statement of Accounts
Appendix B: Explanatory paper to the Accounts

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SELBY DISTRICT COUNCIL



STATEMENT OF ACCOUNTS 2020/2021

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SELBY DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2020/21

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Copies of this and previous years accounts are available for viewing, along with other information about the Council's services on the Authority's website at www.selby.gov.uk or from Selby District Council, Civic Centre, Doncaster Road, Selby, North Yorkshire, YO8 9FT. Selby District Council will on request, provide this document in Braille, **large print** or audio format. If English is not your first language and you would like a translation of this document in an alternative language please telephone - 01757 705101.

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NARRATIVE STATEMENT

1. Introduction

The purpose of this Narrative Statement is to provide an easily understandable guide to the most significant matters reported in the accounts, and an explanation in overall terms of the Council's financial position. The Narrative Statement also includes an explanation of the purpose of each statement and the inter-relationship between statements. The accounts presented are of a Single Entity as the Council has no relationships that require it to prepare Group Accounts.

2. The Council's Accounts

The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2020/21" (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The code is based on International Financial Reporting Standards. The financial figures contained within the statements and their supporting notes are rounded as appropriate and this is shown on the statement or note. The accounts contain the following statements for the year 1 April 2020 to 31 March 2021:

Accounting Policies - This explains the basis of the figures in the accounts and the principles on which the Statement of Accounts has been prepared by the Council.

Statement of Responsibilities for the Statement of Accounts - This statement sets out the respective responsibilities of the Council and the Chief Finance Officer for the accounts.

Movement in Reserves Statement - This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be utilised to fund expenditure or reduce local taxation) and other 'unusable reserves'. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income & Expenditure Statement - This statement shows the accounting net cost in the year of providing services for which the Council is responsible in accordance with generally accepted accounting practices, rather than the amount to be funded from income from local taxpayers (such as Council Tax and National Non-Domestic Rates). The Council raises taxation, collects fees & charges and receives grant funding to cover expenditure in accordance with regulations; however this funding is different to the true accounting costs incurred by the Council. The reconciliation of these two positions are shown in the Movement in Reserves Statement.

Balance Sheet - This shows the net value of the Council in terms of the balances and reserves at the Council's disposal, its long-term indebtedness, long term liabilities, net current assets employed in its operation and summarised information on the non-current assets held. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council. Reserves are reported in two categories - usable and unusable. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain them at a prudent level and any statutory limitations on their use. Unusable reserves are those that the Council is not able to use to provide services. They include reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

NARRATIVE STATEMENT

2. The Council's Accounts continued

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

Housing Revenue Account (HRA) Income and Expenditure Statement - The Council must account separately for the local authority housing function, and it is ringfenced from the General Fund so that rents cannot be subsidised from Council Tax or vice versa. It shows the major elements of housing revenue expenditure - maintenance, administration and capital financing - and how rents and other income meet these. The Council charges rents in accordance with accounting regulations; and therefore this may be different from the accounting cost.

Movement on the Housing Revenue Account (HRA) Statement - This shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year. The overall objectives and the general principles for its construction are the same as those generally for the Movement in Reserves Statement.

The Collection Fund - This is a statement and shows the transactions of the Council as a billing authority in relation to Non-Domestic Rates and the Council Tax collections, and illustrates the way in which these funds have been distributed to precepting bodies such as North Yorkshire County Council, the Government and the General Fund. The Council has a statutory obligation to maintain a separate Collection Fund.

Annual Governance Statement - This statement sets out the internal control framework operated by the Council during 2020/21 and presents a review of the effectiveness of the system as required by the CIPFA/SOLACE Framework issued in 2007.

3. Structure of the Council's Accounts

The Council has to manage spending on services within a statutory framework, making sure that spending keeps within cash-limited budgets. This requires keeping:

- A General Fund to account for day-to-day spending on most Council services.
- A separate Housing Revenue Account.
- A separate Collection Fund Account.
- A capital programme to account for investment in non-current assets needed for the delivery of Council services.

The way each of these is funded is also different:

- General Fund services are paid for from government grant, council tax, non-domestic rates and service charges.
- Housing income comes from housing rents.
- The Collection Fund is financed by income from taxpayers.
- The capital programme is funded in various ways - long-term borrowing, external finance, capital receipts from the sale of Council non-current assets and from revenue budget contributions.

NARRATIVE STATEMENT

4. Revenue Spending in 2020/21

2020/21 has been a year of unprecedented challenge and uncertainty as a result of the Covid-19 pandemic. Additional costs, income losses and delayed savings along with welcomed but changing financial support from the Government has meant major volatility across many of the Council's services. In September 2020 the Council approved a revised estimate which drew £1,440k New Homes Bonus from reserves, and reduced the planned transfer to the HRA Major Repairs Reserve by £374k, to help offset the financial impacts of the pandemic.

The financial impacts for the year as a result of Covid-19 have been recorded in monthly returns to the Ministry for Housing, Communities and Local Government (MHCLG). The March 2021 return, shows estimated additional costs, delayed savings and income losses of £2,873k across both the General Fund and Housing Revenue Account. The Council received (£1,168k) emergency Covid funding from the Government and expects (£487k) for compensation for losses in sales, fees and charges.

As a result of the impacts of Covid-19 on leisure services and losses sustained by our provider, Inspiring Healthy Lifestyles (IHL), on the Summit facility in Selby, the Council has agreed in principle early termination of the Summit contract. This aims to secure on-going provision of the leisure management contract, which covers the Council's core leisure services. A negotiated settlement has been agreed in principle to achieve this but work on the legal agreement is currently on-going. Negotiations continue to agree a Covid business plan for the leisure services contract along with a contract variation and associated Covid subsidy. This should enable IHL to remain solvent to continue to provide leisure services.

In the year, the Council has administered over £26.3m in emergency grants for businesses, council tax hardship funds, provided business support and assisted communities to reopen. This increase in workload has put pressure on capacity to deliver the planned expenditure programmes and this is reflected in the outturn figures and sums carried forward for the capital programmes and Programme for Growth.

Revenue expenditure for 2020/21 is summarised in the Comprehensive Income and Expenditure Statement. This shows the costs of all the Council's services and how the net expenditure has been funded. The following charts show where the Council's money comes from and what it is spent on.

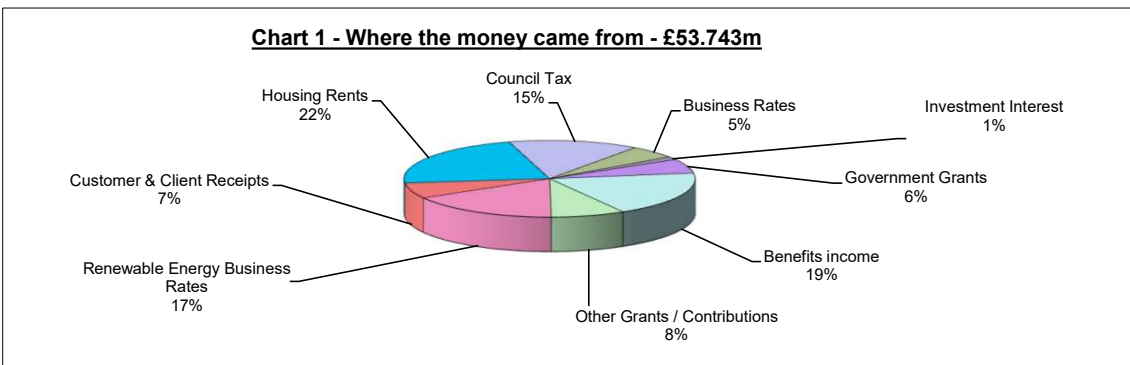
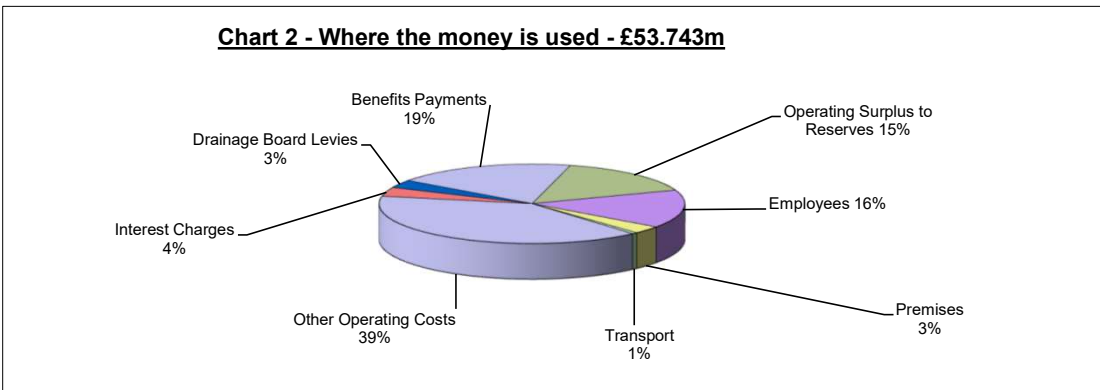


Chart 1 above shows income received in the year of £53.743m. 33% (£17.8m) of this is received from the government as direct grants, mainly to fund benefit payments and formula (or indirect) grants, i.e. grants that are not ring-fenced for specific purposes. Council Tax provides a further £7.8m, which includes £1.9m for Parish Council precepts, and the Council's share of business rates retention contributes £2.9m, with £8.1m in business rates from renewable energy facilities. Housing Rents provide £12.0m.



NARRATIVE STATEMENT

4. Revenue Spending in 2020/21 continued

Chart 2 on the previous page shows a significant proportion of the Council's money £10.2m is spent on Housing benefit payments. Other operating costs total £21.1m, which include the running costs of services including the HRA and contracts for recycling, refuse collection, street cleansing, grounds maintenance, gas servicing, leisure contracts and financing the capital programme. £8.3m was spent on employee costs. Other costs include drainage board levies at £1.7m, interest payable costs £1.99m and the costs of running & maintaining council non-dwelling property £1.6m. A net £7.0m has been transferred to reserves, made up of £5.5m budgeted and £1.0m additional HRA surplus for future usage on capital investment on our dwellings, £1.3m to support HRA Self Financing debt and the net General Fund surplus £0.5m transferred to the contingency reserve.

Financial Performance in 2020/21 Compared to Agreed Budget

The latest approved budget anticipated a surplus position for the General Fund after budgeted transfers to reserves and a transfer to the Housing Revenue Account Major Repairs Reserve (MRR) of £5.509m. The out-turn position was a General Fund surplus of £459k and the Housing Revenue Account surplus was £6.532m. The performance against budgets for General Fund services and the Housing Revenue Account are shown separately in the following paragraphs.

General Fund

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Income			
Investment Income	(388)	(578)	(190)
Recharges	(10,857)	(11,293)	(436)
Customer & Client Receipts	(3,989)	(4,360)	(371)
Government and Other Grants	(14,587)	(14,891)	(304)
	(29,821)	(31,122)	(1,301)
Expenditure			
Employees	8,485	8,445	(40)
Premises	852	815	(37)
Supplies and Services	9,841	10,169	328
Transport	149	118	(31)
Benefit Payments	10,262	10,268	6
Support Services	7,607	8,201	594
Third Party Payments	-	-	-
Internal Drainage Board Levies	1,760	1,739	(21)
Interest Payable and Similar Charges	75	77	2
Contingency	-	-	-
Budget Savings	(6)	-	6
Parishes Precepts	1,906	1,906	-
	40,931	41,738	807
Net Operating Expenditure	11,110	10,616	(494)
Revenue Support Grant	-	-	-
Renewables Income	(9,019)	(9,019)	-
Business Rates	(2,274)	(2,274)	-
Council Tax Precept (including Parish Precepts)	(7,767)	(7,767)	-
Collection Fund Surplus (Surplus) / Deficit	(74)	(74)	-
Net (surplus) / deficit	(8,024)	(8,518)	(494)
Other Non Cash Adjustments	(1,116)	(76)	1,040
Transfers to / (from) Reserves	9,097	8,135	(962)
Year End (Surplus) / Deficit	(43)	(459)	(416)

NARRATIVE STATEMENT

4. Revenue Spending in 2020/21 continued

The previous table shows a variance against the General Fund of £416k. The table below looks at the major variances and gives a brief explanation as to why they have occurred. Councillors and officers continually review budgets to achieve efficiency savings.

General Fund		
	Variance £'000	Reason for Variance
Employees	(40)	Savings on salaries across the Council are due to the natural turnover of staff resulting in vacancies and staffing levels being carefully managed.
Government Grants	(304)	Covid Support and New burdens funding.
Investment Income	(190)	The Councils investments have performed better than anticipated generating average returns of 0.48% and 3.69% on property investments
Support Services & Recharges	158	Shortfall in recharges to the HRA driven by savings from Property Services delay in implementing a revised structure.
Leisure Service Costs	282	Legal costs and Covid Claims for Leisure services due to enforced closure.
Streetscene Contract	285	Savings have been achieved from the realignment of the contract with the purchase of the vehicle fleet. These savings have been offset and exceeded by vehicle rental costs in the interim while the new fleet arrived and the significant increase in recycling from the Covid restrictions, this requires transporting to and bulking at the MRF facility. As the market is saturated there
Premises Costs	(37)	Savings from the Contact Centre being closed to the public, closed burial grounds and other property running costs.
Transport	(31)	Various car allowance savings across services as a result of reduced travelling due to Covid-19 restrictions.
Planning Fee Income	(62)	Improvement in the income received for Planning Applications
Land Charges Income	(41)	An improved position for Land Charges income after revised budget assumptions forecasted a downturn due to the Covid restrictions.
Building Control	(22)	Performance dividend allocated to partner councils when reserve levels are exceeded.
Drainage Board Levies	(21)	Inflation increases anticipated when setting the budget were higher than the actual levies.
ICT Costs	(43)	Service savings across ICT software support and maintenance costs
Property Income	(138)	The impact of Covid 19 on businesses hasn't been as severe as anticipated and units have remained occupied, also income received for the fit out and use of The Summit as a vaccination centre.
Recycling Income	(177)	Significant increase in recycling tonnages from households due to lockdown, where people have been at home having goods delivered and general
Lifeline Service	26	There has been no growth in the service which has also been impacted on by Covid 19
Car Parks Income	71	Due to lockdowns town footfall remained low reducing the use of car parks.
RSDG	(27)	Allocation of Rural Services Delivery Grant higher than budgeted.
Contributions	(74)	Received to support service costs in Economic Development
Miscellaneous	(31)	Numerous smaller and compensating variances contributing towards the final deficit including movements to and from reserves and capital charges.
Total	(416)	

Investment income for the General Fund exceeded budget by £190k due to the level of funds available for investment an average of £74.91m. These funds were available on a temporary basis and the levels of funds available were mainly dependent on the timing of business rates and precept payments. The Council achieved an average return on its investments of 0.48% for the year through pooling arrangements in place with NYCC and investment in property funds.

NARRATIVE STATEMENT

4. Revenue Spending in 2020/21 continued

Non cash adjustments included in surplus/deficit on service provision are accounting adjustments made to the accounts that are reversed out within 'other non-cash adjustments' and will not impact on the Council Tax Payer. The variance comprises of the gain/loss on disposal on non-current assets, contribution of housing capital receipts to the government pool, recognised capital grants and contributions and pension fund adjustments.

Other non cash adjustments are accounting adjustments made to the accounts so that these accounting costs do not impact on the Council Tax Payer. The variance is made up of the variances in non-current asset depreciation, capital accounting & funding adjustments and pension fund adjustments.

Housing Revenue Account

The Housing Revenue Account (HRA) was estimated to make a surplus of £5.509m which was budgeted to be transferred to the Major Repairs Reserve (MRR) to support funding of the capital programme, HRA balances and debt repayment. The out-turn position is a surplus of £6.532m, this additional surplus has also been transferred to the Major Repairs Reserve to support future investment in the housing stock.

	Latest Approved Budget £'000	Actual £'000	Difference £'000
Income			
Investment Income	(72)	(101)	(29)
Housing Rents	(11,991)	(12,010)	(19)
Garage Rents	(97)	(102)	(5)
Other Income	(152)	(501)	(349)
	(12,312)	(12,714)	(402)
Expenditure			
Employees	77	70	(8)
Premises	779	825	46
Supplies and Services	1,258	1,189	(69)
Support Services	2,903	2,741	(162)
Transport	204	189	(15)
Debt Management Expenses	6	40	34
Interest Payable and Similar Charges	1,920	1,915	(5)
Contingency	75	-	(75)
Provision for Bad & Doubtful Debts	267	35	(232)
Budget Savings	-	-	-
	7,489	7,004	(485)
Net (surplus) / deficit	(4,823)	(5,710)	(887)
Other Non Cash Adjustments	6,237	6,005	(232)
Transfers to / (from) Reserves	(6,923)	(6,827)	96
(Surplus) / Deficit available for distribution	(5,509)	(6,532)	(1,023)
Transfers (to) / from MRR	(5,509)	(6,532)	(1,023)
Year End (Surplus) / Deficit	-	-	-

The table shows a difference against the HRA Budget of £1.023m. The table following looks at the major variances and gives a brief explanation as to why they have occurred. Councillors and officers continually review budgets to achieve efficiency savings.

NARRATIVE STATEMENT

4. Revenue Spending in 2020/21 continued

Housing Revenue Account		
	Variance £'000	Reason for Variance
Employees	(8)	Small saving on staff salaries.
Premises Costs	46	Impact of repairs costs to boilers through new gas servicing contract, offset by savings on fencing, asbestos surveying and solid fuel servicing.
Supplies & Services	(69)	Covid restrictions led to adaptaion savings and licensing costs of the new housing system.
External Interest Payable	(5)	Saving from not taking out additional PWLB borrowing to support Housing Development Scheme due to delays to the programme.
Other Income	(349)	Covid Grant received to support additional costs and income losses.
Contingency	(75)	Unspent in the year - held as unspent in year to help offset the shortfall in savings.
Rent - Dwellings	(19)	Small surplus in rents against the revised budget collected in year.
Investment Income	(29)	Earnings from investments have exceeded budget from a better return on cash balances.
Support Services	(162)	Lower recharges to HRA due to vacancies in the trades team.
Provision for Bad & Doubtful Debts	(232)	Sufficient provision in place for Debt Impairment therefore lower contribution required.
Transfers to / (from) Reserves	96	Revenue provision for budgets carried forward to 2021/22.
Other non cash adjustments	(232)	Reduced revenue contributions to support borrowing for housing development which wasn't taken out in the year.
Other Sundry variances	14	Numerous smaller and compensating variances contributing towards the final surplus.
Total	(1,023)	

Other non cash adjustments are the accounting adjustments made to the accounts to reverse out impairment and depreciation charges and the profit/loss on disposal of non-current assets. It also includes capital accounting adjustments and pension fund adjustments.

Within both the General Fund and HRA a number of projects and financial commitments were not completed by 31 March 2021 and financial resources are being carried forward to 2021/22 to complete these projects. The total value of carry forwards is £3.302m (£1.465m Housing Revenue Account, £1.837m General Fund).

The detailed Core Financial Statements and accompanying notes are shown on pages 20 to 104.

5. Capital Expenditure

In 2020/21 the Council spent £9.254m (2019/20 £7.840m) on its capital programme (£4.657m General Fund and £4.597 Housing Revenue Account). An analysis of where the money was spent and the sources of funding are shown in the following two tables:

Capital Programme Analysis	Original Budget £'000	Revised Budget £'000	Actual £'000	Proportion %
Council Dwelling Improvements	7,348	5,439	4,453	48.1%
Council dwelling construction	3,428	50	26	0.3%
Equipment & Vehicles, including Intangible Assets (e.g. computer software)	4,693	4,598	4,325	46.7%
Other Land and Buildings, including Community Assets	2,536	756	65	0.7%
Home Improvement Grants and Loans and Disabled Facilities Grants	799	414	384	4.1%
Empty Homes Programme	1,095	253	1	0.0%
Loans to Selby District Housing Trust	2,400	-	-	0.0%
Total	22,299	11,510	9,254	100%

NARRATIVE STATEMENT

5. Capital Expenditure continued

Where the money came from	Actual £'000	Proportion %
Prudential / Internal Borrowing	(3,996)	43.2%
Capital Receipts	(94)	1.0%
Major Repairs Reserve	(4,542)	49.1%
Grants and Contributions	(298)	3.2%
Revenue and Reserves	(324)	3.5%
Total	(9,254)	100%

Explanation of variances against budget

The Council planned to spend £22.2m on its capital programme in 2020/21. This was revised down to £11.5m during the year as a result of Covid related delays , £5.4m on General Fund and £6.1m on its Housing Investment. However there was an underspend of £0.78m on the General Fund and £1.48m on the Housing Revenue Account. The underspend on the General Fund was due a number of projects likely to commence in 2021/22 or span a number of years including moving the Contact Centre to the Civic Centre, Car Park improvement schemes, ICT schemes which cross multiple years and Council Play Area Maintenance. The HRA underspend was influenced heavily by Covid 19 providing challenges such as access to property both by lockdown and concerns around virus transmission, shielding, self isolation and materials shortages. Multi year contracts are being drawn up to maximise value for money. The majority of these budget savings will be carried forward to 2021/22 to complete, continue or progress these schemes.

The major items of capital expenditure in 2020/21 were as follows:

	Actual £'000
Leisure & Sports Facilities	25
IT Hardware & Software	183
Empty Property Grants	75
Energy Efficiency Programme	346
Health & Safety Improvement Programme	545
Property Refurbishment Programme	3,220
Property Investment Programme	342
Hostel & Community Centre Works	27
Car Parks	23
Fitting out new vehicle fleet & livery	65
Disabled Facilities Grants	298
Waste Collection Fleet	3,971
Purchase & Distribution of Recycling Bins	105
Housing developments	26
Other capital initiatives	3
Total	9,254

NARRATIVE STATEMENT

6. Borrowing Facilities and Capital Borrowing

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

The Council did not take out new external borrowing during 2020/21 but used internal borrowing to fund the purchase of the new waste collection fleet. This involves using cash held by the council which generates low returns in the current climate rather than borrowing externally from the Public Works Loan Board (PWLB) at higher rates.

7. Collection Fund

At 31 March 2021 there is a net deficit on the Collection Fund of £6.8m. The Council Tax element is a surplus of £858k of which £751k is owed to North Yorkshire County Council, The North Yorkshire Police and Crime Commissioner, Police and The North Yorkshire Police, Fire and Crime Commissioner, Fire and Rescue Authority. There is a deficit of £7.7m for non-domestic rates. Of the deficit £3.6m is owed by the central government and £879k by North Yorkshire County Council and North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority.

8. Pensions Liability

The Council participates in the Local Government Pension Scheme, administered by North Yorkshire County Council. The Pension Liability shown in the Balance Sheet increased from £10.395m at 31 March 2020 to £10.988m at 31 March 2021 based on the assumptions used at the 2019 Triennial Valuation. This liability is set out in detail in note 43 and has been brought about as the value of liabilities exceeds the fair value of assets on an accounting basis. It has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, but the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. During 2016/17 a substantial payment of £9.4m was made to decrease the pension liability, this was funded by earmarked reserves. The remaining deficit on the scheme will be made good by contributions over the remaining working life of employees as assessed by the scheme actuary. The next triennial valuation due in 2022 will give an updated position on the funding level of the Council and employer contribution rates will be set to reflect this.

9. Significant Points to Note in Respect of the Balance Sheet

The Balance Sheet on page 21 shows that the net worth of the Council increased by £11.3m to £202.4m. Significant movements on the balance sheet include an increase in non-current assets of £4.2m, primarily due to increase in Property Plant & Equipment of £4m, arising primarily from new investment in Vehicles, Plant and Equipment and revaluation of the Council's Housing Stock. Other key movements to mention are increase of £3m in Short Term Debtors, which has been driven by an increase in the balance due at year end from the MHCLG in relation to the NNDR pool. There has also been a repayment of some external borrowing in year, leading to the decrease in Short Term Borrowing figure by £6.6m. Useable reserves increased by £14.1m, the most notable movements being increases in Programme for Growth £7.4m and Business Rates Equalisation Reserve £3.4m. A new Covid-19 Grants reserve has also been created in year, which holds a balance of £1.9m at year end.

In 2020/21 the Council received capital receipts of 881k (£621k HRA & £0.260m General Fund) from the sale of council houses and other land and buildings. Of the £621k taken for the HRA £315k was paid over to the government as part of 'pooling arrangements' for council house sales.

10. Review of the Council's Current Financial Position

At the 31 March 2021 the Council's usable reserves stood at £66.302m compared to £52.171m at the end of 2019/20. Included within these figures are £3.0m (£1.5m General Fund and £1.5m HRA) of unallocated revenue reserves. The remaining usable reserves include £47.34m earmarked reserves, £8.9m major repairs reserve and £6.3m capital receipts reserve. The latter two represent sums set aside to meet the cost of future capital programme costs.

The Section 151 officer annually undertakes a risk assessment to calculate a minimum level for reserves. For 2020/21 the minimum level was calculated to be £1.5m for General Fund and £1.5m for the Housing Revenue Account. The Medium Term Financial Plan assumes increases to reserves over the next few years to ensure that future demands can be met.

NARRATIVE STATEMENT

11. Changes in Accounting Practices & Policies

This set of Accounts is prepared under International Financial Reporting Standards (IFRS) as set out in the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The IFRS requires that accounting policies are applied retrospectively.

Accounting policies are defined by the Code of Practice as "the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements". The starting premise is that accounting policies prescribed by the Code should be followed, but need not be applied if the effect of applying them is not material. The accounting policies of the Council have been reviewed for ongoing compliance with IFRS and amended as required.

Changes in accounting policies are only permitted if the change is required by the Code or where the change results in the financial statements providing more reliable and relevant information. A change in circumstances or adoption of policies for "new" transactions, events or conditions that did not occur or were not material previously are not classed as changes in accounting policies.

There have been no significant changes in accounting policy for the 2020/21 accounts.

12. Future Developments

The Council's Medium Term Financial Plan is set within a robust and well established planning framework (Medium Term Financial Strategy), which is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council. This strategic framework has enabled the Council to deliver significant performance improvements in many areas, whilst maintaining effective control and use of its limited financial resources. The Council is facing further risks and pressures over the medium term and these are identified in the following paragraphs.

Funding from Central Government: Reductions in central government funding are set to continue for the foreseeable future. The Council is no longer part of the North and West Yorkshire Business Rates Pool pilot that it was a part of in 2019/20. The Council is also in receipt of significant cash windfalls from renewable energy facilities. This income remains in doubt as the government considers the future system of business rates retention for local authorities, so the Council has resolved to earmark it for future growth related projects and to help to manage future risk.

Economic Climate: The economy continues to present challenges for the Council. The financial impacts of the covid-19 pandemic continue into 2021/22 including additional resource requirements, higher leisure costs and low investment interest returns with Bank of England base interest rates continuing to drive low returns on Council investments. The impacts of the Brexit process are creating additional uncertainty in the economy at present, in particular with risk to supplier costs as a result of the availability of materials. The Council continues to progress its housing development plans for the future which will increase demand on services including the waste and recycling service. This could see increased costs as a consequence of higher collections but also higher income from council tax. In addition, the future of the New Homes Bonus remains uncertain and we await the outcome of the Government's recent consultation on this. The Council's financial strategy and medium term financial plan recognise these challenges and seek to provide financial resilience through savings and efficiencies and through the use of reserves and balances where appropriate. For example using one-off resources to facilitate spend to save initiatives to deliver on-going savings and improved value for money.

Local Government Reorganisation: The Government invited proposals for reorganisation of local government in North Yorkshire in 2020/21. A number of the borough/district councils (including Selby) and North Yorkshire County Council submitted proposals for consideration. The Government has consulted and the outcome is expected in July 2021. The timescales for reorganisation should this ultimately go ahead are not yet confirmed but could be from April 2023. At this stage the accounts and financial plans are constructed on a 'going concern' basis - any assets and liabilities will transfer to any successor authority.

NARRATIVE STATEMENT

13. On-going impact of Covid-19 Pandemic on the Council

The impacts of the pandemic are expected to continue into 2021/22 as the vaccination programme is rolled out and lockdown measures and restrictions are gradually eased. A number of risks from 2021/22 onwards have been identified:

The District Council has identified a number of risks associated with the Covid-19 pandemic, including:

- continuing loss of income and additional costs including investment interest, additional resource requirements for backlogs of work and loss of income and additional cost in the leisure service.
- supply chain difficulties, price pressures from contractors e.g. increased costs of PPE (personal protective equipment), staffing costs due to adhering to social distancing guidance, increased demands on services from customers and businesses;
- increase in residents working from home resulting in higher volumes of recycling which combined with reducing recycling income per tonne could increase cost.
- major failure of provider/key providers results in the Council being unable to meet service user needs;
- adverse impact upon the local economy leading to a decrease in income received from Council Tax, Business Rates and fees and charges;
- potential return to austerity and further reduction in funding from Central Government as a result of the impact on HM Treasury's financial position as a result of the financial support measures introduced to mitigate the effects of the impact of Covid-19 on the economy;
- the achievement of savings targets in services where demand sees an increase to support Covid-19 measures;

The budget for 2021/22 includes significant contingencies to help with the on-going costs and losses and to support services address any backlog issues that have arisen over the last year. The leisure service has been particularly impacted and support measures have been agreed in principle, which include termination of the Summit contract. A settlement sum of £510k is anticipated in 2021/22 on finalisation of the contract termination. Future options for the Summit facility which is currently being used as a mass vaccination centre will be brought forward for consideration in due course.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The District Council'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 responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer (Section 151 Officer).
-
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

The Chief Finance Officer's responsibilities

The Chief Finance Officer (s151) is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts the Chief Finance Officer (s151) has:

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

The Chief Finance Officer (s151) has also:

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

Certification of the Accounts

I hereby certify that the Statement of Accounts on pages 19 - 103 present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2021.

Karen L. Iveson

CPFA

Chief Finance Officer (s151)

Dated

18 June 2021

Approval of the Accounts

This Statement of Accounts was approved by a resolution of the Audit and Governance Committee of Selby District Council on 29th September 2021

Councillor K Arthur

Chair of Audit Committee

(to be signed at the 29th September 2021 Audit & Governance Committee meeting)

Dated

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COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This Statement shows the economic 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 regulations; which is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement reconciles the year on year change in the net assets and Reserves held in the Balance Sheet.

The statement is divided into two sections; the Surplus or Deficit on the Provision of Services and the Other Comprehensive Income and Expenditure. The Surplus or Deficit on the Provision of Services represents the IFRS-based accountancy cost of delivering services by the County Council. The line items making up the Net Cost of Services have been amended from standard defined categories for local government, to a format which now more closely reflects the operational structure of the Council.

Other Comprehensive Income and Expenditure includes movements in the fair value of assets and actuarial movements on pension balances that are not reflected within the Surplus or Deficit of Provision of Services. All the results described above derive from continuing activities of the organisation.

2019/20				2020/21			
Expenditure £'000	Income £'000	Net Exp. £'000		Expenditure £'000	Income £'000	Net Exp. £'000	Notes
31,251	(15,783)	15,468	Corporate Services & Commissioning	34,968	(15,359)	19,609	
3,588	(1,385)	2,203	Economic Development, Regeneration and Place	3,222	(1,143)	2,079	
1,286	(357)	930	Legal & Democratic	1,149	(354)	795	
2,614	(15,255)	(12,641)	Finance	2,282	(12,452)	(10,170)	
38,739	(32,780)	5,960	Cost of Services	41,621	(29,308)	12,313	
		3,620	Other Operating Expenditure			3,724	9
		2,200	Financing and Investment Income & Expenditure			1,518	10
		(20,356)	Taxation and Non-Specific Grant Income			(28,282)	11
		(8,577)	(Surplus) or Deficit on Provision of Services			(10,727)	
		(1,776)	Other Comprehensive Income and Expenditure			(288)	27.1
		87	Surplus or deficit on Revaluation of Property, Plant and Equipment Assets			83	27.1
		-	Impairment Losses on Non-Current assets charged to the Revaluation Reserve			-	27.2
		(971)	(Surplus) / Deficit on financial assets measured at Fair Value through Other Comprehensive I&E			(887)	43
		(2,660)	Total Other Comprehensive Income and Expenditure			(1,092)	
		(11,237)	Total Comprehensive Income and Expenditure			(11,819)	

	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2019 carried forward	(1,653)	(25,575)	(2,265)	(2,296)	(5,883)	(5,491)	(486)	(43,649)	(136,124)	(179,773)
<u>Movement in reserves during 2019/20</u>										
(Surplus) or deficit on provision of services	(6,271)	0	(2,306)	0	0	0	0	(8,577)	0	(8,577)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	(2,660)	(2,660)
Total Comprehensive Expenditure and Income	(6,271)	0	(2,306)	0	0	0	0	(8,577)	(2,660)	(11,237)
Adjustments between accounting basis & funding basis under regulations (note 7)	(1,846)	0	3,360	0	(1,054)	(352)	(54)	54	(54)	(0)
Net Increase/Decrease before Transfers to Earmarked Reserves	(8,117)	0	1,054	0	(1,054)	(352)	(54)	(8,523)	(2,714)	(11,237)
Transfers to/from Earmarked Reserves (note 8)	8,266	(8,106)	(288)	128	0	0	0	0	0	0
(Increase) /Decrease movement in Year	149	(8,106)	766	128	(1,054)	(352)	(54)	(8,523)	(2,714)	(11,237)
Balance at 31 March 2020 carried forward	(1,503)	(33,680)	(1,499)	(2,168)	(6,937)	(5,843)	(540)	(52,171)	(138,838)	(191,009)
<u>Movement in reserves during 2020/21</u>										
(Surplus) or deficit on provision of services	(7,886)	0	(2,841)	0	0	0	0	(10,727)	0	(10,727)
Other Comprehensive Expenditure and Income		0		0	0	0	0	0	(1,092)	(1,092)
Total Comprehensive Expenditure and Income	(7,886)	0	(2,841)	0	0	0	0	(10,727)	(1,092)	(11,819)
Adjustments between accounting basis & funding basis under regulations (note 7)	(5,657)	0	4,891	0	(1,990)	(552)	(132)	(3,440)	3,440	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(13,543)	0	2,050	0	(1,990)	(552)	(132)	(14,167)	2,348	(11,819)
Transfers to/from Earmarked Reserves (note 8)	13,543	(13,564)	(2,051)	2,072	0	0	0	0	0	0
(Increase) /Decrease movement in Year	0	(13,564)	(1)	2,072	(1,990)	(552)	(132)	(14,167)	2,348	(11,819)
Balance at 31 March 2021 carried forward	(1,503)	(47,244)	(1,500)	(96)	(8,927)	(6,395)	(672)	(66,338)	(136,490)	(202,828)

BALANCE SHEET

31-Mar-20 £'000		31-Mar-21		Notes
		£'000	£'000	
191,389	Property Plant & Equipment	195,899		12
4,060	Investment Property	3,936		16
607	Intangible Assets	663		17
4,683	Long Term Investments	4,649		18
3,213	Long Term Debtors	3,152		19
203,952	Total Non-current Assets	208,300		
-	Short Term Investments	-		18
4,627	Short Term Debtors	7,606		18,19,22
67,111	Cash and Cash Equivalents	67,213		23
71,738	Total Current Assets	74,820		
275,690	Total Assets		283,120	
(6,752)	Short Term Borrowing	(15)		18
(12,030)	Short Term Creditors	(12,568)		24
(2,561)	Provisions	(2,409)		25
(110)	Grants Receipts In Advance	(1,479)		37
(21,453)	Total Current Liabilities	(16,471)		
(52,833)	Long Term borrowing	(52,833)		18
(10,395)	Other Long Term Liabilities: Defined Benefit Pension Scheme	(10,988)		43
	Finance Leases	-		40
(63,228)	Total Long Term Liabilities	(63,821)		
(84,681)	Total Liabilities		(80,292)	
191,009	Net Assets		202,828	
(52,171)	Usable Reserves		(66,338)	26
(138,838)	Unusable Reserves		(136,490)	27
(191,009)	Total Reserves		(202,828)	

Karen Iveson
CPFA
Chief Finance Officer (s151)

Dated 18 June 2021

CASH FLOW STATEMENT

2019/20 £'000		2020/21 £'000	Notes
(8,577)	Net (Surplus)/Deficit on the Provision of Services	(10,727)	
(12,936)	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	(2,687)	28
1,703	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1,607	28
(19,810)	Net Cash Flow from Operating Activities	(11,807)	
5,491	Investing Activities	6,792	29
(995)	Financing Activities	4,913	30
(15,314)	Net (increase) or decrease in cash and cash equivalents	(102)	
(51,797)	Cash and cash equivalents at the beginning of the reporting period	(67,111)	
(67,111)	Cash and cash equivalents at the end of the reporting period	(67,213)	23

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1a. Expenditure & Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. This statement also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Further details can be seen in Note 31 to the Core Financial Statements (page 71-72).

EXPENDITURE & FUNDING ANALYSIS FOR 2020/21

Directorate	Net Expenditure		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Chargeable to the General Fund and HRA Balances	Adjustments between Funding & Accounting Basis	
Corporate Services & Commissioning	16,126	3,484	19,610
Economic Regeneration & Place	2,236	(157)	2,079
Legal & Democratic Services	845	(51)	794
Finance	(5,133)	(5,037)	(10,170)
Cost Of Services	14,074	(1,761)	12,313
Other Income & Expenditure	(25,564)	2,524	(23,040)
(Surplus) or Deficit	(11,490)	763	(10,727)

	£'000
Opening General Fund & HRA Balance	(38,852)
(Surplus) or Deficit	(11,490)
Closing General Fund and HRA Balance at 31st March 2021	(50,342)

Movement in General Fund Working Balance	0
Movement in HRA Balance	(1)
Movement in Earmarked Reserves	(11,490)
	(11,491)

EXPENDITURE & FUNDING ANALYSIS FOR 2019/20

Directorate	Net Expenditure		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Chargeable to the General Fund and HRA Balances	Adjustments between Funding & Accounting Basis	
Corporate Services & Commissioning	13,088	2,380	15,468
Economic Regeneration & Place	2,387	(184)	2,203
Legal & Democratic Services	974	(44)	930
Finance	(5,708)	(6,932)	(12,640)
Cost Of Services	10,741	(4,780)	5,961
Other Income & Expenditure	(17,803)	3,267	(14,536)
(Surplus) or Deficit	(7,062)	(1,513)	(8,576)

	£'000
Opening General Fund & HRA Balance	(31,790)
(Surplus) or Deficit	(7,062)
Transfers Capital Grants Unapplied	0
Closing General Fund and HRA Balance at 31st March 2019	(38,852)

Movement in General Fund Working Balance	149
Movement in HRA Balance	766
Movement in Earmarked Reserves	(7,978)
	(7,062)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, (known as "the Code of Practice") (which is issued by the Chartered Institute of Public Finance and Accountancy), 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.

ii. Qualitative Characteristics of Financial Statements

(a). Relevance

The accounts have been prepared with the objective of providing information about the Council's financial position, performance and cash flows that is useful for assessing the stewardship of public funds and for making economic decisions.

(b). Reliability

The financial information is reliable as it has been prepared so as to reflect the reality or substance of the transaction, is free from deliberate systematic bias, is free from material error, is complete within the bounds of materiality and cost and has been prudently prepared.

(c). Comparability

In order to aid the understanding of the Statement of Accounts prior year comparable information is provided throughout the prime statements and the notes.

(d). Understandability

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local government. Every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary contained within the accounts.

(e). Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts.

iii. Underlying Assumptions

(a). Accruals Basis

The financial statements, other than cash flow, are prepared on an accruals basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

iii. Underlying Assumptions continued

(b). Going Concern

In July 2020, the Minister for Regional Growth and Local Government announced that the Ministry for Housing, Communities and Local Government (MHCLG) would be publishing the Devolution and Local Recovery White Paper imminently. As a result, Selby District Council jointly submitted a proposal on its vision as to how devolution and local government reorganisation could look across North Yorkshire in the future. The Secretary of State of MHCLG formally sought the views of the public on two proposals and the consultation closed on 19th April 2021. A decision is expected from MHCLG in July 2021. In May 2021 the MHCLG confirmed that the Devolution and Local Recovery White Paper would now be replaced by a White Paper on the government's Levelling Up programme. The timescales for reorganisation should this ultimately go ahead are not yet confirmed but could be from April 2023. At this stage the accounts and financial plans are constructed on a 'going concern' basis - any assets and liabilities will transfer to any successor authority.

iv. Accruals of Income and Expenditure (Debtors and Creditors)

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with recognised accounting policies and the Code of Practice. The accounts reflect sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

- Revenue relating to such things as Council Tax, Non Domestic Rates, is measured at the full amount receivable (net of any impairment losses as they are non-contractual non-exchange transactions and there can be no difference between the delivery and payment dates).
- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- In the event that consideration has been paid in advance of the receipt of goods or services or other benefit, an authority shall recognise a debtor (i.e. payment in advance) in respect of that outflow of resources.
- 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 on the balance sheet as inventories.
- In the event that consideration is received but the revenue does not meet the recognition criteria as described above, the Council recognises it as a creditor (i.e. receipt in advance) in respect of that inflow of resources.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- 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 income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Exceptions to this include electricity and similar periodic payments. These are included at the date of the meter readings rather than apportioned between two financial years. The policy is applied consistently to ensure a full year's expenditure is included and therefore this does not have a material effect on the year's accounts.

v. Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

vi. Capital Receipts

Amounts in excess of £10,000 received from disposals of assets are credited to the Usable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

A proportion of receipts relating to Housing Revenue Account dwellings (buildings) is payable into a Government pool, based on a central government formula.

vii. Council Tax Income

Selby District Council is a billing authority and is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates. The Fund's key features relevant to accounting for council tax in the core financial statements are detailed below.

In its capacity as a billing authority the Council acts as an agent: it collects and distributes Council Tax income on behalf of the major preceptors and itself. The major preceptors are North Yorkshire County Council, North Yorkshire Police and Crime Commissioner and North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority.

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors. The amount credited to the General Fund under statute is the Council's precept or demand for the year plus the Council's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection fund for the previous year; and this amount may be more or less than the accrued income for the year in accordance with GAAP, although in practice the difference would usually be small.

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year.

The difference between the income included in the Comprehensive Income & Expenditure Account 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.

Since collection of Council Tax is in substance an agency arrangement, the cash collected by the Council as billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from Council Tax debtors/creditors in the year the Council as billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

vii. Council Tax Income continued

If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from Council Tax debtors/creditors the Council as billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year and the major preceptor shall recognise a debit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

The Cash Flow Statement of the Council includes in Revenue Activities cash flows only of its own share of Council Tax net cash collected from Council Tax debtors in the year; and the amount included for precepts paid excludes amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from Council Tax debtors and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund is included as a net increase/decrease in other liquid resources.

viii. Charges to Revenue for Non-current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used for 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 they can be written off.
- Amortisation of intangible assets attributable to the service.

The Council does not raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the prudent reduction in its overall borrowing requirement based on the annual Capital Financing Requirement for capital projects funded from borrowing. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

ix. Employee Benefits

(a). Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the value of annual leave entitlement earned by employees but not taken before the year end which employees can carry forward into the following financial year. Any accrual would be charged to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

(b). Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis at year-end, to the appropriate service in the Comprehensive Income and Expenditure Statement at the point where either the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

ix. Employee Benefits continued

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

(c). Post Employment Benefits (Pensions)

The pension liabilities of the Council are to be accounted for using IAS 19 principles.

Council employees are members of the Local Government Pensions Scheme which is a fully funded defined benefits scheme administered by North Yorkshire County Council.

The liabilities of the North Yorkshire Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using the relevant discount rate for the year (based on the indicative rate of return on average weighted 'spot yields' on AA rated bonds).

The assets of the North Yorkshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value

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

Service costs, which comprise:

- Current service cost - the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost - the increase in liabilities 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 Comprehensive Income and Expenditure Statement.
- Interest cost - the net interest on the net defined benefit liability, i.e. net interest expense for the Council. This is a charge for one year's worth of the discount on the liabilities, as they unwind, and the liabilities become one year closer to payment. This cost is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

x. Employee Benefits continued

Remeasurement of liabilities will arise on an annual basis and relate to changes in assumptions about the value of assets and liabilities and demographic estimation, which comprise:

- 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 in the Comprehensive Income and Expenditure Statement.
- Actuarial gains and losses - changes in 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 - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Contributions paid to the North Yorkshire Pension Fund - cash paid as employer's contributions to the pension funding settlement of liabilities; not accounted for as an expense.

The General Fund and Housing Revenue Account are charged with the amount payable by the Council to the pension fund in the year, and not the amount calculated according to relevant accounting standards. Any difference between these amounts is adjusted through the Pensions Reserve. This item is shown as a reconciling item within the Movement in Reserves Statement. The Pension Reserve makes adjustments to reverse the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

xi. Events After the Balance Sheet Date

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 are 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xii. Exceptional Items

When items of income and expenditure 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 Council's financial performance.

xiii. Financial Instruments

A Financial Instrument is defined as: "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another." Although this covers a wide range of items, the main implications are in terms of investments and borrowings held by the Council.

As reflected in The Code, the accounting standard on Financial Instruments, IFRS 9 covers the concepts of recognition, measurement, presentation and disclosure. A financial asset or liability should be recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provision of the instrument.

The Council issued Local Government Loan Stock in 1995 and is carried at a lower amortised cost than the outstanding principal and interest, and is charged at a marginally higher effective rate of interest than the rate payable to stockholders, as the balance of the material amount of costs incurred in the stock issue is been financed over the remaining life of the stock.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, 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.

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

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The council's current investments that fall under FVPL are in property funds and are measured at market price, as quoted market prices exist for this type of investment. As these gains or losses impact on the General Fund balance, a statutory override has been agreed with the Ministry of Housing, Communities and Local Government, so any loss or gain is reversed and recorded in the Financial Instruments Revaluation Reserve, unless funded from capital in which case through the Capital Adjustments Account. Any gain or loss will only be realised when the investments are sold.

IFRS 9 Financial Instruments sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment that falls in to this category on an individual basis and assign an IFRS 9 category (amortised cost, FVPL or Fair Value through other comprehensive income). The assessment will be based on the underlying purpose for holding the financial instrument.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xiii. Financial Instruments continued

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (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. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement. Gains and losses (discounts and premiums) on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES. If the Council decides to write off these gains or losses on early repurchase / settlement then this can be done over 10 years or over the life of the new loan or over a shorter more prudent time scale. The CIES is charged with one year related costs with the rest being taken to the Financial Instruments Adjustment Account in the Balance Sheet via the Movement in Reserves Statement - General Working Balance. The accounting policy is to charge gains and losses to Net Operating Expenditure in the year of repurchase / settlement.

The Council issued Local Government Loan Stock in 1995 and is carried at a lower amortised cost than the outstanding principal and interest, and is charged at a marginally higher effective rate of interest than the rate payable to stockholders, as the balance of the material amount of costs incurred in the stock issue is been financed over the remaining life of the stock. This £6.5m loan was repaid during May 2020.

Discounts and/or premiums incurred on the premature repayment or rescheduling of loans prior to April 2009 cannot be attributed to any existing debt and are held in the Financial Instruments Adjustment Account, and will continue to be amortised to the General Fund and Housing Revenue Account over a period which represents the life of the loans repaid.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised Cost, where material.

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.

Soft Loans

The Council has the power to advance loans to Voluntary Organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement, charged to the relevant service, for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the Voluntary Organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provision requires that the impact of soft loans on the General Working Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Working Balance is managed by a transfer to or from the Financial Instruments Revaluation Reserve in the Movement in Reserves Statement.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xiv. Government Grants and Contributions

Government Grants are accrued and credited to income in the period in which the conditions of the grant have been met, and there is reasonable assurance that the grant or contribution will be received. Where income is received in advance of the related expenditure being incurred, any unspent grant funding will be transferred to earmarked or general reserves to reflect future year expenditure commitments. Where the grant or contribution is to fund capital purposes, then the grant income is recognised in the year it is received, although this is subject to any outstanding conditions having been met. Capital grant income recognised in the Comprehensive Income and Expenditure Statement, in advance of the year of that related expenditure is transferred to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure. Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution by the payer have been satisfied. These conditions are stipulations embedded within the terms and conditions of the agreement which 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 attached to the funding have not been satisfied are carried in the Balance Sheet as Income in Advance 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-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

xv. Intangible Assets

Intangible Assets are Non-Current Assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) through custodial or legal rights.

Intangible assets are measured initially at cost and their useful economic life is determined based on the length of time that the benefit of holding these non-current assets will accrue to the Council. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meet 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 lines(s) in the Comprehensive Income and Expenditure Statement to reflect the pattern of consumption of benefits.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xvi. Interest in Companies and Other Entities

The Council has a small share-holding (£2,520) in Veritau North Yorkshire Limited which is a private limited company. Veritau Ltd owns 50% of the share capital and four district councils, one of which is Selby District Council, own 12.5% each. Due to the immaterial value of this shareholding, the Council has chosen not to prepare supplementary Group Accounts.

xvii. Inventories and Long Term Contracts

In accordance with proper accounting practice, inventories (stocks) are valued at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

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

xviii. 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 at fair value, based on 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. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds greater than £10,000) the Capital Receipts Reserve.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xix. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of assets of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities incurred and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

The Council is in partnership with Inspiring Healthy Lifestyles for the delivery of Leisure Services in the District by WLCT. This arrangement for delivery of services is through the mechanism of jointly controlled assets.

xx. Leases

Leases are classified as either finance or operating leases, depending on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or lessee. Whether the lease is a finance lease or an operating lease depends on the substance of the transaction rather than the contract. Leases are classed as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Land and building elements of a lease are considered separately for the purpose of lease classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where the fulfilment of the arrangement is dependent on the use of specific assets. This is referred to as an embedded lease (e.g. assets used in delivery of the Street Scene Contract).

(a). The Council as Lessee

Finance Leases - Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its current value in existing use, measured at the lease's inception and depreciated over the life of the lease. The recognised asset is matched by a deferred liability for the obligation to pay the lessor over the duration of the lease agreement.

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 of the Comprehensive Income and Expenditure Statement).

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xx. Leases continued

(a). The Council as Lessee continued

Operating Leases - Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

(b). The Council as Lessor

Finance Leases - Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same area in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

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 debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement).

Finance Lease income is treated as a capital receipt. 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.

Operating Leases - Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xxi. Non-Domestic Rates (NDR) Income

With effect from 1 April 2013 the Government's localisation of business rates was introduced and the financing and accounting arrangements for NDR billing and income collection were changed. The following policy applies from 1 April 2013.

Selby District Council is a billing authority and as such is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates.

In its capacity as a billing authority the Council acts as an agent: it collects and distributes NDR income on behalf of the government, major preceptors and itself. The major preceptors are North Yorkshire County Council and North Yorkshire Police, fire and Crime Commissioner Fire and Rescue Authority.

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to the government and major preceptors. The amount credited to the General Fund under statute is the Council's pre-determined share for the year plus the Council's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection fund for the previous year; and this amount may be more or less than the accrued income for the year, although in practice the difference would usually be small.

NDR income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year.

The difference between the income included in the Comprehensive Income & Expenditure Account 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.

Since collection of NDR is in substance an agency arrangement, the cash collected by the Council as billing authority from NDR debtors belongs proportionately to the billing authority, the government and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and the government and each major preceptor to be recognised since the net cash paid to the government and each major preceptor in the year will not be its share of cash collected from NDR payers.

If the net cash paid to the government and the major preceptors in the year is more or less than its proportionate share of net cash collected from NDR debtors/creditors in the year, then the Council as billing authority shall recognise either a debit or credit adjustment for the amount over or underpaid to the government and major preceptors in the year and the government and major preceptors shall recognise a credit or debit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xxi. Non-Domestic Rates (NDR) Income continued

The Council's Cash Flow Statement only includes the Council's share of NDR net cash flows; and the amount included for precepts paid excludes amounts paid to the government and major preceptors. The difference between the government and major preceptors' share of the net cash collected from NDR debtors and net cash paid to the government and major preceptors is included as a net increase/decrease in other liquid resources.

xxii. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

xxiii. Private Finance Initiative (PFI) Scheme

The Council entered into a 30 year PFI scheme in 2003 with South Yorkshire Housing Association to construct and deliver 155 housing units. PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor. Payments made by the Council under the contract are charged to the General Fund Revenue Account to reflect the value of services received in each financial year.

The accounting requirements for PFI are based on International Financial Reporting Standards IFRIC 12 "Service Concession Arrangements". This requires PFI assets that are currently off balance sheet to be reviewed and in most cases to be brought onto an organisation's balance sheet during the PFI period, not just at the end of it.

The Council has reviewed its PFI contract. The Council put land into the project and this is currently leased to South Yorkshire Housing Association (SYHA) on a 999 year lease. This land is included in the Council's Balance Sheet. The dwellings are the property of SYHA and will remain their property at the end of the 30 year period and are not therefore included in the Council's Balance Sheet.

PFI credits - Government grants received for the scheme fall short of current levels of expenditure, annual deficits are drawn from an earmarked reserve created to fund contract expenditure.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xxiv. Property Plant and Equipment

Property, Plant and Equipment are non-current assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes on a continuing basis (more than one financial year).

Recognition - Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised, provided that the non-current asset yields future economic benefits or service potential to the Council for more than one financial year. Expenditure on repairs and maintenance does not add to an asset's potential to deliver future economic benefits or service potential and is charged to revenue as an expense when it is incurred.

The Council has a de-minimis level for capital expenditure on individual or grouped-up assets of £5k, and generally will not treat expenditure on individual assets below this as capital and such expenditure will be charged to revenue.

Measurement - Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xxiv. Property Plant and Equipment continued

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

- infrastructure, community assets and assets under construction - depreciated historical cost.
- council dwellings - existing use value for social housing (EUV-SH).
- Where there is no market-based evidence of the existing use value of an asset, because of the specialist nature of the asset, depreciated replacement cost (DRC) is used.
- All other assets valuations are determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as an indicator for the value of the asset.

Property, Plant and Equipment held on the balance sheet is revalued sufficiently regularly to ensure that the carrying amount is not materially different from the previously valuation estimate, and as a minimum every five years.

All land and buildings (other than Council Dwellings) were revalued at 31 March 2021. In accordance with the Code, all land and buildings that are not revalued are subject to a 'desk top review' each year with any material changes being reflected in the balance sheet in the year in which they occur.

Council Dwellings were valued at 31 March 2021 in order to comply with Resource Accounting for the Housing Revenue Account and are also subject to annual 'desk top reviews' with material changes being reflected in the year in which they occur. The next full revaluation is due as at April 2025.

Increases in values following the five yearly revaluations and annual desk top reviews are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service revenue account.

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

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 Comprehensive Income & Expenditure Statement.

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xxiv. Property Plant and Equipment continued

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

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

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

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

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the life of the property as estimated by the Valuer.
- Vehicles, plant, furniture and equipment - straight-line allocation over the life of the asset, as advised by a suitably qualified officer.
- Infrastructure - straight-line allocation over 25 years or less if appropriate.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale - When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at fair value less costs to sell under the definition of fair value in IFRS 13: – 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. This method of measurement will therefore consider the most advantageous market in which the asset could be sold for and does not place sole consideration on the existing use of the Council. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xxiv. Property Plant and Equipment continued

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 their existing use value; 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 value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains 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 Revenue Account disposals for council house buildings is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xxv. Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged as an expense to the appropriate service line(s) in the Comprehensive Income and Expenditure Statement in the year that the Council 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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

Contingent liabilities are not included in the accounts but disclosed as a note to the accounts. Only material types of liability will be disclosed with an estimate of the financial effect where known and any uncertainties relating to amounts or timing.

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. The disclosure will indicate the nature of the contingent asset and an estimate of its value.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

1b. Accounting Policies continued

xxvi Reserves

The Council maintains separate balances for the General Fund and Housing Revenue Account to or from which appropriations are made for annual surpluses or deficits.

The Council also sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Capital Reserves, consisting of the Major Repairs Reserve and Useable Capital Receipts can only be used for capital purposes and are not available for revenue purposes.

In addition certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits that do not represent usable resources for the Council. These reserves are explained in the relevant policies.

xxvii. 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 Council 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.

xxviii. Value Added Tax (VAT)

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

2. Accounting Standards that have been Issued but have not yet been adopted

Changes in accounting policies are retrospective unless alternative transitional arrangements are specified in the Code, i.e. the accounts have to be cleared of the effects of previous accounting policy and the new policy applied as if that policy had always been applied. This requires the recalculation of balances and comparative transactions to apply the policy from the date the income, asset or liability was first recognised. In addition, the Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code.

A complete set of financial statements is defined in the Code. This includes a Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

2. Accounting Standards that have been Issued but have not yet been adopted continued

CIPFA are considering the implications of adopting IFRS16 - Leases. This standard was originally expected to be adopted in the Statements of Accounts for 2020/2021 but this has been further deferred as a result of measures to address the demands placed on local authorities supporting the nation's response to the Covid-19 pandemic. IFRS 16 will not be adopted until 2022/23.

Other standards that have been issued but not yet adopted by the CIPFA Code of Practice include:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Any impact on the Statement of Accounts will be assessed at the time of adoption by the CIPFA Code of Practice.

3. Critical Accounting Judgements In Applying Accounting Policies

In applying the accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Classification of Leases

The Council has undertaken an analysis to classify the leases that it holds both as a lessor and a lessee, as either operating or finance leases. In deciding whether these transactions should be classified as leases, and which type of lease, under the accounting arrangements for ISA 17 Leases, it has been necessary to make judgements about the underlying economic substance of the lease agreement.

Arrangements Containing a Lease

The Council is deemed to control the assets that fall within contractual and other arrangements which involve the provision of a service using specific underlying assets and which are therefore considered to contain a lease. This affects the Street Scene and Leisure contracts. The accounting treatment for leases has been applied to these arrangements to determine whether the lease contained within them is a finance or operating lease and as a result additional assets are recognised as Property, Plant and Equipment in the Council's Balance Sheet.

Heritage Properties

The Council reviewed its assets in accordance with the accounting policy and as a result determined that no properties should be disclosed as heritage properties.

Assets Held For Sale

The Council has reviewed all assets in accordance with the accounting policy and determined that no properties currently need to be reclassified.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

4. Assumptions Made About The Future and Other Major Sources of Estimation

The statement of accounts contains estimated figures that are based on assumptions made by the Council about the uncertain outcome of future events. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual outcomes could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the following paragraphs.

Valuation and Revaluation of Property Plant and Equipment

Property, plant and equipment are revalued every five years. They are however, tested annually for indicators of impairment. Judgements are required to make an assessment as to whether there is an indication for impairment. The impairment tests include whether there has been any material damage to the asset as well as an examination of capital expenditure incurred in the financial year to ascertain whether it has resulted in an increase in value or an impairment of an asset. The influence of external market factors on the value of assets are also reviewed annually. This work is undertaken by the Valuers employed by the Council. If the actual results differ from the assumptions the value of property, plant and equipment will be over or understated. This would be adjusted at the full five yearly revaluation.

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. If the Council fails to sustain its current maintenance programme, the useful economic life of an asset may be reduced. If the useful life of assets is reduced then depreciation increases and the carrying amount of an individual asset may fall.

The material judgement in choice of accounting policy relates to the valuation of the Council's dwellings stock. The dwellings stock constitutes the majority of the Council's property plant and equipment base. The guidance issued by the Department for Communities and Local Government permits two valuation methods: the Beacon Approach and the Discounted Cash Flow Approach. The Council has chosen the Beacon Approach which groups properties according to their type and values them accordingly at Open Market Value, then applies a multiplication factor of 41% (previously 31% prior to 2016/17) to reflect Existing Use (Social Housing), as it is felt that this more accurately reflects the value of the stock.

The Council has also made a material judgement on the value level at which non land assets will be considered for componentisation. The threshold has been set at £150,000 and components will only be reflected if they constitute more than 20% of this total.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by North Yorkshire County Council (the Pension Fund Administrators) on behalf of the Council to provide the expert advice about the assumptions that are 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 £2,987k, while a 0.1% increase in salary inflation assumptions would result in an increase in the pension liability of £186k.

The net pension's liability was based on the 2019 actuarial valuation. However, the assumptions made to calculate the net pension liability are affected by a multitude of factors. The Council's net liability includes a share of the overall Pension Fund investment assets.

Arrears

At 31 March 2021, the Council had a sundry debtors balance of £7.4m, and applied an expected credit loss allowance totalling £1.3m.

The provision for bad and doubtful Council Tax debts is 24.6% of total arrears and has been calculated using prescribed formula. It is considered to be an adequate provision, and the Council includes its share of this sum in its balance sheet. The provision for bad and doubtful debts for national non-domestic rates has been calculated by a detailed analysis of the status of the debtor, including whether or not it is still trading. A provision equal to 25.3% of total arrears has been made, and the Council includes its share in its balance sheet.

Business Rates Appeals

The introduction of the Business Rates Retention Scheme from 1 April 2013 has led to local authorities being liable for their proportionate share of any cost of the cost of any successful appeals against business rates charged for all years, including those prior to 1 April 2013. The estimate has been calculated using details of appeals lodged with the Valuation Office and historic data on previous successful appeals. The 2010 rating list has been closed for appeals for some time so allowances are now only made for outstanding cases. The estimate for the 2017 rating list is based on intelligence from the Valuation Office Agency and information about appeals from the previous list.

5. Material Items of Income and Expenditure

The Council paid out a total of £10.259m in housing benefits in 2020/21 (£11.147m in 2019/20), and this was funded by government subsidy.

The Valuation Office has determined that part of the rating income collected is due to renewable energy. This element is 100% allocated to this Council and is not part of the usual split of Business Rates Income. The Council received £9.003m in income in relation to this in 2020/21 (£8.865m in 2019/20).

6. Events After the Balance Sheet Date

The draft Statement of Accounts were authorised by the Chief Finance Officer s151 on 18 June 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

6. Events After the Balance Sheet Date continued

The financial statements and notes have not been adjusted for any events which took place after 31 March 2021 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance. The General Fund is the statutory fund into which all the receipts of a council are required to be paid and out of which all liabilities of the council 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. However, the balance is not available to be applied to funding Housing Revenue Account services.

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

Major Repairs Reserve. The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations continued

2020/21	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(1,605)	(1,970)				3,575
Revaluation losses on Property, Plant and Equipment	437	(874)				437
Amortisation of intangible assets	(61)	-				61
Capital grants and contributions applied						-
Revenue expenditure funded from capital under statute	(443)			73	370	-
Soft Loans	-			(70)		70
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	(144)	(489)				633
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	289	1,260				(1,549)
Capital expenditure charged against the General Fund and HRA Balances	490	29				(519)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	503				(503)	
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	260	844		(1,104)		
Use of the Capital Receipts Reserve to finance new capital expenditure				235		(235)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(315)			315		

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations continued

2020/21	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustments primarily involving the Major Repairs Reserve:						
Transfer from the HRA to meet future capital and debt redemption costs		6,532	(6,532)			
Use of the Major Repairs Reserve to finance pension deficit payment						
Use of the Major Repairs Reserve to finance new capital expenditure		(337)	4,542			(4,205)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2					(2)
Adjustments primarily involving the Financial Instrument Revaluation Reserve						
Fair Value revaluations - Financial Instruments held at Fair Value through Profit & Loss	(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 (see note 43)	(2,321)	(111)				2,432
Employer's pensions contributions and direct payments to pensioners payable in the year	945	7				(952)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(3,661)					3,661
Cost of Services	(5,657)	4,891	(1,990)	(552)	(132)	3,440

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations continued

2019/20	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(1,351)	(2,075)				3,426
Revaluation losses on Property, Plant and Equipment	140	223				(363)
Amortisation of intangible assets	(79)	-				79
Capital grants and contributions applied						-
Revenue expenditure funded from capital under statute	(390)				390	-
Soft Loans	-			23		(23)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	-	(874)				874
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Statutory provision for the financing of capital investment	255	1,260				(1,515)
Capital expenditure charged against the General Fund and HRA Balances	1,076	210				(1,286)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	444				(444)	
Application of grants to capital financing transferred to the Capital Adjustment Account						
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	235	1,023		(1,258)		
Use of the Capital Receipts Reserve to finance new capital expenditure				461		(461)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(422)			422		

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

7. Adjustments between Accounting Basis and Funding Basis under Regulations continued

2019/20	General Fund Balances £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustments primarily involving the Major Repairs Reserve:						
Transfer from the HRA to meet future capital and debt redemption costs		4,301	(4,301)			
Use of the Major Repairs Reserve to finance pension deficit payment						
Use of the Major Repairs Reserve to finance new capital expenditure		(446)	3,247			(2,801)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4					(4)
Adjustments primarily involving the Financial Instrument Revaluation Reserve						
Fair Value revaluations - Financial Instruments held at Fair Value through Profit & Loss	(223)					223
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 43)	(2,509)	(266)				2,775
Employer's pensions contributions and direct payments to pensioners payable in the year	949	4				(953)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	25					(25)
Cost of Services	(1,846)	3,360	(1,054)	(352)	(54)	(54)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

8. Earmarked Reserves

The Council has reserves which have been set up voluntarily to earmark resources for future spending plans. This note sets out the amounts set aside from the General Fund and the Housing Revenue Account during the accounting period and the amounts posted back to meet General Fund and Housing Revenue Account expenditure over the same period. The major reserves, and the intended purpose of those reserves are described in more detail below:

	Balance at 31-Mar-19 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31-Mar-20 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31-Mar-21 £'000	See Notes Below
General Fund								
Asset Management	(861)	239	(450)	(1,072)	57	(200)	(1,215)	8.1
Business Rates Equalisation	(2,472)	363	(2,867)	(4,976)	208	(3,592)	(8,360)	8.2
Car Loan Bonds	(6)	-	(0)	(6)	-	(0)	(6)	8.3
Carried Fw'd Budgets	(458)	458	(271)	(271)	271	(635)	(635)	8.4
Contingency	(614)	308	(65)	(370)	100	(459)	(729)	8.5
Discretionary Rate Relief	(240)	-	-	(240)	-	-	(240)	8.6
District Election	(148)	118	(34)	(64)	0	(34)	(98)	8.7
ICT Replacement	(379)	677	(691)	(393)	280	(227)	(340)	8.8
NYCC Collaboration	(50)	-	-	(50)	-	-	(50)	8.9
Pensions Reserve	(842)	842	-	(0)	-	-	(0)	8.10
PFI Scheme	(3,528)	443	(308)	(3,393)	446	(294)	(3,241)	8.11
Programme for Growth	(9,631)	10,364	(6,334)	(5,601)	1,424	(8,797)	(12,975)	8.12
Special Projects Unallocated	-	-	(8,043)	(8,043)	8,569	(9,033)	(8,507)	8.13
ROS Maintenance	(134)	-	-	(134)	-	-	(134)	8.14
Spend to Save	(310)	41	(150)	(419)	49	-	(370)	8.15
Affordable Housing	(5,461)	511	(3,046)	(7,996)	-	-	(7,996)	8.16
Covid-19 Grants	-	-	-	-	-	(1,882)	(1,882)	8.17
Local Plan	(439)	90	(300)	(649)	233	(50)	(466)	8.18
Total	(25,574)	14,454	(22,560)	(33,679)	11,639	(25,203)	(47,243)	
Housing Revenue Account								
Carried Fw'd	(2,295)	2,295	(2,167)	(2,167)	2,167	(96)	(96)	8.4
Total	(2,295)	2,295	(2,167)	(2,167)	2,167	(96)	(96)	

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

8. Earmarked Reserves continued

- 8.1. The Asset Management reserve has been created to fund repairs and improvements to the Corporate Land & Buildings, Depots and Leisure Centres.
- 8.2. The Business Rates Equalisation reserve is to provide protection should the Council suffer early losses before the funding safety net is reached. It also holds accrued amounts for safety net payments until NNDR deficits are released to the General Fund.
- 8.3. The Car Loans Bond reserve exists to cover the potential event that an employee defaults on the repayment of their car loan.
- 8.4. A reserve to provide resources to fund budgets carried forward into the new financial year for schemes which have been delayed from prior years.
- 8.5. To fund contingency items throughout the year.
- 8.6. The Discretionary Rate Relief Fund has been created to meet the costs of the new policy.
- 8.7. To spread the cost of funding expenditure on the District Elections every 4 years.
- 8.8. The ICT Replacement reserve is to fund the purchase new computer equipment and upgrade of systems.
- 8.9. The NYCC Collaboration reserve has been created to meet implementation costs of the project.
- 8.10. To dampen the impact of future years' employers pensions costs increases.
- 8.11. To hold government grant and SDC contributions to pay for the housing PFI project .
- 8.12. The Programme for Growth reserve provides funds for capital or 'one-off' revenue projects to support delivery of the Council's Corporate Plan.
- 8.13. The Special Projects Unallocated is the reserve for projects not yet allocated
- 8.14. The Recreation and Outdoor Space (ROS) Maintenance reserve holds funds received through S106 agreements for recreation and open spaces maintenance.
- 8.15. The Spend to Save reserve provides 'up front' investment for initiatives that generate revenue budget
- 8.16. Developers contributions received towards provision of affordable housing.
- 8.17. Income received for Covid Business Grant Schemes not yet spent
- 8.18. To fund delivery of the District wide Local Plan.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

9. Other Operating Expenditure

2019/20 £'000		2020/21 £'000
1,841	Payments of Precepts to Parishes	1,906
1,704	Levies payable (Drainage Boards)	1,739
422	Contribution of Housing Capital Receipts to Government Pool	315
(346)	(Gain) / Loss on Disposal of Non-Current Assets	(236)
-	(Gain) / Loss on Disposal of Intangible Assets	-
3,620	Total	3,724

10. Financing and Investment Income and Expenditure

2019/20 £'000		2020/21 £'000
2,488	Interest Payable on Debt	1,990
4	Interest Element of Finance Leases	2
229	Net interest on the net defined benefit liability	228
194	Income and Expenditure in relation to investment properties and changes in their fair value	(20)
223	Financial Assets held at FVPL, changes in Fair Value	33
(938)	Investment Interest Income	(716)
2,200	Total	1,518

11. Taxation and Non-Specific Grant Income

2019/20 £'000		2020/21 £'000
(7,513)	Council Tax	(7,797)
(14,700)	Non-domestic Rates	(8,632)
14,939	NDR top-ups/tariffs and safety net income	10,364
-	Small Business Empty Property Rate Relief	-
(9,210)	Business Rates - Renewable Energy	(8,118)
(3,872)	Non Service Related Government Grants	(14,099)
-	Recognised Capital Grants and Contributions	-
(20,356)	Total	(28,282)

12. Property, Plant and Equipment

Movement on Non-Current Assets

The tables on the following two pages show the movement in value of the Council's non-current assets. The value of the Council's housing stock, and other properties owned by the Council are valued annually by a qualified firm of external valuers, either by way of a desk top review exercise, or a full valuation (carried out every 5 years). They also indicate the extent that any capital expenditure carried out on the housing stock has affected the value of individual properties.

12. Property, Plant and Equipment continued
Movement on Non-Current Assets continued

2020/21	Council Dwellings £'000	Other Land and Buildings £'000	Assets under Construction £'000	Surplus Assets £'000	Infra-structure £'000	Community Assets £'000	Vehicles Plant & Equipment £'000	Total Valued Assets £'000	Leased Vehicles & Equipment £'000	Total £'000
Cost or Valuation at 31 March 2020	158,592	29,841	51	634	786	269	5,553	195,727	3,072	198,799
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
Movement in 2020/21										
Additions	4,173	495	32	-	(14)	-	4,142	8,828	-	8,828
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,947	(2,114)	-	-	-	-	-	(167)	-	(167)
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(2,502)	(58)	-	(3)	-	-	-	(2,563)	-	(2,563)
Derecognition - disposals	(547)	(27)	-	-	-	-	-	(574)	-	(574)
Value as at 31 March 2021	161,663	28,137	83	631	772	269	9,695	201,251	3,072	204,323
Accumulated Depreciation and Impairment at 31 March 2020	0	(1,114)	-	-	(255)	(50)	(2,992)	(4,411)	(2,999)	(7,410)
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
Movement in 2020/21										
Transfers	-	-	-	-	-	-	-	-	-	-
Depreciation for the Year	(1,875)	(755)	-	-	(37)	-	(836)	(3,503)	(73)	(3,576)
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,694	410	-	-	-	-	-	2,104	-	2,104
Depreciation written out to the Revaluation Reserve	181	274	-	-	-	-	-	455	-	455
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the (Surplus)/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-
Derecognition - disposals	-	2	-	-	-	-	-	2	-	2
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-	-
Value as at 31 March 2021	0	(1,183)	-	-	(292)	(50)	(3,828)	(5,353)	(3,072)	(8,425)
Net Book Value at 31 March 2021	161,664	26,954	83	631	480	219	5,867	195,898	0	195,898
at 31 March 2020	158,593	28,727	51	634	531	219	2,561	191,316	73	191,389

12. Property, Plant and Equipment continued
Movement on Non-Current Assets continued

2019/20	Council Dwellings £'000	Other Land and Buildings £'000	Assets under Construction £'000	Surplus Assets £'000	Infra-structure £'000	Community Assets £'000	Vehicles Plant & Equipment £'000	Total Valued Assets £'000	Leased Vehicles & Equipment £'000	Total £'000
Cost or Valuation at 31 March 2019	158,719	28,967	(1)	621	367	269	3,854	192,796	3,072	195,868
Adjustment to opening balance									-	-
Movement in 2019/20										
Additions	3,619	336	52	-	419	-	1,760	6,186	-	6,186
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	732	712	-	16	-	-	-	1,460	-	1,460
Revaluation increases/ (decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(3,518)	(174)	-	(3)	-	-	-	(3,695)	-	(3,695)
Derecognition - disposals	(960)	-	-	-	-	-	(61)	(1,021)	-	(1,021)
Value as at 31 March 2020	158,592	29,841	51	634	786	269	5,553	195,727	3,072	198,799
Accumulated Depreciation and Impairment at 31 March 2019	(1,914)	(982)	-	-	(218)	(48)	(2,621)	(5,783)	(2,926)	(8,709)
Adjustment to opening balance	-	-	-	-	-	-	-	-	-	-
Movement in 2019/20										
Transfers										
Depreciation for the Year	(1,972)	(910)	-	-	(37)	(2)	(432)	(3,353)	(73)	(3,426)
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	3,769	484	-	-	-	-	-	4,253	-	4,253
Depreciation written out to the Revaluation Reserve	117	294	-	-	-	-	-	411	-	411
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the (Surplus)/ Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	-
Derecognition - disposals	-	-	-	-	-	-	61	61	-	61
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-	-
Value as at 31 March 2020	0	(1,114)	-	-	(255)	(50)	(2,992)	(4,411)	(2,999)	(7,410)
Net Book Value										
at 31 March 2020	158,593	28,727	51	634	531	219	2,561	191,316	73	191,389
at 31 March 2019	156,805	27,985	(1)	621	149	221	1,233	187,013	146	187,159

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

13. Depreciation Methodologies

Depreciation is generally provided on all non-current assets other than freehold land, and is charged from the date of purchase up to the date of disposal. Enhancements to the Council housing stock are assumed to take place at the start of the year. The Council depreciates its assets on a straight line basis over the expected life of the asset after allowing for a residual value. An external valuer has assessed the useful life of all Council owned buildings, which have been determined as follows:

	Estimated Useful Life (years)
Buildings	
Council Dwellings - Traditional Construction	55 - 60
Council Dwellings - Non-Traditional Construction	20 - 40
Garages	8
Operational Buildings	8 - 43
Non-Operational Buildings	20 - 25
Other Assets	
Vehicles, Plant & Equipment	3 - 15

14. Commitments Under Capital Contracts

The Council is required to disclose any significant commitments under capital contracts. These commitments relate to contractual obligations entered into but not discharged by 31 March 2021, and commitments to meet items in the proposed capital programme where contracts have not been entered into, which are not already reflected within the accounts.

The Council has authorised expenditure in future years of £38.032m, of which £7,351m was contractually committed at 31 March 2021. The table below analyses this sum into the individual programmes.

Expenditure approved and contracted at 31-Mar-20 £'000		Expenditure approved and contracted at 31-Mar-21 £'000	Period of Investment
3,575	Modernisations to HRA land & buildings	7,276	1 Year
-	Asset Management Plan Leisure Centres & Park	75	3 Years
69	Replacement of Vehicle Fleet	-	1 Year
125	ICT Systems & Infrastructure	-	1 Year
3,769	Total	7,351	

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

15. Revaluations

The following statement shows the progress of the Council's programme for the revaluation of assets. The valuation of Council assets is undertaken by external valuers, carried out by G Tyerman BSc, MRICS of Align Property Partners. The basis of valuation is set out in the statement of accounting policies and the numbers below include the desktop review. No revaluation is undertaken in relation to Vehicles, Plant, Furniture and Equipment.

The five yearly full inspection and revaluation for all Land and Buildings was undertaken in 2019/20. For the 2020/21 Financial year a desktop valuation exercise was performed.

	Council Dwellings £'000	Other Land and Buildings £'000	Total £'000
Valued at current value :	161,664	28,367	190,031

16. Investment Properties

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposals. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2019/20 £'000		2020/21 £'000
4,352	Opening Balance	4,060
-	Investment Property Acquisitions	-
-	Transfers (to)/from Property, Plant and Equipment	-
(292)	Net gains/(losses) from fair value adjustments	(124)
4,060	Closing Balance	3,936

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

17. Intangible Assets

2019/20				2020/21		
Software Licenses £'000	Other Intangible £'000	Total £'000		Software Licenses £'000	Other Intangible £'000	Total £'000
			Balance at start of year			
1,062	192	1,254	Original Cost	1,145	192	1,337
(493)	(157)	(650)	Accumulated amortisation	(562)	(167)	(729)
569	35	603	Net carrying amount at start of year	583	25	607
83	-	83	Expenditure in Year	116	-	116
-	-	-	Disposals in Year	-	-	-
(69)	(10)	(79)	Amortisation for the year	(61)	-	(61)
-	-	-	Amortisation derecognised on disposal	-	-	-
583	25	607	Net carrying amount at end of year	638	25	662
			Comprising:			
1,145	192	1,337	Gross carrying amounts	1,261	192	1,453
(562)	(167)	(729)	Accumulated amortisation	(623)	(167)	(790)
583	25	607		638	25	663

The intangible assets relate to current IT projects. Software licences are held for the Access to Services, Planning Public Access, Internal / External e-mail, Finance, Revenues & Benefits and Housing IT projects. Other Intangibles mainly relate to consultancy costs for these projects. The assets are shown at historical cost and will be amortised over 5 years on a straight line basis.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

18. Financial Instrument Balances

Changes as a result of the adoption of IFRS 9 - Financial Instruments

Following the CIPFA Code adoption of IFRS 9, the Council now recognises and measures financial assets at either amortised cost, at fair value through profit and loss or at fair value through other comprehensive income. Financial assets have therefore been reclassified into these new categories.

Categories of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments. Notes 20 and 46 provide further information.

Fair Values of Assets and Liabilities

Selby District Council holds units within two Property Funds. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date. Level 2 inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 are unobservable inputs for the asset or liability. Property Fund investments are held at Net Asset Value, as per the Investment Manager's Annual Statement, therefore classified as a Level 2 input.

	Long-Term		Current	
	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000
Fair Value the Profit or Loss	4,683	4,649	-	-
Amortised Cost:				
Loans	3,213	3,153	20	19
Other Debtors	-	-	2,915	4,153
	7,896	7,802	2,935	4,172
Fair Value through other comprehensive income - designated equity instruments	-	-	-	-
Fair Value through other comprehensive income - Other	-	-	-	-
Total Financial Assets	7,896	7,802	2,935	4,172
Non-Financial Assets	-	-	-	-
Total Financial Assets	7,896	7,802	2,935	4,172
Financial Liabilities				
Fair Value through Profit or Loss	-	-	-	-
Amortised Cost:				
PWL & LGS Stock Loans	(52,833)	(52,833)	(6,673)	(15)
Finance lease liabilities	-	-	(78)	-
Total Financial Liabilities	(52,833)	(52,833)	(6,751)	(15)
Non-Financial Liabilities:				
Creditors	-	-	(5,600)	(4,975)
Borrowings	-	-	-	-
Total Financial Liabilities	(52,833)	(52,833)	(12,351)	(4,990)
Cash and Cash Equivalents				
Financial assets carried at contract amounts	-	-	66,664	67,024
Financial liabilities carried at contract amounts	-	-	447	189
Total Cash and Cash Equivalents	-	-	67,111	67,213

19. Long Term Debtors

	Long-Term		Current	
	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000
Soft Loans	32	29	7	3
Employee Loans	23	27	11	14
Mortgages - Ex Council Houses	-	-	2	2
Repair Assistance Loans	222	233	-	-
Loan to Selby Housing Trust	2,936	2,864	-	-
Total Long Term Debtors	3,213	3,153	20	19

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

20. Financial Instruments Gains, Losses and Fair Values

	2019/20		2020/21	
	Surplus / Deficit on Provision of Services £'000	Other Comprehensive Income & Expenditure £'000	Surplus / Deficit on the Provision of Services £'000	Other Comprehensive Income & Expenditure £'000
Net Gains / Losses on				
Investment in equity instruments designated at Fair Value through Other comprehensive Income	223	-	33	-
Interest Revenue				
Financial Assets measured at amortised cost	(938)	-	(716)	-
Interest Expense	2,492	-	1,992	-
Net (gain) / loss for the year	1,777	-	1,309	-

The fair values of Selby District Council have been calculated using Link's method as follows:

	31 March 2020		31 March 2021	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB	52,833	98,433	52,833	85,268
Other Market Debt	6,500	6,791	-	-
Financial Liabilities	59,333	105,224	52,833	85,268

The fair value is higher than the carrying amount because the authority's portfolio of loans are all at fixed rates where the interest rate payable is higher than for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

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

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £52.8m would be valued at £70.3m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be the difference between the two valuations.

21. Inventories

The stock held by the Council is supplies for building maintenance which is used on council dwellings.

31-Mar-20 £'000		31-Mar-21 £'000
-	Opening Balance	-
347 (347)	Purchases in Year Usage in Year	256 (256)
-	Closing Balance	-

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

22. Debtors & Prepayments

31-Mar-20 £'000		31-Mar-21 £'000
1,200	Amounts falling due in one year:	
719	Central Government Bodies	3,047
4,013	Other Local Authorities	1,433
	Other Entities and Individuals	4,432
5,932		8,912
(1,305)	Less Provisions and Impairment Allowance	(1,306)
4,627	Total	7,606

22.1 Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follow:

31-Mar-20 £'000		31-Mar-21 £'000
659	Less than one year	1,180
501	More than one year	973
1,160	Total	2,153

23. Cash and Cash Equivalents

	Balance at 31-Mar-20 £'000	Balance at 31-Mar-21 £'000	Cash Movement £'000
Cash in hand	1	1	-
Cash at bank	447	189	(258)
Cash Equivalents	66,663	67,023	360
Total	67,111	67,213	102

The value of cash and cash equivalents has increased over the year, which is mainly due to Renewable Business Rates receipts and delays in the Capital programme.

The Council hold £275k in cash funds received from Inspiring Healthy Lifestyles which relate to performance and pension bonds on the Leisure Contract held with this organisation. These bonds are held in the event of a default against the pension fund or in the event of a material breach by Inspiring Healthy Lifestyles in their delivery of the contract to provide leisure services to Selby District Council and subject to the requirements of the agreements in place, are repayable to Inspiring Healthy Lifestyles at the end of the contract period. It has not been determined appropriate to include these balances on the Balance Sheet of Selby District Council, however if they were to be included in the assets of the Council, the net impact on the Balance Sheet as at 31 March would be determined to be nil, as a matching liability would also be required to be included to reflect the fact that no such default against pension fund or material contract breach has occurred as at 31 March.

The Council hold £40.8k in election bank accounts which are to be used to cover costs associated with the European, North Yorkshire County and Parliamentary Elections. These cash balances do not legally belong to the District Council and are used to cover costs incurred by the Central Government Cabinet Office in holding these elections. The District Council have chosen to therefore exclude these cash balances and any potential future costs & liabilities on the basis the District Council is acting as an agent of the Cabinet Office.

24. Creditors

31-Mar-20 £'000		31-Mar-21 £'000
(3,684)	Central Government Bodies	(5,643)
(1,002)	Other Local Authorities	(223)
(6,515)	Other Entities and Individuals	(6,305)
(829)	Section 106 Receipts (see note 24.1)	(397)
(12,030)	Total	(12,568)

24.1. Section 106 Receipts

Section 106 receipts are monies paid to the Council by Developers as a result of the grant of planning permission, where works are required to be carried out or new facilities provided as a condition of that permission (e.g. creation of a play area). The sums are restricted to being spent only in accordance with the agreement concluded with the Developer. The balances of Section 106 receipts held by the Council during the year were as shown in the following table.

	Balance at 31-Mar-20 £'000	Income £'000	Expenditure £'000	Balance at 31-Mar-21 £'000
Open Space Schemes	(330)	(13)	97	(246)
Health Care Facilities	(28)	-	-	(28)
Education	(345)	(75)	420	-
Public Transport / Traffic	(97)	(23)	23	(97)
Waste & Recycling	(28)	(19)	23	(24)
Total	(828)	(130)	563	(395)

Parish Councils can apply for the release of funds from the Open Space Schemes monies applicable to their Parish by submitting a proposed scheme to the Council. On approval of the scheme the monies will be paid over to the Parish Council in staged payments. The contributions from Developers relating to traffic management, public transport, education and health care schemes are received by the Council and then paid over to the appropriate authority. Section 106 receipts are also used to fund Affordable Housing, which are allocated to Council Earmarked reserves for future housing development schemes. The balance held at 31 March 2021 was £7.996m.

25. Provisions

	Industrial Units £'000	Redundancy & Retirement £'000	Property Searches £'000	NNDR Appeals £'000	Total £'000
Balance at 1 April 2019	(13)	-	(33)	(1,762)	(1,808)
Additional provisions made in 2019/20	(34)	-	-	(1,412)	(1,446)
Amounts used in 2019/20	-	-	-	693	693
Unused amounts reversed in 2019/20	-	-	-	-	-
Balance at 31 March 2020	(47)	-	(33)	(2,481)	(2,561)
Additional provisions made in 2020/21	3	-	-	(304)	(301)
Amounts used in 2020/21	-	-	-	453	453
Unused amounts reversed in 2020/21	-	-	-	-	-
Balance at 31 March 2021	(44)	-	(33)	(2,332)	(2,409)

The provision for property searches relates to the settlement of refund of fees claims relating to access to land charges data. The provision has been recognised at the best estimate of the claims, interest and costs that will be payable.

The NNDR Appeals provision is a result of the new Business Rates Retention Scheme. The Council is now liable for its proportionate share of the cost of refunds for successful appeals against business rates for 2013/14 and all earlier financial years. The provision has been recognised at the best estimate of the amount that may be refunded should the appeals be successful. The estimate has been calculated using the Valuation Office ratings list of appeals and an analysis of successful appeals to date, with an assumption that as the rating list is almost five years old most appeals will have been submitted and will be settled shortly.

The provision for Redundancy and Retirement relates to the pension strain and costs associated with the corporate restructure and other projects.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

26. Usable Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. These Reserves can be analysed between Usable (i.e. the balances are available to support the delivery of Council Services) and Unusable (i.e. they are kept to manage accounting processes for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Authority). Unusable Reserves are detailed in note 27.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement, and set out in detail in note 7. Descriptions of each reserve are shown after the following table.

2019/20		2020/21	Note
£'000		£'000	
	Usable Reserves		
(1,503)	General Fund	(1,503)	26.1
(35,848)	Earmarked Reserves	(47,340)	26.2
(1,499)	Housing Revenue Account	(1,500)	26.3
(6,937)	Major Repairs Reserve	(8,927)	26.4
(5,843)	Capital Receipts Reserve	(6,395)	26.5
(540)	Capital Grants Unapplied	(672)	26.6
(52,171)	Total	(66,338)	

26.1. General Fund

This is a non-earmarked balance which is set aside to cover unforeseen events and the risk of inflation increases. The Council has a minimum level for this balance set at £1.5m. Any amounts above this may be used to support the budget and future council tax levels within the context of the Council's financial strategy.

26.2. Earmarked Reserves

The Council has reserves which have been set up voluntarily to earmark resources for future spending plans. The details of these reserves are set out in note 8.

26.3. Housing Revenue Account

These are non-earmarked balances which are set aside to cover unforeseen events and the risk of inflation increases within the Housing Revenue Account. The Council has a minimum level for these balances set at £1.5m. Any amounts above this may be used to support the budget within the context of the Council's financial strategy.

26.4. Major Repairs Reserve

This is an earmarked balance which is used to support capital expenditure on the Council's Housing stock. It's purpose is to hold funds for the housing capital programme or the repayment of HRA debt until such time as they are required.

26.5. Capital Receipts Reserve

Usable capital receipts are created from the income arising from the sale of non-current assets and other capital income including the sale of intangible assets which are assets that have no physical substance, receipts from loans, right to buy discounts and covenants which are used to finance capital expenditure. They are held in this reserve until such time as they are required.

26.6. Capital Grants Unapplied Reserve

This reserve holds grants and contributions that the Council has received from central government and other organisations towards the costs of capital expenditure that have not been used at the balance sheet date, but which will be used in the future. The contributions held in this reserve do not have conditions attached to either the timing of their use or the purpose for which they may be utilised or both.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Unusable Reserves

Unusable reserves are those that are kept to manage accounting processes for non-current assets, financial instruments, and retirement benefits and do not represent usable resources for the Authority. Usable Reserves are detailed in note 26.

Details of each of the reserves, together with movements in the year, are shown after the table.

2019/20 £'000		2020/21 £'000	Note
	Unusable Reserves		
	Revaluation Balances		
(21,495)	Revaluation Reserve	(21,245)	27.1
261	Held at Fair Value through P&L Financial Instrument Reserve	294	27.2
	Adjustment Accounts		
(127,426)	Capital Adjustment Account	(129,613)	27.3
2	Financial Instruments Adjustment Account	-	27.4
-	Deferred Capital Receipts Reserve	-	27.5
10,395	Pensions Reserve	10,988	27.6
(575)	Collection Fund Adjustment Account	3,086	27.7
(138,838)	Total	(136,490)	

27.1. Revaluation Reserve

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

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

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

2019/20 £'000		2020/21 £'000
(20,220)	Balance brought forward at 1 April	(21,495)
(4,192)	Upwards revaluation of assets	(3,251)
2,416	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	2,963
(1,776)	Surplus/(Deficit) on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	(288)
414	Difference between fair value depreciation and historical cost depreciation	455
87	Accumulated losses on assets sold or scrapped	83
501	Amount written off to the Capital Adjustment Account	538
(21,495)	Balance carried forward at 31 March	(21,245)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Unusable Reserves continued

27.2. Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are held at Fair Value through Profit or Loss. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised.

2019/20 £'000		2020/21 £'000
38	Balance brought forward at 1 April	261
223	Upward revaluation of investments	33
-	Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	-
223	Total movement on the reserve in Year	33
261	Balance carried forward at 31 March	294

27.3. Capital Adjustment Account

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

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

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

2019/20 £'000		2020/21 £'000
(124,941)	Balance brought forward at 1 April	(127,426)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
3,426	Charges for depreciation and impairment of non-current assets	3,575
(363)	Revaluation to reverse historic impairment of Property, Plant & Equipment previously charged to Income and Expenditure Account	437
79	Amortisation of intangible assets	61
390	Revenue expenditure funded from capital under statute	443
961	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposals to the Comprehensive Income and Expenditure Statement	716
4,493		5,232
(500)	Adjusting amounts written out of the Revaluation Reserve	(538)
3,993	Net written out amount of the cost of non-current assets consumed in the year	4,694

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Unusable Reserves continued

27.3. Capital Adjustment Account continued

2019/20 £'000		2020/21 £'000
3,993	Net written out amount of the cost of non-current assets consumed in the year	4,694
	Capital financing applied in the year:	
(461)	Use of the Capital Receipts Reserve to finance new capital expenditure	(308)
(2,801)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,205)
-	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
(390)	Application of grants to capital financing from the Capital Grants Unapplied Account	(370)
(1,260)	HRA voluntary set aside for debt repayment	(1,260)
(181)	Minimum Revenue Provision - Borrowing	(211)
(76)	Minimum Revenue Provision - Leases	(78)
(1,286)	Capital expenditure financed from revenue	(519)
(6,455)	Total capital financing applied in the year	(6,951)
(23)	Loan Adjustments	70
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-
(127,426)	Balance carried forward at 31 March	(129,613)

27.4. Financial Instruments Adjustment Account

This 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 benefitting from gains per statutory provisions. The Council has used the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2019/20 £'000		2020/21 £'000
5	Balance brought forward at 1 April	2
(3)	Soft Loan adjustment	(2)
(3)	Total movement on the account in Year	(2)
2	Balance carried forward at 31 March	-

The Available-for-Sale Financial Instruments Reserve and the Financial Instruments Adjustment Account are two reserves that help to manage the accounting requirements for financial instruments. Financial instruments are required to be carried at fair value and the outcome of proper accounting practices for the Comprehensive Income and Expenditure Statement is different from that required for assessing the impact on local taxes. These reserves are matched by borrowings and investments within the Balance Sheet and are not resources available to the Council.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27. Unusable Reserves continued

27.5. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal on non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2019/20 £'000		2020/21 £'000
-	Balance brought forward at 1 April	-
-	Principal Repayments in year transferred to the Capital Receipts Reserve	-
-	Balance carried forward at 31 March	-

27.6. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid, however during 2016/17 the Council took a decision to make an early repayment to the pension deficit of £9.4m.

2019/20 £'000		2020/21 £'000
9,544	Balance brought forward at 1 April	10,395
(971)	Remeasurement of the net defined benefit liability	(887)
2,775	Reversal of items relating to retirement benefits debited or credited to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,432
(953)	Employer's pensions contributions and direct payments to pensioners payable in the year	(952)
10,395	Balance carried forward at 31 March	10,988

27.7. Collection Fund Adjustment Account

This 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.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

27.7. Collection Fund Adjustment Account continued

2019/20 £'000		2020/21 £'000
(550)	Balance brought forward at 1 April	(575)
(25)	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	3,661
(575)	Balance carried forward at 31 March	3,086

28. Cash Flow Statement - Operating Activities

The analysis for the adjustments to the net (surplus)/deficit on the provision of services for non-cash movements is shown below.

2019/20 £'000		2020/21 £'000
(2,873)	Depreciation, amortisation, impairment and revaluations	(4,053)
(4,351)	Movement in creditors	581
(1,779)	Movement in debtors	2,968
-	Movement in provision for debt impairment	-
-	Movement in inventories	-
-	Movement in provisions	-
(1,804)	Movement in pensions liability	(1,545)
(961)	Carrying amount of non-current assets sold	(716)
(1,168)	Other non-cash items charged to the provision of services	78
(12,936)		(2,687)

The analysis for the adjustments to the net (surplus)/deficit on the provision of services that are investing and financing activities are shown in the following table.

2019/20 £'000		2020/21 £'000
1,220	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	870
483	Capital grants credited to the (surplus)/deficit on the provision of services	737
-	Any other items for which the cash effects are investing or financing cash flows	-
1,703		1,607

The cash flow for operating activities include the following items:

2019/20 £'000		2020/21 £'000
(938)	Interest received	(716)
2,488	Interest paid	1,990
1,550		1,274

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

29. Cash Flow Statement - Investing Activities

2019/20 £'000		2020/21 £'000
6,403	Purchase of property, plant and equipment, investment property and intangible assets	8,449
-	Purchase of short-term and long-term investments	-
833	Other payments for investing activities	52
(1,220)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(859)
-	Proceeds from short-term and long-term investments	-
(525)	Other receipts from investing activities	(850)
5,491	Net cash flow from investing activities	6,792

30. Cash Flow Statement - Financing Activities

2019/20 £'000		2020/21 £'000
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activities	-
76	Cash payments for the reduction of the outstanding liabilities relating to finance leases	78
-	Repayment of short and long-term borrowing	6,466
(1,071)	Other payments for financing activities	(1,631)
(995)	Net cash flow from financing activities	4,913

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

31. Expenditure and Funding Analysis (further details)

Adjustments from GF & HRA to arrive at the Comprehensive Income and Expenditure Statement amounts

2020/21	Adj for Capital Purposes	Net change for the Pensions Adj	Other Differences	Total Adjustments
Corporate Services & Commissioning	4,065	(582)	-	3,483
Economic Regeneration & Place	28	(185)	-	(157)
Legal & Democratic Services	-	(50)	-	(50)
Finance	(8,560)	(135)	3,661	(5,034)
Net Cost of Services	(4,467)	(952)	3,661	(1,758)
Other Operating Expenditure	92	2,432	-	2,524
Difference between General Fund Surplus or Deficit and Expenditure Statement Surplus or Deficit	(4,375)	1,480	3,661	766

2020/21 Expenditure and Income Analysed by Nature

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

Expenditure/Income

	£'000
Income	
Fees, charges and other service income	(4,568)
Interest and investment income	(2,220)
Income from NDR & Council Tax	(18,802)
Benefits Subsidy	(10,322)
Government Grants	(11,361)
HRA Property Rent	(12,185)
Total Income	(59,458)
Expenditure	
Employee Benefits Expenses	9,544
Premises	1,640
Supplies & Services	15,156
Transport	308
Benefit Payments	10,379
Interest Payments	3,725
Third Party Payments	377
Depreciation, amortisation, Impairment and Revaluations	3,642
Precepts & Levies	3,645
Capital Receipts Pool Payment	315
Total Expenditure	48,731
(Surplus) / or Deficit on Provision of Services	(10,727)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

31. Expenditure and Funding Analysis (further details)..... Continued

Adjustments from GF & HRA to arrive at the Comprehensive Income and Expenditure Statement amounts

2019/20	Adj for Capital Purposes	Net change for the Pensions Adj	Other Differences	Total Adjustments
Corporate Services & Commissioning	2,960	(580)	-	2,380
Economic Regeneration & Place	11	(196)	-	(184)
Legal & Democratic Services	-	(44)	-	(44)
Finance	(6,774)	(133)	(25)	(6,932)
Net Cost of Services	(3,803)	(953)	(25)	(4,781)
Other Operating Expenditure	491	2,775	-	3,266
Difference between General Fund Surplus or Deficit and Expenditure Statement Surplus or Deficit	(3,312)	1,822	(25)	(1,515)

2019/20 Expenditure and Income Analysed by Nature

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

Expenditure/Income

	£'000
Income	
Fees, charges and other service income	(8,020)
Interest and investment income	(2,467)
Income from NDR & Council Tax	(18,266)
Benefits Subsidy	(11,149)
Government Grants	(3,113)
HRA Property Rent	(12,235)
Total Income	(55,251)
Expenditure	
Employee Benefits Expenses	9,753
Premises	1,438
Supplies & Services	12,407
Transport	280
Benefit Payments	11,245
Interest Payments	4,250
Third Party Payments	334
Depreciation, amortisation, Impairment and Revaluations	3,000
Precepts & Levies	3,544
Capital Receipts Pool Payment	422
Total Expenditure	46,674
(Surplus) / or Deficit on Provision of Services	(8,577)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

32. Officers' Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150k but equal to or more than £50k per year. This covers all Posts held where remuneration packages exceed £50k and therefore no further disclosure required in relation to employee remuneration over £50k.

2020/21			Total		
Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'000	Remuneration excluding pension contributions 2020/21 £'000	Employer's pension contributions £'000	Total Remuneration including pension contributions 2020/21 £'000
Chief Executive	90	4	95	14	108
Director of Corporate Services & Commissioning to 30/04/2020	8	-	8	1	9
Director of Corporate Services & Commissioning from 01/05/2020	53	1	54	9	63
Director of Economic Regeneration & Place	85	1	86	13	99
Head of Business Development & Improvement	63	1	64	10	74
Head of Commissioning, Contracts & Procurement	59	1	60	9	69
Head of Community, Partnerships & Customers	61	1	62	9	71
Head of Operational Services	63	1	64	10	74
Head of Economic Development Regeneration	51	1	52	8	60
Head of Planning	59	1	60	9	69
Solicitor to the Council	65	1	66	10	76
	659	12	671	100	771

The Chief Executive post was created in partnership with North Yorkshire County Council (NYCC) from October 2013. The salary included above represents 80% of the Partnership costs, of an annual salary of £108,256 for SDC. The Chief Finance Officer S151 is a joint role (Chief Finance Officer SDC and Assistant Director Strategic Resources, NYCC) employed directly by North Yorkshire County Council and shared 50:50 between the two councils. The Head of Economic Development Regeneration post was created in partnership with LEP from July 2018. The salary included above represents 80% of the Partnership costs, of an annual salary of £59,831.

32. Officers' Remuneration continued.....

2019/20			Total Remuneration excluding pension contributions 2019/20 £'000	Employer's pension contributions £'000	Total Remuneration including pension contributions 2019/20 £'000
Post Title	Salary (including fees & allowances) £'000	Benefits in Kind (car allowance) £'000			
Chief Executive	88	4	92	15	107
Director of Corporate Services & Commissioning	83	1	84	14	98
Director of Economic Regeneration & Place	83	1	84	14	98
Head of Business Development & Improvement	60	1	61	10	71
Head of Commissioning, Contracts & Procurement	57	1	58	10	68
Head of Community, Partnerships & Customers	57	1	58	10	68
Head of Operational Services	61	1	62	10	72
Head of Economic Development Regeneration	50	1	51	8	59
Head of Planning	57	1	58	10	68
Solicitor to the Council to 23rd September 2019	13	-	13	2	15
Solicitor to the Council wef 23rd September 2019	33	-	33	6	39
	642	12	654	109	763

The Council has no other employees who receive more than £50k remuneration, excluding employers pension contributions.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

32. Exit Packages

The Council approved termination of the contract of 3 employees in 2020/21 (2 in 2019/20), incurring liabilities of £63k (£47k in 2019/20). The number of exit packages and total cost per band are shown in the following table. These costs have arisen due to the Council's organisational and functional review. The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)		Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band		
		2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	
£'000	£'000							£'000	£'000	
0	-	20,000	1	-	1	2	2	2	4	18
20,001	-	40,000	-	-	-	-	-	-	-	-
40,001	-	60,000	1	-	-	1	-	1	43	45
60,001	-	80,000	-	-	-	-	-	-	-	-
80,001	-	100,000	-	-	-	-	-	-	-	-
100,001	-	150,000	-	-	-	-	-	-	-	-
Total			2	-	1	3	2	3	47	63

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

33. Surpluses / Deficits on Significant Trading Operations

Trading operations are activities of a commercial nature financed substantially by charges to recipients of the service. The Council offers a Commercial Waste Service and despite being impacted upon by Covid-19 this service generated a surplus of

34. Agency Services

The Council acts as agent for central government, North Yorkshire County Council and North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority in the collection of non-domestic rates, and as agent for North Yorkshire County Council, North Yorkshire Police and Crime Commissioner and North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority in the collection of council tax. Further details are given in the notes to the Collection Fund.

35. Members Allowances

The cost of Members Allowance payments is included within Legal & Democratic costs and in 2020/20 amounted to £201k (£214k in 2019/20). The 2020/21 figures include a £500 allowance paid to the vice chair (2019/20 £500 Vice Chair). The payments can be allocated as follows:

2019/20 £'000		2020/21 £'000
203	Allowances	200
11	Expenses	1
214	Total	201

36. External Audit Costs

The Council's external auditors are Mazars. The Council incurred the following fees relating to the audit of the Statement of Accounts, certification of grant claims and statutory inspections:

2019/20 £'000		2020/21 £'000
34	Fees due to the External Auditors with regard to external audit services carried out by the appointed auditor.	44
14	Fees payable to the External Auditors for the certification of grant claims and returns.	14
48	Total	58

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

37. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2019/20 £'000		2020/21 £'000
	<u>Credited to Taxation and Non-specific Grant Income</u>	
-	Revenue Support Grant	-
(9,210)	Renewable Energy Business Rates	(8,118)
	Non-Service Related Government Grants	
(1,955)	New Homes Bonus	(2,534)
(99)	New Burdens Grants	(287)
(1,783)	Sect. 31 NNDR Relief Grants	(4,620)
	COVID-19 - Business	(5,263)
	COVID-19 - Service	(1,379)
(35)	Other Small Grants	(16)
(13,082)	Total	(22,217)
	<u>Credited to Services</u>	
	Other Government Grants:-	
(6,256)	Rent Allowances	(5,761)
(4,739)	Rent Rebates	(4,413)
(444)	Private Sector/Disabled Facilities Home Improvement Works (General Fund)	(503)
-	Supporting People	-
(190)	Housing Benefits Admin & Counter Fraud Grant	(182)
(278)	Private Finance Initiative	(278)
-	Discretionary Housing Payments Grant	-
(269)	Other Small Grants	(398)
(12,176)	Total	(11,535)

The Council has previously received a number of grants, contributions and donations that were not recognised as income as they had conditions attached to them at the balance sheet date that required the monies or property to be returned to the giver if they are not utilised for the intended purpose. Capital grant receipts in advance are sums of money received from the Government and other organisations to contribute towards the costs of non-current assets and other capital expenditure such as grants to other organisations. When the conditions for the grant are met it is transferred to the Comprehensive Income and Expenditure Statement. Should the conditions not be met then the grant is repaid. All capital grants received in year have been fully utilised. A new line for Covid-19 Business Grants received where conditions have not presently been met as at 31.03.21 has been disclosed below. The full balances at the year-end are as follows:

	Long-Term		Current	
	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000
<u>Grants Receipts in Advance</u>				
Individual Electoral Registration	-	-	(10)	(10)
Better Care Fund	-	-	(69)	(69)
Covid-19 Business Grants	-	-	-	(1,369)
Transformation Challenge Award	-	-	(31)	(31)
Total	-	-	(110)	(1,479)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

38. Related Party Transactions

The Council is required to disclose all material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits, council tax bills). Grants received from Government Departments and recognised as income in the year are disclosed in Note 37, together with receipts in advance not yet recognised as income.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of member allowances paid in 2020/21 is shown in Note 35.

Some Members are directors and/or trustees of various entities in their own private capacity. During 2020/21 the following material transactions took place with organisations in which Members have an interest. In all instances contracts and grants were made with proper consideration of declarations of interest.

No. of Members With an Interest	2019/20 Transactions £'000	2019/20 Balance Owed £'000		No. of Members With an Interest	2020/21 Transactions £'000	2020/21 Balances Owed £'000
1	-	-	Sherburn and Elmet Community Trust	1	-	-
1	-	-	Selby District Vision		-	-
1	1,231	-	Selby Housing Trust	1	215	-
2	-	-	Selby & District Rail User Group			-
5	1,703	-	Various Selby District Drainage Boards	2	1,739	-
1	83	-	Groundwork North Yorkshire			-
3	49	-	CEF's	1	19	-
14	3,066	-	Total	5	1,973	-

The register of Members' Interest is open to public inspection at the Civic Centre during office hours, on application.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

38. Related Party Transactions continued

Officers

In 2020/21 there were no material related party transactions requiring disclosure in relation to officers who have the authority and responsibility for planning, directing and controlling the activities of the Council.

The Chief Executive post was created in partnership with North Yorkshire County (NYCC) Council in October 2013 and is split 80% Selby District Council and 20% as Assistant Chief Executive (NYCC). The Chief Finance Officer (S151) is a director of Veritau North Yorkshire Ltd and is fully employed as an Assistant Director in Strategic Resources at North Yorkshire County Council. A Head of Service of the Council acts as a Managing Director of Selby and District Housing Trust. A member of the Housing Team acts as the Company Secretary of Selby and District Housing Trust.

Other Public Bodies

During the year the Council made payments to other public bodies, which are not considered to be related parties as they are subject to common control by central government and include payments of precepts to North Yorkshire County Council, North Yorkshire Police and Crime Commissioner and North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority.

The internal audit, counter-fraud and information governance services is being provided by Veritau North Yorkshire Limited. The Council has a share-holding of £2.5k in Veritau North Yorkshire Limited which was acquired when the North Yorkshire Audit Partnership ceased, paid for by the Council's share of the balances remaining in the former partnership.

The Council is a full partner along with Scarborough, Hambleton, Richmondshire and Ryedale District Council (the host authority) to provide Building Control services on behalf of the five councils. A joint committee manages the Partnership with an equal number of representatives from each council. The agreed financial arrangements are that each partner is required to pay a fixed fee for non-chargeable services and receive a share of any surpluses over the maximum agreed reserve balance of £250,000. The Partnership produce their own set of accounts and these can be requested from Ryedale District Council.

During 2020/21 Selby District Council has paid a management fee of £67k (£66k in 2019/20) to cover non-chargeable costs as part of the arrangement with the North Yorkshire Building Control Partnership. The balance on the Partnerships reserve is estimated at 31 March 2021 as £250k of which £50k belongs to Selby (31 March 2020 reserve of £250k with Selby's share being £50k).

The Council made no further net payment of loan principal to Selby & District Housing Trust loans in 2020/21. At the end of 2020/21 the loans balances stood at £2.869m and is repayable over a 30 year period at an interest rate of between 3.55% to 4.87%. The Council has made loans to Selby and District Housing Trust to cover the cost of developing affordable housing for rent in the district. The Trust has also commissioned the Council to manage these dwellings on their behalf during the year and in addition one hour per week is provided for Managing Director, Company Secretary and Accountant duties. The Housing Manager post is grant funded.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

39. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table following (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2019/20 £'000		£'000	2020/21 £'000
54,484	Opening Capital Financing Requirement		54,024
	Capital investment		
6,130	Property Plant & Equipment - Council Owned	8,796	
-	Property Plant & Equipment - Leased	-	
52	Assets Under Construction	32	
83	Intangible assets	116	
347	Revenue Expenditure Funded from Capital Under Statute (REFCUS) - Grants	373	
-	Property Fund Investment	-	
797	Long term debtor Loan	11	
7,409	Total Capital Investment		9,328
	Sources of finance		
(1,881)	Capital receipts	(81)	
(386)	Government grants and other contributions	(532)	
(4,087)	Sums Set Aside from Revenue (Assets/Soft Loans/REFCUS)	(4,724)	
(1,260)	HRA voluntary set aside for debt repayment	(1,260)	
(179)	MRP / Loans Fund Principal	(211)	
(76)	MRP - Lease Principal	(78)	
-	Reduction in lease liability re Leisure & Street Scene Vehicles	-	(6,886)
54,024	Closing Capital Financing Requirement		56,466
	Explanation of movements in year		
-	Increase in underlying need to borrow (supported by government financial assistance)	-	
1,055	Increase in underlying need to borrow (unsupported by government financial assistance)	3,992	
-	Assets acquired under finance leases	-	
(1,260)	HRA voluntary set aside for debt repayment	(1,260)	
(179)	MRP / Loans Fund Principal	(211)	
(76)	MRP - Lease Principal	(78)	
-			2,443
(460)	Increase / (decrease) in Capital Financing Requirement		2,442

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

39. Capital Expenditure and Financing continued.....

Revenue Expenditure Funded from Capital Under Statute

This is expenditure which is classified as capital but which does not result in a tangible asset for the Council. Examples are where capital grants are given to third parties e.g. improvement grants or expenditure on property not owned by the Council. During 2020/21 the Council funded £373k (£347k in 2019/20) of capital expenditure through this method. This related to £298k of Disabled Facilities Grants and £75k of Empty property Grants.

40. Leases

Authority as a Lessee

Finance Leases

The Council does not currently have any finance leases in its own right. However its contractor for the Street Scene Contract, Enterprise, has finance leases for the vehicles that are used for delivering the service and as such these assets have to be included in the Council's balance sheet. Those vehicles have been fully depreciated over the term of the original contract, any additional vehicles used for the provision of services are supplied on a temporary hire basis. In addition Inspiring Healthy Lifestyles, who run the leisure service on behalf of the Council, have leased gym equipment and this is also included in the Council's Balance Sheet.

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

31-Mar-20 £'000		31-Mar-21 £'000
-	Vehicles, Plant, Furniture & Equipment (Vehicles)	-
73	Vehicles, Plant, Furniture & Equipment (Equipment)	-
73		-

The Council is committed to making payments in respect of a Street Scene contract with Enterprise and a Leisure Management contract with Inspiring Healthy Lifestyles. The embedded financial leases form just part of the costs and as such should be seen as part of the whole costs of the service delivery. In 2016/17 the original contract period for Street Scene expired, and was extended with the existing fleet, any additional vehicles are used on a short term hire basis. The table below therefore only includes Leisure Management costs.

31-Mar-20 £'000		31-Mar-21 £'000
(74)	Finance lease liabilities (net present value of minimum lease payments):	-
-	Current	-
(4)	Non-current	-
	Finance costs payable in future years	-
(78)		-

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

	Minimum Lease Payments Payments		Finance Lease Liabilities	
	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000
Not Later Than One Year	80	-	78	-
Later than One Year and not later than five years	-	-	-	-
Later than Five years	-	-	-	-
	80	-	78	-

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

40. Leases continued

Operating Leases

Vehicles, Plant, Furniture and Equipment - the authority uses photocopiers and vehicles, financed under terms of an operating lease. The amount paid under these arrangements in 2020/21 was £77k (£88k in 2019/20).

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

31-Mar-20 £'000		31-Mar-21 £'000
88	Not later than one year	77
-	Later than one year and not later than five years	307
-	Later than five years	-
88		384

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

31-Mar-20 £'000		31-Mar-21 £'000
88	Minimum lease payments	101
-	Contingent rents	-
-	Sub lease payments (receivable)	-
88		101

The expenditure was charged to the following lines on the Comprehensive Income & Expenditure Statement:

31-Mar-20 £'000		31-Mar-21 £'000
19	Central Services to the Public	14
3	Environmental and Regulatory Services	3
66	Local Authority Housing (HRA)	84
88		101

Authority as a Lessor

Finance Leases

Selby District Council has no finance lease for which it acts as a lessor.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

40. Leases continued

Operating Leases

The Council acts as a lessor for a number of industrial units. These units are intended to be used as set-up premises for fledging businesses, and long-term tenants are not expected. The income received from these tenants during the year was £102.3k (£127.3k in 2019/20).

The future minimum lease payments receivable under non-cancellable leases in future years are, for 2021/22, determined to be nil as tenants are able to cancel leases with only three months notice:

The rentals receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

41. Assets Recognised Under PFI Arrangements

The Council is party to a Private Finance Initiative (PFI) scheme with South Yorkshire Housing to build social housing. The Council does not recognise any assets in its balance sheet under PFI arrangements because they are the property of South Yorkshire Housing Association (SYHA) and will remain in their ownership on expiry of the contract. In 2020/21 the authority made payments of £446k (£443k in 2019/20). The contract expires in 2035.

42. Impairment Losses

During 2020/21 the Council has not recognised any impairment losses (as was the case in 2019/20). Any such losses would be shown by class of asset in notes 12 and 15.

43. Retirement Benefits

Participation in Pension Schemes

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

43. Retirement Benefits continued

The Council participates in the Local Government Pension Scheme, administered by North Yorkshire County Council and called the North Yorkshire Pension Fund - this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The North Yorkshire Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Fund Committee of North Yorkshire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment fund managers of the fund are appointed by the Pension Fund Committee in consultation with the Corporate Director - Strategic Resources and the funds investment consultant and independent advisor.

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

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the reported net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made 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 and the HRA via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2019/20 £'000	North Yorkshire Pension Fund	2020/21 £'000
	Comprehensive Income and Expenditure Statement	
	<i>Net Cost of Services:</i>	
2,040	current service cost	2,141
478	past service costs (gains)	33
-	settlement and curtailments	-
28	administration expenses	30
	<i>Financing and Investment Income and Expenditure:</i>	
229	net interest expense	228
2,775	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,432
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
(1,510)	return on plan assets	(15,768)
4,552	experience (gain) / loss	(917)
(2,642)	actuarial (gains) / losses arising on changes in demographic assumptions	-
(1,371)	actuarial (gains) / losses arising on changes in financial assumptions	15,798
(971)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(887)
	Movement in Reserves Statement	
(2,775)	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,432)
	Actual Amount charged against the General Fund Balance for pensions in the year:	
953	employers' contributions payable to the scheme	952

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

43. Retirement Benefits continued

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2019/20 £'000		2020/21 £'000
76,309 (65,914)	Present value of the defined benefit obligation Fair value of plan assets	93,076 (82,088)
10,395	Net liability arising from defined benefit obligation	10,988

Reconciliation of the Movements in the Fair Value of Scheme Assets

2019/20 £'000		2020/21 £'000
64,485	Opening Fair Value of Scheme Assets	65,914
1,529	Interest income	1,504
	Remeasurement gain/(loss)	
	- the return on plan assets, excluding the amount included in the net interest expense	15,768
1,510		
953	Contributions from employer	952
370	Contributions from employees into the scheme	400
(2,905)	Benefits Paid	(2,420)
(28)	Other	(30)
65,914	Closing Fair Value of Scheme Assets	82,088

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

2019/20 £'000		2020/21 £'000
(74,029)	Opening Balance at 1 April	(76,309)
(2,040)	Current Service Cost	(2,141)
(1,758)	Interest Cost	(1,732)
(370)	Contributions from Scheme Participants	(400)
	Remeasurement gain / (loss)	
(4,552)	- Experience Gains / (Losses)	917
2,642	- Actuarial Gains / (Losses) arising from changes in demographic assumptions	-
1,371	- Actuarial Gains / (Losses) arising from changes in financial assumptions	(15,798)
(478)	Past Service Costs	(33)
-	Curtailments	-
2,905	Benefits Paid	2,420
(76,309)	Closing Balance at 31 March	(93,076)

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

43. Retirement Benefits continued

Local Government Pension Scheme Assets

The fair value of scheme assets are as follows:

2019/20 £'000		2020/21 £'000
2,702	Cash and Cash Equivalents	2,709
38,560	Equity Instruments	47,447
-	Bonds	1,724
12,590	- Corporate	13,298
	- Government	
12,590	Sub-total Bonds	15,022
4,812	Property	5,007
7,250	Other	11,903
65,914	Total Assets	82,088

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. North Yorkshire Pension Fund liabilities have been assessed by AON Solutions UK Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2021.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

43. Retirement Benefits continued

The main assumptions used in their calculations have been:

At 31-Mar-20		At 31-Mar-21
	<i>Longevity at 65 for current pensioners (in years):</i>	
21.8	Men	21.9
23.9	Women	24.0
	<i>Longevity at 65 for future pensioners (in years):</i>	
23.5	Men	23.6
25.7	Women	25.8
2.00%	Rate of CPI inflation	2.70%
3.25%	Rate of increase in salaries	3.95%
2.00%	Rate of increase in pensions	2.70%
2.30%	Rate for discounting scheme liabilities	2.10%

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

The impact of changes on the defined benefit obligation in the scheme are set out in the table below.

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (increase or decrease in 1 year)	3,222	2,965
Rate of inflation (increase or decrease by 0.1%)	3,200	2,987
Rate of increase in salaries (increase by 0.1%)	186	186
Rate of increase in pensions (increase by 0.1%)	3,200	2,987
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	2,987	3,200

Asset and Liability Matching (ALM) Strategy

The Pension Fund Committee of North Yorkshire County Council has determined the investment strategy which is aimed at growing the Fund's assets to meet benefit obligations when they fall due. As required by the regulations, the suitability of various classes of investments has been considered including assessing the benefit of asset class diversification. The Fund is primarily invested in equities (57.8% of scheme assets) and fixed income (16.2%) with investments also in property and alternatives, the proportions being not materially dissimilar to the comparative year. This strategy is reviewed periodically, dependent on changes to market conditions and the solvency position of the Fund.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

43. Retirement Benefits continued

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20.5 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022 will be undertaken over 2021/22.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates to pay £0.857m expected contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 20.5 years.

Further information can be found in the North Yorkshire Pension Fund's Annual Report which is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.

44. Contingent Liabilities

There are no material contingent liabilities relating to the Council as at 31 March 2021.

45. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority. At the time of publishing the draft Statement of Accounts, the termination of the Summit contract within the leisure service has been agreed in principle but work on the legal agreement is currently on-going. A settlement sum of £510k is anticipated to be received in 21/22.

46. 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 funds available to meet its commitments to make payments
- Market Risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

46. Nature and Extent of Risks Arising From Financial Instruments continued

Financial Instruments are formerly defined as contracts that give rise to a financial assets of one entity and a financial liability or equity instrument of another entity. For the Council, this definition covers the instruments used in Treasury Management activity, including the borrowing and lending of money and the making of investments.

The Council's Treasury Management is provided under a Service Level Agreement by North Yorkshire County Council (NYCC) under the CIPFA Code of Practice on Treasury Management. The code sets out a framework of operating procedures to reduce treasury risk and improve understanding and accountability regarding the Treasury position of the Council.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are managed through an SLA with North Yorkshire County Council.

Certain customers for goods and services may be assessed if appropriate, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk at 31 March 2021 in relation to its investments in banks and building societies is determined to be nil, and all cash balances are held with North Yorkshire County Council and therefore cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2021 that this was likely to occur.

No credit limits were breached during the reporting period and the Council did not have and does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council has a robust debt recovery policy for its customers and has provisions for debt impairment in its accounts which are reviewed on a regular basis to ensure that they are adequate.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

46. Nature and Extent of Risks Arising From Financial Instruments continued

The Council does not generally allow credit for customers. The past due amount can be analysed by age as shown in the following table:

At 31-Mar-20 £'000		At 31-Mar-21 £'000
1,950	Less than 30 days	3,559
376	30 - 60 days	20
376	60 - 90 days	327
53	90 - 365 days	70
161	over 365 days	177
2,916		4,153

Liquidity Risk

Through the SLA with North Yorkshire County Council, the Council has access to investments as well as ready access to borrowings from the money markets to cover day to day cash flow need, whilst the PWLB and money markets provide access to longer term funds. There is no significant risk that it will be unable to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

At 31-Mar-20 £'000		At 31-Mar-21 £'000
6,500	Less than one year	-
-	Between one and two years	-
-	Between two and five years	-
52,833	More than five years	52,833
59,333		52,833

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

Market Risk

Interest Rate Risk

The authority is exposed to risk in terms of exposure to interest rate movements on its investments and borrowings. The Council's long term borrowing is at fixed rates which as interest rates have dropped has increased the fair value or increased the penalty which would need to be paid to repay the debt early. However, as borrowings are carried at amortised cost any changes in fair value have no impact on the Comprehensive Income and Expenditure Statement.

The Council has generally been a net investor and as such its earnings from its deposits form a critical element of income for delivery of services. With interest rates at an all time low generating investment income has been particularly challenging.

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

46. Nature and Extent of Risks Arising From Financial Instruments continued

With effect from 28 March 2012 the Council, as a consequence of the HRA Self Financing determination payment, has moved to being a net borrower. The new loans of £50.233m were taken at a fixed rate over different periods from 30 years to 50 years to take advantage of the historically low interest rates and to give flexibility for repayments and remove risk associated with variable rate loans when rates start to rise.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

At 31-Mar-20 £'000		At 31-Mar-21 £'000
-	Increase in interest payable on variable rate borrowings	-
-	Increase in interest receivable on variable rate investments	-
-	Increase in government grant receivable for financing costs	-
-	Impact on Surplus of Deficit on the Provision of Services	-
-	Share of overall impact debited to the HRA	-
-	Decrease in fair value of fixed rate investment assets	-
-	Impact on Other Comprehensive Income & Expenditure	-
16,173	Decrease in fair value of fixed rate borrowings liabilities (no impact on Consolidated Income and Expenditure Statement)	12,387

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

Price risk

This is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Council does not invest in the equity share market or purchase Gilts.

Foreign exchange risk

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

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS

47. Council Tax

The Council Tax due to the Council as shown on the Comprehensive Income & Expenditure Statement is the amount due to the Council on an accruals basis for the year. It includes the actual surplus/deficit that will be distributed/recovered from the Council in the future. The table below analyses the amount of Council Tax actually paid to the Council on a cash basis in the year adjusted for the accrual.

2019/20 £'000		2020/21 £'000
(7,436) 23	Council Tax precept for year (District & Parish) (Surplus)/Deficit payable/repayable in year	(7,767) (74)
(7,413)	Total Council Tax payable to Council in year	(7,841)
(100)	Movement in Collection Fund Adjustment Account in year	44
(7,513)	Council Tax due to Council	(7,797)

48. Non-domestic Rates

The non-domestic rates due to the Council as shown on the Comprehensive Income & Expenditure Statement is the amount due to the Council on an accruals basis for the year. It includes the actual surplus/deficit that will be distributed/recovered from the Council in the future. The table below analyses the amount of non-domestic rates actually paid to the Council on a cash basis in the year adjusted for the accrual.

2019/20 £'000		2020/21 £'000
(15,064) 364	Non-domestic rates due for year (including renewables) (Surplus)/Deficit payable/repayable in year	(11,338) 2,706
(14,700)	Non-domestic rates due to Council	(8,632)

49. Capital Expenditure Financed from Revenue

The capital programme can be financed from a variety of sources, one of which is revenue. In 2020/21 £4,724k of capital expenditure was funded from revenue (£4,087k in 2019/20), £4,234k of which was from the Housing Revenue Account (£2,801k in 2019/20), £490k (£1,286k in 2019/20) from the General Fund and £4724k from various General Fund and HRA reserves (£3,809k in 2019/20).

HOUSING REVENUE ACCOUNT

HRA INCOME AND EXPENDITURE STATEMENT

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

2019/20 £'000		2020/21 £'000	Notes
	<u>Expenditure</u>		
2,566	Repairs & Maintenance	2,817	
2,608	Supervision & Management	2,236	
72	Rents, rates, taxes and other charges	105	
1,852	Depreciation and Impairment of non-current assets	2,844	2
6	Debt Management costs	40	
237	Movement in the debt impairment allowance	32	3
7,341	Total Expenditure	8,074	
	<u>Income</u>		
(11,836)	Dwelling rents	(12,010)	
(102)	Non-dwelling rents	(102)	
(210)	Charges for Services and Facilities	(743)	
-	Contributions towards expenditure	-	
(12,148)	Total Income	(12,855)	
(4,807)	Net Cost of HRA Services as included in the Comprehensive Income & Expenditure Statement	(4,781)	
127	HRA services share of Corporate & Democratic Core	151	
178	HRA Share of other amounts included in the whole authority Cost of Services but not allocated to specific services	21	
(4,502)	Net Expenditure / (Income) for HRA Services	(4,609)	
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(111)	(Gain) or loss on sale of HRA non-current assets	(121)	
2,413	Interest payable and similar charges	1,915	11
(187)	Interest and investment income	(101)	
81	Net interest on the net defined benefit liability	75	
-	Capital grants and contributions receivable	-	
(2,306)	(Surplus) / Deficit for the year on HRA services	(2,841)	

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2019/20 £'000		2020/21 £'000	Notes
(2,267)	Balance on the HRA at the end of the previous year	(1,501)	
(2,306)	(Surplus) / Deficit for year on the HRA Income and Expenditure Statement.	(2,841)	
3,360	Adjustments between accounting basis and funding under statute	4,891	
1,054	Net (Increase) / Decrease before transfers to or from reserves	2,050	
(288)	Transfers to / (from) earmarked reserves	(2,050)	
766	(Increase) / Decrease in year on the HRA	-	
(1,501)	Balance on the HRA at the end of the current year	(1,501)	

NOTE TO THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2019/20 £'000		2020/21 £'000	Notes
	<u>Adjustments between accounting basis and funding under statute</u>		
-	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the code and those determined in accordance with statute.	-	
-	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements.	-	
149	Gain / (loss) on sale of HRA non-current assets.	355	
2,801	Capital expenditure funded by the Housing Revenue Account	4,205	
210	Capital expenditure funded by Earmarked Reserves	29	
	<i>Reversal net charges post employment benefits</i>		
	<i>Actual charge in year</i>		
(262)	HRA share of contributions to / (from) the Pensions Reserve	(105)	
1,054	Transfer to / (from) Major Repairs Reserve	1,990	4
(592)	Transfer to / (from) the Capital Adjustment Account	(1,583)	
3,360	<u>Total Adjustments between accounting basis and funding under</u>	4,891	
	<u>Transfers to or (from) earmarked reserves</u>		
(128)	Transfer to / (from) Housing Carry Forward Budget Reserve	(2,071)	
(210)	Transfer to / (from) Other Reserves	(29)	
50	Transfer to / (from) ICT Reserve	50	
(288)	<u>Total Transfers to / (from) reserves</u>	(2,050)	

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Revenue Account (HRA) Self Financing

During 2011, the Government announced significant changes to the funding of the HRA. The aim of the government reforms was to enable Councils to manage their housing stock for the benefit of local residents in a transparent, accountable and cost effective way. In practical terms, the self financing initiative put an end to the housing subsidy system and put authorities in a position where stock can be supported from income raised within the HRA. New arrangements were introduced from 1 April 2012, and in future the HRA will be a self sufficient ring fenced account which will retain and use rental income.

2. Depreciation & Impairments

The following amounts were charged to the Account in respect of revaluation and depreciation of assets:

2019/20 £'000		2020/21 £'000
1,290	Council Dwellings	(1,490)
(2,132)	Other Land, Buildings & Assets	162
(842)	Total	(1,328)

The operational / non-operational split of the charges is as follows:

2019/20 £'000		2020/21 £'000
(842)	Operational	(1,328)
-	Non-operational	-
(842)	Total	(1,328)

The following amounts were charged to the service revenue accounts for impairment and reversal of impairment costs where there has been an increase in value:

2019/20 £'000		2020/21 £'000
2,694	Dwellings	4,173
-	Garages	-
-	Ousegate Hostel	-
-	Edgerton Lodge Hostel	-
-	Community Centres	-
-	Non-operational Land	-
-	Other Operational Buildings	-
2,694	Total	4,173

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

NOTES TO THE HOUSING REVENUE ACCOUNT

3. Provision For Debt impairment

The account is charged with the 'top up' required for provision towards debt impairment in respect of rent arrears. An adjustment of £17k was made during the year in respect of rent arrears in 2020/21 (£242k in 2019/20). The total rent arrears provision at 31 March 2021 amounted to £382k (£382k 2019/20). In addition, a further provision has been created for general non rent HRA debtors totalling £19k (£18k in 2019/20).

4. Major Repairs Reserve

The following is a statement of the movements in this reserve during the financial year 2020/21:

2019/20 £'000		2020/21 £'000
(5,883)	Opening Balance	(6,937)
	Amount transferred to the reserve from the Capital Adjustment Account	
(4,301)	Amount transferred to / (from) the reserve to the Housing Revenue Account: - non-current assets	(6,532)
3,247	Debits to the reserve in respect of HRA capital expenditure on: - houses	4,542
(6,937)	Closing Balance	(8,927)

5. Housing Revenue Account Non-Current Assets

The total balance sheet value of non-current assets owned by the Housing Revenue Account is summarised as follows:

01-Apr-19 £'000	31-Mar-20 £'000		01-Apr-20 £'000	31-Mar-21 £'000
773	995	Land	995	1,019
154,621	158,591	Council Dwellings	158,591	161,186
2,303	2,274	Other Buildings	2,274	2,201
157,697	161,860	Total	161,860	164,406

Assets can be defined as either operational (such as council dwellings and other buildings) or non-operational (such as community land). The split is summarised below:

01-Apr-19 £'000	31-Mar-20 £'000		01-Apr-20 £'000	31-Mar-21 £'000
154,621	158,591	Operational		
2,831	2,852	Dwellings	158,591	161,186
245	417	Other Land & Buildings	2,852	2,782
		Non-operational	417	438
157,697	161,860	Total	161,860	164,406

Vacant Possession Value

The vacant possession value of the houses within the Housing Revenue Account as at 1 April 2020 was £396,997m (£382.467m at April 2019). The substantial difference between the vacant possession value and the balance sheet value of dwellings demonstrates the economic cost to Government of providing council housing at less than open market value.

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Capital Receipts

Capital Receipts totalling £621k (£1,007k 2019/20) were received by the Housing Revenue Account in 2020/21. The total can be broken down as follows:

2019/20 £'000		2020/21 £'000
	Disposal of Assets:	
	Other HRA Property & Assets	45
1,007	Houses	576
-	Land	-
1,007		621
-	Principal Repaid on Housing Advances	-
-	Repayment of discount received on Right to Buy sales	-
1,007	Total	621

7. Capital Expenditure

Capital expenditure and sources of financing during the year were as follows:

2019/20 £'000		2020/21 £'000
	Capital expenditure	
-	Vehicles, Plant & Equipment	61
905	Empty Homes Purchase	1
52	Housing Development Schemes	27
-	Intangible Assets	29
539	Land and Infrastructure	-
2,713	Improvements to Council Dwellings	4,453
-	Other Property	27
4,209	Total	4,598
	Sources of finance	
(210)	Other Reserves	(29)
(291)	Prudential Borrowing	(27)
(422)	Capital Receipts	(1)
(3,247)	Revenue contributions	(4,541)
(39)	Capital Grants	-
-	Major Repairs Reserve	-
(4,209)	Total	(4,598)

8. Rent Arrears

During the year 2020/21 rent arrears as a proportion of gross rent income have increased to 2.98% (£362k) from 2.25% (£269k) in 2019/20.

31-Mar-20 £'000		31-Mar-21 £'000
269	Rent Arrears at 31 March	362
8	Hostel Arrears	12
(322)	Rent Credits	(336)
(1)	Hostel Credits	(1)
(46)	Total	37

NOTES TO THE HOUSING REVENUE ACCOUNT

9. Revenue Expenditure Financed From Capital Under Statute (REFCUS)

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in an asset being carried on the Balance Sheet. The purpose of this is to enable it to be funded from capital resources rather than being charged to the Housing Revenue Account.

10. Housing Stock

The analysis of the HRA housing stock is summarised as follows:

31-Mar-20 (number)			31-Mar-21 (number)
529	Houses and Bungalows	- 1 Bedroom	529
902		- 2 Bedroom	901
976		- 3 Bedroom	968
37		- 4 Bedroom	37
2		- 5 Bedroom	2
215	Flats, Bedsits and Maisonettes	- 1 Bedroom	215
362		- 2 Bedroom	362
1		- 3 Bedroom	1
2	Multi Occupied Dwellings (Hostels)		2
3,026	Total		3,017

11. Capital Asset Charges Accounting Adjustment

The Code of Practice requires an explanation of the capital assets accounting adjustment, calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination for the year.

2019/20 £'000		2020/21 £'000
2,413	Interest Payable on the HRA average Capital Financing Requirement (CFR) for the year at the Consolidated Rate of Interest (CRI) calculated in accordance with the determination	1,915
2,413	Total	1,915

In accordance with the calculation for the Capital Asset Charges Accounting Adjustment, interest is payable on the mid-year HRA capital financing requirement, except that where the CFR is negative, where interest is receivable.

The costs of impairment are included as charges to the HRA Income and Expenditure Account. The effect of the capital asset charges accounting adjustment is that the impairment cost is reversed out of the HRA in the Movement on the HRA Statement as this is not a cost to be borne by HRA Tenants. For 2020/21 the impairment charge is £4.173m (£2.694m in 2019/20).

THE COLLECTION FUND

2019/20			2020/21		Notes
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000	
		Income			
(59,723)	-	Income from Council Tax (net of benefits and transitional relief)	(62,694)	-	2
-	(39,567)	Income from NNDR (net of discretionary and mandatory reliefs)	-	(31,844)	3
-	-	Transitional protection payments	-	-	
(59,723)	(39,567)	Total Income	(62,694)	(31,844)	
		Expenditure			
58,868	30,420	Precepts and demands	62,210	23,176	4
-	7,185	Payment to central government	-	14,173	
1	935	Transitional protection payments	-	849	
		Bad and doubtful debts			5
222	258	- Write offs	105	12	
16	(18)	- Movement in debt impairment provision	138	233	
		Provision for appeals			6
-	1,370	- Movement in appeals provision	-	56	
-	110	Transfers to General Fund	-	111	
		- Costs of collection	-		
(177)	139	Contributions			
		- Towards previous year's Collection Fund Surplus	585	3	
58,930	40,399	Total Expenditure	63,038	38,613	
(793)	832	(Surplus) / Deficit for the year	344	6,769	
		COLLECTION FUND BALANCE			
(408)	60	Balance Brought Forward	(1,201)	892	
(793)	832	(Surplus) / Deficit for the year	344	6,769	
(1,201)	892	Balance Carried Forward	(857)	7,661	8

NOTES TO THE COLLECTION FUND

1. General

This account represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

The year-end surplus or deficit on the Council Tax Collection Fund is to be distributed between billing and precepting authorities on the basis of estimates made by 15 January each year of the year-end balance. That for the National Non-Domestic Rating element is to be distributed between billing, precepting and central government on the basis of estimates made by 31 January each year.

2. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the County and District Councils for the forthcoming year and dividing this by the Council Tax Base.

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

Band	Council Tax Setting			Average Charge in year £
	Estimated number of chargeable Properties after effect of discounts	Ratio	Band D equivalent dwellings	
-A	28	5/9	15	1,080.41
A	7,585	6/9	5,056	1,296.49
B	7,417	7/9	5,769	1,512.57
C	7,667	8/9	6,815	1,728.65
D	5,731	1	5,731	1,944.73
E	4,630	11/9	5,659	2,376.89
F	2,466	13/9	3,561	2,809.05
G	893	15/9	1,488	3,241.22
H	50	18/9	100	3,889.46
Total	36,465		34,194	
Impact of anticipated changes to council tax base				
Reduction due to the council tax reduction scheme			(1,780)	
Less allowance for non-collection			(425)	
COUNCIL TAX BASE			31,989	

The adjustment for anticipated changes include: successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties, plus the impact of legislation on second homes and empty properties.

The basic amount of Council Tax, including the average parish charge, for a Band D property (£1,875.05 for 2019/20) is multiplied by the relevant proportion specified above for each particular Band to give an individual amount due.

In 2013/14 changes in statutory arrangements mean that council tax benefit is no longer received by the Council, instead there is a council tax reduction scheme which is administered locally by each authority, reducing the base over which council tax is recovered.

NOTES TO THE COLLECTION FUND

3. Income from business ratepayers

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 uniform rate. With effect from 1 April 2020 the total amount, less certain reliefs and other deductions is shared between central government (50%), Selby District Council (40%), North Yorkshire County Council (10%) and North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority (1%).

The total non-domestic rateable value at 31 March 2021 was £89.8m (£90.011m in 2019/20). The national non-domestic multiplier for the year was 51.2p (50.4p in 2019/20), with a **reduction** to 49.9p (49.1p in 2019/20) for small businesses. This gives a total sum collectible of £45.983m (£45.366m in 2019/20) before taking into account reliefs and allowances.

4. Precepts and Demands

2019/20			2020/21	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
41,164	6,179	North Yorkshire County Council	43,616	2,551
8,030	-	North Yorkshire Police & Crime Commissioner	8,502	-
2,238	287	NYPFCC Fire & Rescue Authority	2,325	283
7,436	23,954	Selby District Council (including parishes)	7,767	20,342
58,868	30,420	Total	62,210	23,176
-	7,185	Central Government	-	14,173
58,868	37,605	Total	62,210	37,349

5. Debt Impairment

The Council acts as an agent on behalf of the precepting bodies for Council Tax and for North Yorkshire County Council, North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority and Central Government for Non-Domestic Rates. Provision is made for debt impairment based on prior years' experience and current collection rates. The following table shows the movement in the year.

2019/20			2020/21	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
222	258	Write-offs during the year	105	12
(238)	(240)	Contributions to provisions during the year	(243)	(245)
(16)	18	Net (increase)/decrease in provision in year	(138)	(233)
(719)	(502)	Balance at 1 April	(735)	(484)
(735)	(484)	Balance at 31 March	(873)	(717)

NOTES TO THE COLLECTION FUND

5. Debt Impairment continued

The Council's proportion of these write-offs and Debt Impairment provision are included within note 22 of the Core Financial Statements, and the movement analysis is shown below.

2019/20			2020/21	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
28 (30)	135 (126)	Write-offs during the year Contributions to provisions during the year	13 (30)	5 (98)
(2)	9	Net (increase)/decrease in provision in year	(17)	(93)
(94)	(201)	Balance at 1 April	(96)	(192)
(96)	(192)	Balance at 31 March	(113)	(285)

6. Appeals

The Council acts as an agent on behalf of North Yorkshire County Council, North Yorkshire Police, Fire & Crime Commissioner Fire and Rescue Authority and Central Government for Non-Domestic Rates. Provision is made for Appeals based on prior years' experience, and guidance from MHCLG. The York NHS Trust along with 20 others has issued proceedings against this Council and other Local Authorities for backdated rates due to the decision not to grant mandatory charitable rates relief. However, there is significant doubt over the certainty of success, and therefore no provision for this claim has been included in the accounts. The following table shows the movement in the year.

2019/20			2020/21	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
-	1,320	Amounts charged to provision	-	1,132
-	(2,689)	Contributions to provision during the year	-	(1,188)
-	-	Unused amounts reversed during the year	-	-
-	(1,369)	Net (increase)/decrease in provision in year	-	(56)
-	(4,408)	Balance at 1 April	-	(5,777)
-	(5,777)	Balance at 31 March	-	(5,833)

NOTES TO THE COLLECTION FUND

7. Collection Fund Debtors & Prepayments

The Collection Fund debtors and prepayments are shown in the following table. As the Council is acting as an agent on behalf of the major preceptors and central government only its own share of the Debtors and Prepayments are included with the Balance Sheet of the Council.

	Balance at 31-Mar-20 £'000	Movement in 2020/21 £'000	Balance at 31-Mar-21 £'000
Council Tax Debtors	3,163	647	3,810
Council Tax Prepayments	(1,357)	(31)	(1,387)
Non Domestic Rates Debtors	1,262	2,257	3,519
Non Domestic Rates Prepayments	(354)	(342)	(696)
Net	2,714	2,531	5,246

The Council's proportion of the Council Tax and Non-Domestic Rate debtors and prepayments are included within notes 22 and 24 of the Core Financial Statements and the movement analysis is shown below.

2019/20			2020/21	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
		<u>Debtors</u>		
381	400	Balance at 1 April	400	663
19	263	Movement in year	73	745
400	663	Balance at 31 March	473	1,408
		<u>Prepayment</u>		
(139)	(168)	Balance at 1 April	(171)	(186)
(32)	(18)	Movement in year	(1)	(92)
(171)	(186)	Balance at 31 March	(172)	(278)

8. Distribution of Year-end (Surplus)/Deficit

As set out in note 1 the Council Tax year-end (surplus)/deficit is distributed to North Yorkshire County Council, North Yorkshire Police and Crime Commissioner, North Yorkshire Police, Fire And Crime Commissioner Fire and Rescue Authority and Selby District Council and the NDR year-end (surplus)/deficit is distributed to Central Government, North Yorkshire County Council, North Yorkshire Fire and Rescue Authority and Selby District Council. The allocations are set out in the table below.

2019/20			2020/21	
Council Tax £'000	NNDR £'000		Council Tax £'000	NNDR £'000
(841)	167	North Yorkshire County Council	(603)	801
(164)	-	North Yorkshire Police & Crime Commissioner	(116)	-
(45)	9	NYPFCC Fire & Rescue Authority	(32)	77
-	273	Central Government	-	3,607
(151)	443	Selby District Council (including parishes)	(106)	3,176
(1,201)	892	Total	(857)	7,661

GLOSSARY OF TERMS

Accounting Concepts

The fundamental accounting principles that are applied to ensure that the Statement of Accounts 'present fairly' the financial performance and position of the Council.

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, bases conventions, rules and practices applied by the Council 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.

Accounts

A generic term for statements setting out details of income and expenditure or assets and liabilities, in a structured manner. Accounts may be categorised by the type of transactions they record, e.g. revenue account, capital accounts or by the purpose they serve, e.g. management accounts, final accounts, balance sheet.

Accruals

Sums included in the final accounts to cover income and expenditure, whether revenue or capital in nature, attributable to the accounting period but for which payment has not been received or made at the balance sheet date.

Actuarial Gains and Losses:

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses which arise because either events have not coincided with the assumptions made by the actuary for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Actuary

A person or firm who analyses the assets and future liabilities of a pension fund and calculates the level of employers' contributions to keep it solvent.

Agency Services

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

Amortisation

The gradual elimination of the value of an asset through depreciation as a result of usage and age usually applied to intangible assets such as software. Or the payment of a debt over a specified number of years.

Asset

Something of worth which is measurable in monetary terms. These are normally divided into non-current assets and current assets.

Assets Under Construction

This is the value of work on uncompleted non-current assets at the balance sheet date.

Audit

An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.

Balance Sheet

This is a statement of the recorded assets, liabilities and other balances of the Council at the end of the accounting period.

GLOSSARY OF TERMS

Capital Adjustment Account

The balance on this account principally represents amounts set aside from revenue accounts, capital receipts used to finance capital expenditure and the excess of depreciation over the Minimum Revenue Provision.

Capital Charge

A charge to service revenue accounts to reflect the cost of utilising non-current assets in the provision of services.

Capital Expenditure

Expenditure on the acquisition of non-current assets that will be of use or benefit to the Council in providing its services beyond the year of account or expenditure that adds to, and does not merely maintain, an existing non-current asset.

Capital Expenditure charged to Revenue Account (CERA)

A method of financing capital expenditure in the accounting period rather than over a number of years.

Capital Financing

The method by which money is raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing (CERA), usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

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 Council intends to carry out over a specified time period.

Capital Receipts

Money received from the sale of non-current assets, or other money received towards capital expenditure. A specified proportion of this may be used to finance new capital expenditure.

Cash Equivalents

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

Cash Flow Statement

A statement summarising the inflows and outflows of cash, arising from transactions between the council and third parties, for revenue and capital purposes.

Charging Authority

The Council responsible for administering the Collection Fund, including raising bills for and collecting appropriate council tax and non-domestic rates and paying the government and precepting bodies.

CIPFA

Chartered institute of Public Finance and Accountancy. CIPFA is the main professional body for accountants working in public service. It produces guidance in relation to various matters concerning the public sector including financial and governance issues.

Code of Practice on Local Authority Accounting

The Code has been written by CIPFA to assist local government in ensuring that its Statements of Account comply with IFRS and local government accounting regulations.

GLOSSARY OF TERMS

Collection Fund

A fund administered by Charging Authorities into which is paid council tax and NNDR income. Precepts are paid from the fund to Precepting Authorities, including the Charging Authority, and the NNDR collected is paid to the Government, Selby District Council, North Yorkshire County Council and North Yorkshire Police, Fire and Crime Commissioner Fire and Rescue Authority.

Community Assets

Assets that the Council intends to hold in perpetuity that have no determinable useful life and or value, or may have restrictions on their disposal. Examples of such items are the Park in Selby and playgrounds.

Comprehensive Income and Expenditure Account

The income and expenditure account combines the income and expenditure relating to all the Council's functions including the General Fund and Housing Revenue Account.

Consistency

The concept that the accounting treatment of like items, within an accounting period, and from one period to the next, is the same.

Contingent Asset

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A possible liability that can be the result of a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises of all activities that the Council engages in specifically because it is an elected, multi-purpose authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. The accounting code of practice does not require these costs to be apportioned to services.

Council Tax

A charge on residential property within the Council's area to contribute to financing a proportion of the Council's expenditure.

Creditors

Amounts owed to the Council for work done, goods received or services provided within the accounting period but for which payment was not made at the balance sheet date.

Current Assets

Assets that can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts that will become due during the next accounting period.

Current Service Cost

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Curtailement

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.

GLOSSARY OF TERMS

Debtors

Amounts due to the Council for goods and services provided within the accounting period but not received at the balance sheet date.

Deferred Credits

Amounts due to the Council from the sale of non-current assets that are not receivable immediately on sale but will be received in instalments over time. An example is mortgages granted under the council house right to buy scheme.

Deferred Discounts & Premiums on Early Repayment of Debt

The Council 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 Movement in Reserves Statement following the implementation of Accounting for Financial Instruments.

Deferred Liabilities

These are liabilities which, by arrangement, are payable beyond the next year, either at some point in the future or by an annual sum over a period of time.

Defined Benefit Pension Scheme

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

Depreciation

The measure of the cost or revalued amount of benefits of the non-current asset that have been consumed during the period. Consumption includes the wearing-out, using up or other reduction in the useful life of a fixed asset. This can arise from use, passing of time or obsolescence through, for example, changes in technology or demand for the goods and services provided by

Emoluments

These are all sums paid to, or receivable by, an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either the employer or the employee are excluded.

Exceptional Items

Material items which derive from events or transactions which fall within the ordinary activities of the Council 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 in Pension Assets

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

Fees and Charges

Income arising from the provision of services.

Finance Leases

Finance leases transfer all the risks and reward of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the lessee's Balance Sheet.

GLOSSARY OF TERMS

Financial Instruments and the Financial Instruments Adjustment Account (FIAA)

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. They refer to both financial assets and financial liabilities and includes both the straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones, such as derivatives and embedded derivatives.

The FIAA is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

Financial Reporting Standards (FRSs)

Statements prepared by the Accounting Standards Board on how certain information should be disclosed in the accounts. Many of the Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

Financial Year

The period of time to which a statement of accounts relates. The financial year of the Council runs from 1 April to 31 March.

General Fund

The main account of the Council that records the costs of service provision except those shown in the Housing Revenue Account and Collection Fund.

Going Concern

The concept that the Council 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

Payments by central government towards the cost of council services either specifically (e.g. disabled facilities improvement grants) or generally (e.g. revenue support grant).

Housing Capital Receipts Pool

Prescribed contributions are made to Housing Capital Receipts Pool in respect of the sale of Housing Revenue Account assets which includes surplus land and houses under the 'right to buy scheme' by all councils.

Housing Revenue Account (HRA)

A separate account to the general fund recording all the transactions relating to the provision of council houses.

Impairment

A reduction in the value of a fixed asset below its current value on the Council's balance sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Asset

These are non-current assets that cannot be sold, but where there is economic benefit to the council of more than one year. An example is footpaths within some of the council housing developments.

Intangible Asset

These are assets which do not have a physical substance, such as computer software, but which yield benefits to the Council and the services it provides, for a period of more than one year.

GLOSSARY OF TERMS

Interest Cost

This relates to a defined benefit pension scheme. The expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Financial Reporting Standards (IFRS)

IFRS is the prescribed format for all local authority Statement of Accounts. The Code of Practice gives detailed guidance on how the Council will account for its transactions in the statements and notes explaining the transactions.

Investment

An investment is considered to be long term if it is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified as such only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet this criteria should be classified as current assets and are short-term for periods of up to one year.

Leasing

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time. Leases can be either finance leases or operating leases.

Liability

An account due to an individual or organisation that will be paid at some future date.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the Council's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities or debt.

Monitoring Officer

Under the provisions of the Local Government and Housing Act 1989 councils have a duty to appoint a Monitoring Officer to ensure the lawfulness and fairness of council decision making. Councils may choose who to designate as Monitoring Officer except that it may not be the Head of Paid Service (Chief Executive).

Movement in Reserves

A statement which shows the movement in the year on the different reserves held by the Council.

Non-Current Assets

These are assets with a physical substance that yield benefits to the Council and the services it provides for a period of more than one year.

Non-Domestic Rates

A national non-domestic rate poundage is set annually by central government and used by charging authorities to raise bills. The proceeds are shared by the charging authority, the government and other determined local authorities in accordance with a formula set by the government.

Net Book Value

Amount at which fixed assets are included in the balance sheet i.e. their historical cost or current value less the cumulative depreciation.

Non-Current Assets

Tangible and intangible assets that can be expected to be of use or benefit to the Council in providing its services for more than one accounting period.

Non-Exchange Transactions

These are transactions that are not exchange transactions e.g. council tax. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

GLOSSARY OF TERMS

Non-Operational Assets

These are non-current assets owned by the Council, but not directly occupied, used or consumed in the delivery of council services. Examples of these types of asset are the bus station, doctors surgeries and land awaiting disposal.

Operational Assets

These are non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible finance officer.

Precept

The amount that a precepting authority requires from a charging authority to meet its expenditure requirements.

Precepting Authority

Local authorities, including county councils, parish councils, police and fire authorities which cannot levy a council tax directly on the public but have the power to precept charging authorities (district councils).

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 normal recurring conditions or adjustments of accounting estimates made in prior years.

Provisions

Amounts set aside in the accounts for future liabilities that are likely to be incurred, but which cannot accurately be quantified.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form of either cash or other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Indicators

The Local Government Act 2003 specifies a number of prudential indicators covering both capital and treasury management activities which Councils must set as part of their budget process. They are designed to show the affordability of the capital programme and that the Council's borrowing is prudent and sustainable.

Public Finance Initiative (PFI)

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

Public Works Loans Board (PWLB)

A government agency that lends money to public bodies for capital purposes. Monies are drawn down from the national loans fund and rates of interest are determined by the Treasury. Councils are free to borrow as much as they like from the PWLB provided that it is prudent, affordable, sustainable and within the prudential indicators set at full council.

Realisable Value

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

GLOSSARY OF TERMS

Related Party

Two or more parties are related where one party has control or is able to influence the financial operational policies of another.

Reserves

Amounts set aside in the accounts for the purpose of defraying particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

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 an employer's decision to terminate an employee's employment before the normal retirement date or an employee'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 account contains surpluses and losses arising from the periodic valuation of fixed assets.

Revenue Account

An account which records the Council's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

Revenue Expenditure Funded from Capital Under Statute

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in an asset being carried on the Balance Sheet. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and impact on that years Council Tax.

Revenue Support Grant

A general government grant paid to the General fund in support of the Council's revenue expenditure.

Scheme Liabilities

The liabilities of a defined benefit pension 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.

S106 Agreements

Where a developer undertakes to provide community benefits e.g. open recreation spaces, a percentage of affordable housing.

Section 151 Officer (S151)

The section S151 officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management and accounting practices meet relevant statutory and professional requirements. Furthermore section 25 of the Local Government Act 2003 requires the Section 151 Officer to comment on the robustness of the budget estimates and the adequacy of reserves. In Selby the Section 151 Officer is Karen Iveson, the Chief Finance Officer.

Settlement

An irrevocable action that relieves the employer (or defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements can include: a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

GLOSSARY OF TERMS

Soft Loans

Local authorities will sometimes make loans for policy reasons rather than as financial instruments and these loans may be interest free or at rates below prevailing market rates. Where this occurs these loans are referred to as soft loans.

Statement of Recommended Practice (SORP)

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.

Statement of Standard Accounting Practice (SSAP's)

Statements prepared by the Accounting Standards Committee. Many of these have been replaced by Financial Reporting Standards (FRSs), but any departure from them must be disclosed in the published accounts.

Inventories

Items of raw materials and stores purchased by the Council to use on a continuing basis which have not been used. The value of those items not used at the balance sheet date are included as assets of the Council.

Support Services

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

Temporary Borrowing/Investment

Money borrowed or invested for an initial period of less than one year.

Unapportionable Central Overheads

These are overheads from which no user benefits, and therefore they cannot be allocated to a service area.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Useful Life

The period over which the Council will derive benefits from the use of an asset.

Vested Rights

In relation to a defined benefit pension scheme these are for active members, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners, their preserved rights and for pensioners, pensions to which they are entitled.

Work in Progress

The value of work done on an uncompleted project that has not been recharged to the appropriate account at the balance sheet date.

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Annual Governance Statement 2020/21



Annual Governance Statement (AGS)

1. Scope of Responsibility

- 1.1 Selby District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The statement is prepared with consideration to the Chartered Institute of Public Finance and Accountancy (CIPFA)'s good governance framework and principles.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The Council has operated a Leader and Executive (Cabinet) Model since May 2011. Since the Local Government Elections in 2015, the Council has elected 31 members. Elections were held in May 2019.

3. Selby District Council's Governance Framework

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

- The Council's key priorities during 2020/21 were reflected in its Council Plan 2020-30, which was approved by Full Council on 17th December 2019.
- The new 10 year council plan is accompanied by a 3 year Delivery Plan. The first of these was due to be published in March 2020. However, when the Covid pandemic struck the delivery plan was delayed so that it could be updated to reflect the Council's plans for recovering from the Covid-19 pandemic.
- The formal Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are lawful, efficient, transparent and accountable to local people. This incorporates the Members' Code of Conduct and a number of other locally agreed codes and protocols.
- The Council's budget and policy framework is set by the full Council. The Executive has delegated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.
- In addition to the Executive there are two specific regulatory committees for Licensing and Planning. These have independent powers within their legislative framework. Each of these acts within defined terms of reference agreed by the full Council.
- Throughout 2020/21 council committee meetings have been held as remote meetings using MS Teams. They have been broadcast to be able to be viewed by members of the public.
- Early in the pandemic some decisions were made under urgency procedures by the Leader of the Council (or Chief Executive). Decisions made under urgency procedures are recorded on the Council's committee management system. At the next available Full Council meeting all such decisions are reported.
- A Standards Sub-Committee was established as a sub-committee of the Audit and Governance Committee in May 2017 and exercises functions relating to standards of conduct of members under the Localism Act 2011.
- The Executive is subject to review by the Council's Scrutiny function, which has the ability to call-in and review decisions and also to contribute to the development of policy. There are two statutory scrutiny committees: - Policy Review, and Scrutiny. The Audit and Governance Committee also contributes to scrutiny and overview.
- The Committee Management System, which was introduced in 2018/19 enables the recording, tracking and monitoring of committee agenda, minutes, reports and decision records.

- The Council had formerly established five Community Engagement Forums (CEFs), which provided a forum for the public to speak directly to those who deliver local services. The Council also provided Community Funds to the CEF annually; for grants and projects that met the objectives of each CEFs Community Development Plan (CDP). On 11th March 2021 the Executive considered the future of Community Engagement Forums and proposed that they are replaced by an alternative scheme to allocate funding. Council approved this change at its meeting on 13th April 2021. The replacement scheme is being developed by the Director of Place & Regeneration in consultation with Executive Members and is intended to mirror the NYCC model, involving ward members in the process.
- Council meetings are open to the public except when exempt or confidential matters are being disclosed. During 2020/21 this has been accomplished by introducing Remote Meeting Rules within the Constitution and broadcasting remote meetings, as well as making them available to view afterwards on Youtube. The public have an opportunity to participate in some of the meetings. This has been facilitated by providing access to the remote meeting via MSTeams. Plans are in place when Remote Meetings legislation ends on 7th May 2021 to facilitate face to face covid secure council meetings. The meeting is to be streamed live using MSTeams and Youtube. It will be open to the public and their participation will be facilitated face to face or via MSTeams remotely.
- A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers forming part of the Council's Constitution. The Council also has a sub delegation scheme which is reviewed regularly and is published on the website.
- The Council has adopted a Local Code of Corporate Governance which is reviewed by the Audit and Governance Committee and has developed a 'Governance Framework on a Page', which is appended to this AGS.
- The Council has a counter fraud and corruption strategy, covering 2020-23 and a counter fraud and corruption policy, which are reviewed annually. A revised strategy and policy were approved by Audit and Governance Committee and these are scheduled for consideration by the Executive in July 2021. The Council also has a separate whistleblowing and anti money laundering policies. The Council employs Veritau to provide a counter fraud service.
- The Chief Executive post is also an Assistant Chief Executive at North Yorkshire County Council (NYCC). As part of The Better Together programme, the two councils are working together to support efficiencies and improved services through effective partnership working.

- The Solicitor to the Council also acts as the Council’s Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities relating to the Members’ Code of Conduct.
- The Chief Finance Officer (s151) (a joint role employed by NYCC under Better Together - Assistant Director Strategic Resources NYCC and Chief Finance Officer SDC) is the officer with statutory responsibility for the proper administration of the Council’s financial affairs, in accordance with the Section 151 of the Local Government Act 1972. In compliance with CIPFA’s “Statement on the Role of the Chief Financial Officer in Local Government”, Selby is in full compliance as the Chief Officer (s151) is a member of the Leadership Team.
- Both the Statutory Officers referred to above have unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council’s Constitution.
- Financial sustainability is a key risk for the Council and a robust financial management framework is fundamental to managing and mitigating that risk. It comprises:
 - Financial and Contract Procedure Rules as part of the Constitution;
 - A Financial Strategy which provides the framework for financial planning – projecting high level resources and spending over 10 years, it identifies the short, medium and long term financial issues the Council is dealing with and its approach to managing reserves;
 - Medium-term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities. Due to the impact of Covid-19 a revised budget and medium-term financial strategy was approved by the Council in September 2020.
 - An Asset Management Strategy, aligned with the Council Plan – a review of the strategy is pending the outcome of local government re-organisation;
 - A Digital Strategy, which sets out the Council’s approach to using information and communications technology to transform the way we work and empower citizens and council employees to reach their full potential;
 - Service and financial planning integrated within the corporate performance management cycle and linked to the Council’s corporate objectives;

- Annual budget process involving scrutiny and challenge;
 - Monthly monitoring by management of revenue and capital budgets – with regular reports to the Executive;
 - Embedded arrangements for securing efficiencies and continuous improvement;
 - Production annually of a Statement of Accounts compliant with the requirements of local authority accounting practice;
 - Compliance with requirements established by CIPFA.
- A performance management framework provides an explicit link between the corporate priorities and personal objectives of Council Officers. Performance is reported to Members and the Council's Leadership Team on a systematic basis with areas of poor performance investigated. Key features of the Performance Management Framework include:-
 - A regular review of the Council Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
 - Service specific Strategic Plans, which are produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable;
 - The Council's staff appraisal system links personal objectives directly to Service Plans;
 - Regular reports on the performance of key indicators, which are presented to the Executive;
 - The production of an Annual Report and communication through Citizen Link, (the Council's community newspaper), providing commentary and data on the previous year's performance and setting out priorities for the coming year(s).
 - The Council maintains a professional relationship with Mazars, the body responsible for the external audit of the Council and the appointment of Mazars by the Public Sector Audit Appointments (as part of a national procurement exercise), for a further term, was confirmed during 2017/18. This term lasts until the end of 2022/23.
 - Recruitment and selection procedures are based on recognised good practice and all staff posts have a formal job description and competency based person specification. Services are delivered and managed by staff with the necessary knowledge and expertise with training needs identified via the formal appraisal process contributing to a corporate training strategy.
 - Pay is governed by a Pay Policy considered and approved annually by Council.
 - The maintenance of systems and processes to identify and manage the key strategic and operational risks to the achievement of the Council's objectives. Risk management

continues to evolve within the Council and presently includes the following arrangements:-

- a Risk Management Policy and Strategy has been adopted by the Council and is reviewed annually;
 - a Risk Management guidance document has been issued to key staff along with risk management training;
 - the maintenance of a Corporate Risk Register (CRR) comprising risks for the Council as a whole, assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;
 - detailed Service Based Risk Registers (SBRR) which have been updated along with a mechanism for feeding up to the CRR;
 - the Leadership Team keep the corporate risk management arrangements under review;
 - periodic review of risks in-year with reports to the Audit and Governance Committee and the Leadership Team;
 - the Audit and Governance Committee also approve and review the Risk Management Strategy;
 - the use by Internal Audit of a risk-based approach in the preparation and delivery of the audit plan;
 - the requirement for Officers of the Council to consider risk management issues when submitting reports to the Executive and Council for consideration by Members;
 - the adoption of an abridged version of the PRINCE2 Project Management Methodology as a means of contributing to the effective management of risks in major projects.
- The Council has established a Corporate Information Governance Group (CIGG) in order to address the requirements of the General Data Protection Regulation (GDPR) which came into effect on 25th May 2018. The Council's Senior Information Risk Owner (SIRO) is the Chief Finance (s151) Officer. The CIGG includes representatives from Veritau, who have been engaged as the Council's Data Protection Officer (DPO), a requirement of the GDPR. Veritau provide regular updates to the Audit & Governance Committee.
 - The maintenance of an adequate and effective system of Internal Audit is a requirement of the Accounts & Audit Regulations. Internal Audit is provided by Veritau North Yorkshire Ltd. (VNY), which is part of the Veritau group. The work of Internal Audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. In accordance with these standards Internal Audit is required to prepare an audit plan on at least an annual basis.

- Internal Audit examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control.
- The audit plan is informed by the Council's main strategic risks. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the Council's priorities and objectives.
- The Council seeks to ensure resources are utilised in the most economic, effective and efficient manner whilst delivering continuous improvement. It aims to achieve this by a variety of means including the following:
 - Service/process transformation and efficiency reviews;
 - Working with partners;
 - External and Internal Audit feedback.

4. Review of Effectiveness

- 4.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review takes account of the work of Internal Audit and the Council's Leadership Team who have a responsibility for the development and maintenance of the governance environment, and also by comments made by external auditors and other review agencies and inspectorates.
- 4.2 The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant issues.
- 4.3 The process that has been applied in maintaining and reviewing the effectiveness of the Council's system of internal control includes the following:
 - The Council's Monitoring Officer oversaw the operation of the Constitution to ensure its aims and principles were given full effect;
 - The arrangements for Overview and Scrutiny have operated throughout the year allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. Quarterly meetings take place between the Chairs of Scrutiny and the Executive.
 - The Audit and Governance Committee met throughout the year and received reports on the progress by Internal Audit against

their work plan. The Committee also considered auditable areas where Internal Audit raised significant internal control concerns;

- The Chief Finance Officer (s151) supported the Audit and Governance Committee and attended all meetings of the Committee;
- Internal Audit completed a programme of audits during the year according to its plan, including follow up audits. There were no specific investigations in the year.
- Early in 2020/21 internal audit work was suspended as the Council responded to the impacts of Covid-19. The internal audit plan was approved later than normal, in July 2021. Throughout 2020/21, the Covid-19 pandemic impacted on the amount internal audit work done. Any significant issues continued to be reported and any previously agreed actions to address significant issues continued to be followed up. The amount of work completed was sufficient to enable the Head of Internal Audit to give the annual opinion.
- The overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council is that it provides **Reasonable Assurance**. The opinion given is based on work that has been undertaken directly by internal audit, and on cumulative knowledge gained through our ongoing liaison and planning with officers. However, in giving the opinion, we would note that Covid-19 has significantly affected the authority over the last year, with a wide ranging impact on business operations and controls. While the work of internal audit is directed to the areas that are most at risk, or provide most value for the authority it is not possible to conclude on the full extent of the impact of Covid-19 on the operations of the authority. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- Some areas of weakness previously identified in the Annual Governance Statement Action Plan have been resolved during 2020/21. Two items remain, relating to PCI DSS (Payment card security) and Performance Management. Although a reasonable assurance opinion can be given we are aware of weaknesses in the control environment which have been identified in relation to a specific audit. We have recommended one new issue for inclusion in the Annual Governance Statement relating to Creditors.
- The Council's Corporate Risk Register (CRR) has been maintained under review during the year and updated accordingly. Reports on risk management have been considered by the Leadership Team and the Audit and Governance Committee. The Audit and Governance Committee reviewed the Risk Management Strategy in January 2021.
- The Council's Risk Register has been maintained under review during the year and updated accordingly. Reports on risk

management have been considered by the Leadership Team and the Audit and Governance Committee.

- Quarterly monitoring information on key areas of performance has been provided to Strategic Management and Members;
- The external auditor's annual letter confirmed that the Council had satisfactory arrangements to secure Value for Money. In respect of the Council's Statement of Accounts, an unqualified opinion was issued;
- The external auditor did not identify any significant weaknesses in our internal control arrangements.

5 Significant Governance issues

- 5.1 No system of governance or internal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance. In concluding this review of the Council's Governance Framework and Internal Control arrangements, two issues have been identified for improvement.
- 5.2 The most significant issues for the Council to address during 2021/22 will be those resulting from residual impacts of Covid-19 and Local Government reorganisation. These will present challenges in relation to delivery of the Council's priorities as we move through recovery from the pandemic, financial pressures and how public services are delivered.
- 5.3 Updates on the Annual Governance Statement action plan were reported to the Audit and Governance committee regularly during 2020/21. Issues relating to Information Governance and Procurement were resolved during the year.
- 5.4 Two issues remain on the action plan, which had arisen from previous internal audits and one issue has been added following a recent internal audit. Plans to address these requirements have been produced and will be subject to regular monitoring by the Council's Leadership Team and the Audit and Governance Committee, where appropriate. Updates will be provided to Audit and Governance committee during 2021/22.

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position (July 2021)
Non-compliance with the Payment Card Industry Data Security Standard (PCI DSS)	Internal Audit report	New software purchased as old system ceased to be supported. Implementation of new software should resolve PCI DSS issues Management responsibility has been defined. Responsibility for completing annual PCI DSS assessment to be assigned.	Head of Business Development and Improvement Revised date to 5 October 2021 (previously 31 December 2020 and then 31 July 2021).	A new income management system has been procured from Civica that will enable PCI DSS compliance. Originally it was planned that this would be implemented by September 2020 but was delayed due to Covid. CivicaPay was rescheduled to launch on 27 July and we were on track to do so. However, we have asked for time to review the proposed approach to taking telephone payments and the go live date has been moved to 5 October 2021.
Performance Management	Internal Audit Report	<ul style="list-style-type: none"> • PDR guidance to be reviewed and updated • HR to undertake QA review of sample of PDRs • Return rate of PDRs to be monitored & all PDRs reviewed and returned to manager if not complete. • Training plan to be completed promptly following PDR process. 	Head of Business Development and Improvement Revised date 30 September 2021 (previously December 2020 and then 30 June 2021)	In light of local government re-organisation, a review of PDR guidance has concluded that our arrangements are appropriate and no changes are proposed at this time. We will shortly be issuing reminders to managers regarding completion of 2021 PDRs, following which we will review completion and develop the training plan. This has been delayed due to other priorities

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position (July 2021)
Creditors	Internal Audit Report	<ul style="list-style-type: none"> • Delegated authority levels reviewed and amended where needed. Twice yearly reconciliation of delegated authority list to system settings. • Review all purchasing user accounts and new user set up to ensure segregation of duties always enforced • Review and amend new user, access changes and leaver request forms to improve control. Conduct annual reconciliation of leavers to e-procurement accounts. • Review exemptions list with aim of increasing use of purchase orders. • Develop interface between new housing system and finance system to improve process and audit trails. 	<p>Data and Systems Team Leader & Head of Finance 30 September 2021</p> <p>Data and Systems Team Leader 30 September 2021</p> <p>Data and Systems Team Leader 30 October 2021</p> <p>Head of Finance 30 November 2021</p> <p>Head of Operational services. 31 March 2022</p>	<p>Appropriate actions have been agreed.</p> <p>Updates will be provided to Audit and Governance Committee on progress and completion.</p>

**Janet Waggott
Chief Executive**

**Councillor Mark Crane
Leader of the Council**

Selby District Council - Corporate Governance Framework

Two overarching principles of good corporate governance:

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Ensuring openness and comprehensive stakeholder engagement

Five areas where effective arrangements need to be in place to deliver good governance:

Defining outcomes in terms of sustainable economic, social, and environmental benefits

Determining the interventions necessary to optimise the achievement of the intended outcomes

Developing the entity’s capacity, including the capability of its leadership and the individuals within

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Managing risks and performance through robust internal control and strong public financial management within it

Corporate Governance comprises the systems, processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities. At Selby these are defined and implemented by:

Key Documents: Annual Review / Production

Key Documents: Ad Hoc Review / Production

Contributory Processes / Regular Monitoring

- Constitution
- Council Plan
- Annual Performance Reports
- Annual Outturn Finance Reports
- Corporate Risk Register
- Scheme of Delegation
- Service Plans
- Medium Term Financial Strategy
- Members Allowances Scheme
- Prudential Code and Treasury Management Strategy
- Risk Management Strategy
- Statement of Accounts
- Asset Management Strategy
- Counter Fraud Strategy

- Business Continuity Plans
- Community Engagement Strategy
- Corporate Procurement Strategy
- Financial Regulations
- Equality and Diversity Policy
- Health and Safety Policies
- Information Governance Framework
- Internet transparency pages
- Member / Officer relations protocol
- Members’ Code of Conduct
- Officer’s Code of Conduct
- Partnerships Policy
- Performance Management Framework
- Decisions records
- Whistleblowing policy
- ICT Strategy
- Partnerships arrangements
- Customer Strategy

- Annual Governance Statement
- Audit and Governance Committee
- Budget Monitoring
- Head of Paid Service
- Monitoring Officer
- S151 officer
- External Audit
- Internal Audit
- Senior Leadership Team meetings
- Intranet
- H&S Processes
- Council Tax Leaflet
- Customer Feedback Process
- Job Descriptions
- Job Evaluation Process

- Annual Performance Appraisals
- Council Meetings
- Scrutiny Framework
- Member Training
- Independent Remuneration Panel
- Staff Induction
- Staff Surveys
- Organisational Development
- Safer Recruitment
- Gifts and Hospitality policy
- Annual Ombudsman Letter
- 3 yearly Surveillance Commissioners Visits
- CIPFA Financial Management Code self assessment and action plan

Statement of Accounts 2020/21 – Explanatory Notes

1 Introduction

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit Committee for approval. It provides explanations and commentary on the main issues within the accounts.
- 1.2 The purpose of the Statement of Accounts is to give stakeholders clear information about the Council's finances. In summary the accounts should show:
- The cost of the services provided by the Council over the year
 - Where the money came from to pay for these services
 - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2020/21" (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2 Narrative Statement

- 2.1 The Narrative Statement seeks to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
- The statements included in the accounts.
 - A summary of the Council's revenue income and expenditure for the year and variances against the previous year's figures.
 - A summary of capital expenditure and how this was financed.
 - Changes to accounting policies and practice.
 - Any other significant matters.

3 Statement of Responsibilities for the Statement of Accounts

- 3.1 This statement sets out the various responsibilities for the accounts:
- The Council's responsibilities under local government legislation.
 - The Chief Finance Officer's legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Chief Finance Officer.

4 Movement in Reserves Statement

- 4.1 This statement shows the movement in the year on the different reserves held by the Council analysed into "usable reserves" (those that can be applied to fund

expenditure or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

Description	2019/20 £'000	2020/21 £'000	Variance £'000	Comment
(Surplus) / Deficit on Provision of Services	(8,577)	(10,727)	(2,150)	See paragraph 5.2.
Other Comprehensive Income & Expenditure	(2,660)	(1,092)	1,568	The majority of the movement relates to the remeasurement of pension liabilities. This remeasurement does not create a real cash gain, however under accounting guidance they need to be credited to the Income and Expenditure Account.
Total Comprehensive Income & Expenditure	(11,237)	(11,819)	(582)	
Balance on Total Authority Reserves at 31 March	(191,009)	(202,828)	(11,819)	This represents the increase in the net wealth or value of the Council over the year. See paragraph 6.2.

5 Comprehensive Income and Expenditure Statement

5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show the accounting cost in the year of providing services, rather than the amount to be funded from taxation (council tax) or dwelling rents.

- Expenditure and income directly related to the services provided by the Council (Net total cost of £12,313).
- Expenditure and income not directly attributable to services but to the Council as a whole.
- Income received in respect of general government grants and local taxation (bringing the overall net total on provision of Services to a surplus of (£10,727k)

- Net surplus on revaluation of Non-Current Assets and Pension Liabilities of (£1,092k) (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £11,819k).

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year.

- 5.2 The Comprehensive Income and Expenditure of the Council has moved from a surplus of £11,237k at the end of 2019/20 to a surplus of £11,819k at the end of 2020/21, a net increase in surplus of £582k. The increase in Surplus on Provision of Services is the main driver of this movement, with an increase in the net cost of services provided in year (£6.4m), offset by an increase in Taxation and Non-Specific Grant income (£7.9m). This has been driven by a number of factors, with the primary of these being the ongoing Covid-19 pandemic, impacting traditional sources of council revenue and expenditure, and resulting in increased Central Government grant funding being made available to Local Authorities over the course of the year in response. Please see pages 7-10 and 78 for further details. The reduction to 'Other Comprehensive Income & Expenditure' between years has been driven by a smaller increase on Selby DC asset values in the year (£1.5m lower than 19/20). The majority of the 'Other Comprehensive Income & Expenditure' surplus for the year has been driven by pension liability remeasurements, a surplus in year of £0.9m.
- 5.3 The movement in the balance on Total Authority Reserves takes in account the year end surpluses and deficits reported against the General Fund and HRA Management Accounts. The General Fund outturn position reported a surplus of £459k, and the HRA generated a surplus of £6,532k, both of which were in excess of the budgeted position for the year (£419k and £1,023k respectively).

6 Balance Sheet

- 6.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.
- 6.2 Explanations for key variances between 2019/20 and 2020/21 are set out in the table following.

Description	2019/20 £'000	2020/21 £'000	Variance £'000	Comment
Property Plant & Equipment	191,389	195,899	4,510	Increase of £8.8m arising from new asset additions, of which £4.2m relates the Council Dwelling Portfolio and £4.0m

APPENDIX B

				relates to the new Waste Vehicle fleet. Increase offset slightly by yearly revaluations and depreciation charge.
Investment Property	4,060	3,936	(124)	Decrease driven by the in-year disposal of the former Natwest Bank in Selby
Short Term Debtors	4,627	7,606	2,979	Bulk of variance driven by an increase of £1.5m in monies owed from central government regarding contributions from the NNDR pool. A combined £505k increase in monies owed from NYCC and NYFRA regarding the NNDR collection fund, and £300k increase in VAT receipts owed from HMRC
Short Term Borrowing	(6,752)	(15)	6,737	Decrease driven by the scheduled repayment of a £6.5m loan in year.
Grants Receipts in Advance	(110)	(1,479)	(1,369)	Increase solely down to the Covid-19 Business grants where the conditions for recognition had not been met as at 31 st March
Defined Benefit Pension Scheme	(10,395)	(10,988)	(593)	Note 43 The year-end actuarial valuation of the Council's pension liabilities. Whilst the Council paid off its historic pension deficit in 2016/17, based on the actuarial assessment at that time. A net liability is presented in the accounts as regulation requires a much lower

APPENDIX B

				return on assets to be used for financial accounts, rather than the actual returns expected when estimating fund requirements.
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Description	2019/20 £'000	2020/21 £'000	Variance £'000	Comment
Usable Reserves	(52,171)	(66,338)	(14,167)	Net increase in earmarked reserves during 2020/21 is mainly attributable to renewables business rates income being allocated to reserves as planned, and planned increases to the Programme for Growth Reserve. The remainder is through planned contributions.
Unusable Reserves	(138,838)	(136,490)	2,348	Significant movements in Unusable Reserves include: adjustments to the Capital Adjustment Account for the charges for depreciation and amounts written out on disposal (£5.2m), and Capital Financing Applied in year (£7.0m). Movements in the pensions reserve (£0.59m) following the annual year-end actuarial valuation of the Council's Pension Fund assets and liabilities, and movements in the Collection Fund adjustment Account (£3.66m) arising from differences in recognising Council Tax and NNDR income due from payers, compared with the Council's statutory duties in paying across amounts to the General Fund from the Collection Fund.

7 Cash Flow Statement

- 7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.
- 7.2 Councillors may wish to note the following explanations for key variances when compared with 2019/20:

Description	2019/20 £'000	2020/21 £'000	Variance £'000	Comment
Net (Surplus)/ Deficit on the provision of services	(8,577)	(10,727)	(2,510)	See paragraph 5.2.
Adjustments to net (surplus)/deficit on the provision of services for non- cash movements	(12,936)	(2,687)	10,249	Comprises a number of non-cash movements including depreciation, revaluations for Council Dwellings. The adjustment also includes various movements in balance sheet headings such as creditors, debtors, inventories, provisions and pension fund liability changes. Variance primarily driven by the movement in Debtors and Creditors in the year.
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1,703	1,607	(96)	Includes the movement in capital grants, capital receipts and contributions used to fund capital expenditure.
Investing Activities	5,491	6,792	1,302	Relates to activities such as the purchase of fixed assets, proceeds from sale of assets and other investment activity proceeds. Variance relates to increased Investment in Plant, Property and Equipment in 20/21 (see Balance sheet comments above) compared with 19/20 (£2m increase), offset by a reduction in the Loans and Advances made by

				SDC in the current year (£764k loan made to Selby District Housing Trust in 19/20. No loans made in 20/21)
Financing Activities	(995)	4,913	5,909	Reflects the repayment of £6.5m in borrowing in 20/21

8 Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement and Note to the Movement on the Housing Revenue Account Statement

8.1 The Housing Revenue Account (HRA) is a statutory ring-fenced account, to be accounted for completely separately to the General Fund. The purpose of the HRA Income and Expenditure Account, Movement on the HRA Statement and Note to the Movement on the HRA Statement is the same as for the General Fund.

8.2 The information from the HRA statements are combined (known as consolidated) with the General Fund to give the overall position of the Council's financial health.

8.3 The consolidated financial statements include year-end surpluses and deficits generated by the HRA. At the end of 2020/21, the HRA reported a surplus of £6,532k, which was transferred to the Major Repairs Reserve at year end. The net increase to the MRR, after in year capital expenditure, stood at £1,990k.

9 Collection Fund

9.1 The Collection Fund reflects the statutory responsibilities for billing authorities to maintain a separate account for the transactions relating to the collection of Council Tax and National Non-domestic Rates and the distribution of these monies to precepting authorities and central Government. The costs of administering collection are accounted for in the General Fund.

10 Glossary

10.1 This explains the technical terminology used throughout the Statement of Accounts.

11 Annual Governance Statement

11.1 The Annual Governance Statement reviews the effectiveness of the Council's internal control systems for the year of account and, in accordance with the Accounts and Audit Regulations 2015 forms part of the Council's statutory Statement of Accounts. The statement is covered by a separate report on the Committee's agenda.

12 Conclusions

12.1 The Council budgeted a minor surplus of £43k in 2020. The actual position for the year resulted in a surplus position of £459k after planned contributions to and from reserves. Further details regarding revenue spending are covered in page 8 of the Narrative Statement.

12.2 The budget for the Housing Revenue Account (HRA) was set to contribute £5.51m to the Major Repairs Reserve (MRR). The actual out-turn was a surplus of £6.52m. The surplus was wholly allocated to the MRR. The reasons for the variations are set out in the Narrative Statement (page 10) but mainly related to in year savings in the capital programme, reducing required revenue contributions and savings on anticipated borrowing costs through the use of internal borrowing. Increased grant income received in year as a result of the ongoing Covid-19 pandemic further contributed to this better than expected outturn position.

12.3 Capital expenditure for the General Fund and HRA totalled £9.25m, which includes £3.97m on the new Waste Collection Fleet. Further details regarding expenditure and Funding can be found on page 10 and 11 of the Narrative Statement.



Report Reference Number: A/21/9

To: Audit and Governance Committee
Date: 29 September 2021
Status: Non-Executive Decision
Author: Allison Heap, Customer Service Manager
Lead Officers: June Rothwell, Head of Operational Services
Alison Hartley, Solicitor to the Council & Monitoring Officer

Title: Corporate Complaints & Compliments Annual Report, April 2019 – March 2020 & April 2020 – March 2021 and Local Authority Ombudsman Annual Review Letter 2021

Summary:

Selby District Council is committed to customer service. We believe that the needs of our customers are our top priority, and we are committed to putting our customers first by improving the quality of our services and our customers' experience of them. We are keen to understand where services can improve as changes are made to a deliver a greater digital service.

The Council adopted a Complaints Policy in 2017, which was amended in 2020 in respect of dealing with vexatious customers. In this policy we have made a commitment to publish our performance on dealing with complaints every quarter as part of the Corporate Performance Report and to publish an annual complaints report.

The annual report is an opportunity to inform on service area improvement, this report is for a two-year period in relation to Corporate Complaints and Compliments. The delay in reporting the 2020 information is a result of the extraordinary circumstances caused by the pandemic as all service areas focussed resource on immediate customer needs.

As previously advised, this report also includes information and a link to the Ombudsman Annual Report to provide a comprehensive picture of complaints handling at this Council.

Recommendations:

That the Audit and Governance Committee note and provide comments on the Corporate Complaints Annual Report and the Ombudsman Annual Report.

Reasons for recommendation

In our Complaints Policy we have made a commitment to publish an annual complaints report. This report includes how we have performed in responding to complaints and how we have used complaints to inform service improvement. Including Ombudsman information within the same report provides Members with a full picture of complaints handling and its effect on continually improving standards at Selby District Council.

1.0 Introduction and background -

- 1.1 Complaints arrive into the Council in varying ways; telephone, email, and letter. The central point for receipt, recording and administration is Leadership Support, who triage to assess the type of complaint received. The assessment is to establish if the complaint is a service area complaint, which can be initially dealt with by the Customer Service team, or if there is a requirement for the Leadership Support team to log as a corporate complaint and trigger the designated timelines.
- 1.2 Compliments are usually received direct from a service area, a line manager or a colleague plus via the web, where a customer can log their feedback. The Leadership Support team log details of the named member of staff or team and the service area, with brief details of the customer's comments.
- 1.3 Leadership Support monitor complaints for responses to Stage 1, Stage 2 and Ombudsman complaints and they issue reminders to colleagues for completion dates. Discussions are ongoing with Data and Systems for a complaint reminder to be a RAG (red, amber, green) system that's currently used for Freedom of information requests.
- 1.4 Information is gathered monthly and quarterly for Stage 1, Stage 2, and Ombudsman complaints, including details of the numbers received and if they have been responded to in the required timeframe. This information is then recorded in KPI reports and published on the web.

2.0 Complaints Performance Report:

Stage 1 Corporate Complaint's

- 2.1 The tables below illustrate a comparison of Stage 1 complaints for the last two financial years, and the data that forms part of the current KPI and the yearly return of the council's performance:-

2020-2021: -

Service Area	Total	On time	Late	Not Justified	Partially Justified	Justified	No data provided
Operational	26	23	3	11	5	1	9
Planning	18	15	3	1	2	0	15
Legal	3	3	0	1	0	0	2
Contracts	4	4	0	2	2	0	0

Business Dev	0	0	0	0	0	0	0
Comm. & Partnership	0	0	0	0	0	0	0
Total	52	46	6	15	9	1	27

2019-2020: -

Service Area	Total	On time	Late	Not Justified	Partially Justified	Justified	No data provided
Operational	55	49	6	33	16	4	2
Planning	16	10	6	7	1	1	7
Legal	2	2	0	2	0	0	0
Contracts	7	7	0	5	2	0	0
Business Dev	0	0	0	0	0	0	0
Comm. & Partnership	0	0	0	0	0	0	0
Total	80	68	12	47	19	5	9

2.2 These figures illustrate a decrease in Stage 1 Complaints received and a decrease in late responses. Monitoring sheets which provide information about complaint justification improved in 2019 – 2020, however form returns have decreased in 2020 – 2021, this could be due to Officers covering several areas of work due to the pandemic.

Stage 2 Corporate Complaints

2.3 The figures below again illustrate a slight increase overall. Similar to Stage 1 complaints, there is a decrease in Monitoring sheet information, again this could be due to the demands on all services caused by the pandemic.

2020-2021: -

Service Area	Total	On time	Late	Not Justified	Partially Justified	Justified	No data provided
Operational	9	5	4	2	0	0	7
Planning	13	9	4	1	0	0	12
Legal	1	0	1	0	0	0	1
Contracts	2	2	0	0	1	0	1
Business Dev	0	0	0	0	0	0	0
Comm. & Partnership	0	0	0	0	0	0	0
Total	25	16	9	3	1	0	21

2019-2020: -

Service Area	Total	On time	Late	Not Justified	Partially Justified	Justified	No data provided
Operational	14	7	7	5	0	1	8
Planning	7	7	0	4	0	0	3
Legal	0	0	0	0	0	0	0
Contracts	1	1	0	1	0	0	0
Business Dev	0	0	0	0	0	0	0
Comm. & Partnership	0	0	0	0	0	0	0
Total	22	15	7	10	0	1	11

2.4 Whilst the corporate complaints for Stage 1 have decreased and Stage 2's increased slightly, the focus for quarterly and yearly reports remains number based, rather than theme based. Presently, there is limited information about lessons learnt or actions taken to rectify an issue to prevent repeat complaints. As a result of this finding, it is proposed that further work will focus on the importance of collating information about the nature of complaints through completion of monitoring forms. Analysis of the monitoring information to see if any themes arise from which lessons can be learned and services further improved will be developed within Leadership Support.

LGA Ombudsman Complaints

2.5 The figures below illustrate a decrease in the amount of complaints escalated to the LGA Ombudsman. The LGO have reported a nil return for complaints they have upheld for SDC for the last financial year.

2021-2020: -

Received	Investigated	Not investigated	Complaint upheld	Complaint not upheld
7	3	4	0	3

2020-2019: -

Received	Investigated	Not investigated	Complaint upheld	Complaint not upheld
10	4	6	0	4

2.6 The Ombudsman Service published the Annual Statistics on its website for 20/21 at [Selby District Council - Local Government and Social Care Ombudsman](#) None of the complaints made against SDC were upheld during this period. 100% of any improvements recommended by the Ombudsman were carried out. It was a difficult year in which the Ombudsman Service suspended consideration of complaints at the start of the covid pandemic for six months, and this should be taken into account if comparing with last years' statistics.

Compliments

2.7 The figures below illustrate the number of compliments received over the two-year period and the service areas concerned.

2021-2020: -

Received	Contact Centre	Assets	Lifeline	Housing	CT& Bens	Contracts	Planning
134	67	26	3	8	2	27	1

2020-2019: -

Received	Contact Centre	Assets	Licensing	Council Tax	Housing	Contracts	Data & Systems	Planning
106	50	22	2	3	13	11	3	2

2.8 It is encouraging from a performance perspective that the number of compliments has almost doubled. Moving forward, data regarding compliments received could be added to the KPI information monthly.

Other Complaints

2.9 Separate from the complaint's procedure, MP enquires come direct to Leadership Support to instigate a response. Support from a designated area (Leadership team) has provided a less fractured service. The designated officer has an overview of varying complaints received which assists with appropriate escalation of complaints and decreases duplication of complaints across MP enquiries, corporate complaints, and service area complaints.

Vexatious Complaints

2.10 It is very rare for the Council to reach the position where a complainant is designated as vexatious. However, in 2019 such a designation was made in respect of a persistent complainant. The matter was considered further by the Ombudsman. The Council's policy was subsequently amended on the advice of the Ombudsman, to include a specific warning to the complainant prior to such designation.

2.11 The policy has been amended to reflect the working procedure of issuing an initial letter warning and then a final warning letter that we are moving to the vexatious stage, with varying options of how to manage the customer during this period.

2.12 With dedicated complaint administration, Leadership support can review all communication received and highlight any issues to the Customer Service Manager, to discuss with the relevant area if referral to the vexatious procedure would be appropriate.

3.0 Implications

- 3.1 Consideration for a compliment indicator to be added to the KPI information to give a balanced view of complaints and compliments received quarterly to feed into the annual report.
- 3.2 A RAG (red, amber, green) email to be formulated, from the complaint spreadsheet, to assist with complaint administration, similar to one presently used for Freedom of information administration. This will move ownership from manual reminders and assist Officers managing their own dairies to ensure complaints are handled in a timely manner.

Legal Implications

- 3.3 Clear and lawful policies and procedures in place to consider complaints and learn from them reduces the risk of legal challenges and increases the efficiency of Council administration. Oversight by Members is important in terms of transparency and openness.

Financial Implications

- 3.4 With stronger complaint administration and key data on lessons learnt, this may assist with claims against the Council for compensation for delays with complaint handling.

4. Conclusion

During this report period, Leadership support have provided strong administrative support, assisting with responses at service level, to avoid matters escalating to corporate complaints.

With the administration of Corporate complaints, Ombudsman correspondence and MP enquiries now being dealt with by Leadership support, this has become less fractured with a more holistic approach, minimising confusion for customers and colleagues.

Corporate complaints are a tool to provide vital feedback for the Council to improve our performance. The current performance on Stage 1 & Stage 2 monitoring sheets requires improvement. As we move out of the pandemic we will focus on gathering information about the nature of complaints and analysing how services can be improved and lessons learned.

Whilst corporate complaints have decreased for Stage 1's and only a slight increase in Stage 2's, further work can be done to improve the customer journey. With emphasis on a KPI for lessons learnt and how we could improve our policies and procedures this would strengthen the council's relationship and with our customer base, illustrating the value we place on complaints received.

It can be inferred from the Ombudsman Annual Review Report [selby district council.pdf \(lgo.org.uk\)](#) that Selby District Council's improvements to complaints handling procedures have had an impact on the number and outcomes of

Ombudsman Complaints this year, resulting in improved reputation and increased efficiency of process.

Members are asked to note the information in this report.

Contact Officers:

Allison Heap,
Customer Services Manager
Email aheap@selby.gov.uk

Alison Hartley,
Solicitor to the Council
Email shartley@selby.gov.uk

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Report Reference: A/21/10

To: Audit & Governance Committee
Date: 29 September 2021
Status: Non-Executive
Ward(s) Affected: All
Author: Alison Hartley, Solicitor to the Council
Lead Officer: Alison Hartley, Solicitor to the Council

Title: Corporate Policy: Regulation of Investigatory Powers Act 2000
Version: 2021

Summary:

Following the Investigatory Powers Commissioner's Office inspection on 9th February 2021 and the report to A&G Committee dated 21 April 2021 confirming the Council's action plan, a revised draft RIPA Policy is attached.

Recommendations:

To note the revised draft RIPA Policy that is intended to take effect from 1st October 2021.

Reasons for recommendation

The Council has a duty under RIPA 2000 to demonstrate how requests for covert directed surveillance activities are determined and recorded. Part of the role of the Audit and Governance Committee is to monitor the Council's use and authorisation of covert surveillance under the Regulation of Investigatory Powers Act 2000; providing the inspection findings to the Committee and the revised Policy enables oversight.

1. Introduction and background

The Regulation of Investigatory Powers Act ("RIPA") controls and regulates surveillance, and other means of gathering information, which public bodies employ in the discharge of their functions, and that process can be used as a defence against certain human rights claims. The Investigatory Powers Commissioner (IPCO) oversees the authorisation and use of covert tactics by statutorily empowered public authorities and as part of this the Council is inspected every three years to review management of covert activities.

The Council was inspected in February 2021. The inspection report made no recommendations but commented that the draft RIPA Guidance and Procedure could be amended to reflect up to date Codes of Practice and recognise that IPCO is the new governing body.

The revised RIPA Policy has regard to up-to-date Codes of Practice and is amended to update reference to the Investigatory Powers Commissioner's Office as the overseeing body.

To reflect the rarity of use of the powers by SDC, the number of authorising officers has been restricted to five at a senior level.

The process of authorisation and recording has been revised so that it links to the guidance and up to date home office forms on the internet.

The policy now includes reference to reviewing the RIPA policy and reporting of use or non-use of RIPA authorisations to A&G annually.

Some relevant SDC Officers (working in enforcement roles) have attended refresher RIPA training this month. Bespoke refresher training is currently being delivered to the five Authorising Officers.

2. Alternative Options Considered

n/a

3. Implications

3.1 Legal Implications

It would put the Council at risk of legal challenge for breach of legislation if the Policy were not in place.

4.2 Financial Implications

There are no financial implications as a direct result of this report. Failure to comply with RIPA would put the Council at risk of legal challenge for breach of legislation. Breach of the legislation can result in a fine.

4.3 Policy and Risk Implications

Failure to comply with RIPA would put the Council at risk of legal challenge for breach of legislation.

4.4 Corporate Plan Implications

n/a

4.5 Resource Implications

n/a

4.6 Other Implications

n/a

4.7 Equalities Impact Assessment

n/a

5. Conclusion

The updated RIPA Policy reflects the current legislation and guidance following the IPCO Inspection, to ensure that any consideration regarding use of **covert** surveillance by SDC Officers complies with the law.

NOTE: There is a separate report on this agenda to bring the SDC Policy relating to the use of **overt** surveillance to the Committee's attention. Overt surveillance includes CCTV used for general non-directed surveillance where the public are made aware through signage that cameras are in place. There is a Code of Practice and a separate CCTV Surveillance Commissioner's Office that maintains an oversight on use of such equipment for overt surveillance.

6. Background Documents

[RIPA codes - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

[Application for use of directed surveillance - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

[RIPA forms - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

[Changes to local authority use of RIPA - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

7. Appendices

Revised RIPA Policy 2021

Contact Officer:

Alison Hartley
Solicitor to the Council
ahartley@selby.gov.uk

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Corporate Policy

Regulation of

Investigatory Powers

Act 2000 (RIPA)

Version : October 2021

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1. INTRODUCTION

- 1.1 This Corporate Policy is based upon the requirements of the Regulation of Investigatory Powers Act 2000 (“RIPA”), the Home Office’s Code of Practice for Covert Surveillance and property interference, and Covert Human Intelligence Sources (“CHIS”) (“Codes”), and the Home Office guidance for local authorities in England and Wales on the judicial approval process for RIPA and the crime threshold for directed surveillance (“Guidance”)
- 1.2 Selby District Council (the “Council”) has also taken into account and incorporated the guidance given by the Investigatory Powers Commissioner on 15 February 2021 and is grateful to them for providing this.
- 1.3 The Audit & Governance Committee has responsibility for monitoring the Council’s use of the Regulation of Investigatory Powers Act 2000 for the use and authorisation of surveillance. As recommended in the Codes an annual report will be taken to the Council’s Audit & Governance Committee, which will contain such detail to enable Committee to determine that the Council’s policy is fit for purpose. The Report will include statistics relating to the level of RIPA activity or inactivity.
- 1.4 Whilst this policy provides guidance it is not intended to be an authoritative source on the provisions of RIPA. All Officers must therefore refer to RIPA itself and to the Codes, and the Guidance for an authoritative position.
- 1.5 Should any Officer be uncertain in respect of any aspect of RIPA, the authorising procedures set out in this policy, or at all, they should contact the legal department of the Council immediately.
- 1.6 The Solicitor to the Council is the RIPA Senior Responsible Officer and as such is responsible for:

- The integrity of the process in place within the Council to authorise directed surveillance and CHIS;
- Compliance with Part II of the 2000 and with the Codes;
- Oversight of the reporting of errors to the Investigatory Powers Commissioner and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- Engagement with the Investigatory Powers Commissioner and inspectors who support the Commissioner when they conduct their inspections;
- Where necessary, overseeing the implementation of any post – inspection action plans recommended or approved by a Judicial Commissioner, and
- Ensuring that all authorising officers are of an appropriate standard, addressing any recommendations and concerns in the inspection reports prepared by the Investigatory Powers Commissioner’s Office (IPCO)

2. LEGISLATIVE BACKGROUND

2.1 The Human Rights Act 1998 (the “HRA”) incorporated the European Convention on Human Rights (the “ECHR”) into domestic law.

2.2 Article 8 of the ECHR provides that:

“1. Everyone has the right to respect for his private and family life, his home and his correspondence.

2. There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well being of the country, for the prevention of disorder or crime, for the protection of health or morals or

for the protections of the rights and freedoms of others.” [Emphasis added]

2.3 There is therefore a qualified right for interference with individual’s rights under Article 8 if it is:

2.3.1 done in accordance with the law;

2.3.2 necessary; and/or

2.3.3 proportionate.

2.4 Any individual undertaking surveillance and/or using CHIS on behalf of the Council will therefore be breaching a person’s human rights unless that surveillance is authorised in accordance with the law, is necessary for one of the reasons set out above, and is proportionate.

2.5 This could have serious implications for the Council, not only in terms of its reputation, but could also potentially render any evidence gathered during the surveillance inadmissible in criminal proceedings, leave the Council open to civil proceedings for a breach of an individual’s human rights, and/or lead to a complaint being made to the Ombudsman. To avoid such a situation arising therefore, Officers must not carry out either Surveillance and/or CHIS unless the provisions of paragraph 2.3 are complied with.

In accordance with the law – RIPA

2.6 RIPA came into force on 25 September 2000, with the Codes subsequently coming into force pursuant to Section 71 of RIPA. The aim of RIPA was to strike a balance between protecting individuals’ rights under Article 8 ECHR and the HRA and the need for investigatory powers to protect the interests of society as a whole. It therefore allows interference with individuals’ rights in certain circumstances.

Necessity

2.7 It should be noted that pursuant to the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence

Sources) Statutory Instrument No. 2010/521 (“**RIPA Order 2010**”) a local authority, (and hence the Council) **can only rely on Section 28 (3) (b) of RIPA as a ground for its interference being necessary.** Therefore, under RIPA any interference can **only** be necessary if it is **“for the purpose of preventing or detecting crime where the offence is punishable by a maximum term of at least six months imprisonment.”**

- 2.8 Regulation 7A of the 2010 RIPA Order (as amended by the 2012 RIPA Order SI 2012/1500) introduced this further limitation so that Authorising Officers may only authorise surveillance in respect of a criminal offence which is punishable by a maximum term of at least 6 months imprisonment or which constitutes an offence under section 146, 147 or 147A of the Licensing Act 2003 (sale of alcohol to children) or section 7 of the Children and Young Persons Act 1933 (sale of tobacco to children under 18 years old).
- 2.9 However, not all applications for the purpose set out above will be necessary. The Authorising Officer must be satisfied that it is necessary in all the circumstances. A judgment will have to be made on a case-by-case basis. Generally, any such interference will be not be necessary if there is an alternative overt method which could be used to obtain the information. Authorising Officers should therefore satisfy themselves that all other methods have either been exhausted or are not practicable. Authorising Officers should also take care to record in the authorisation their reasoning as to why the action is necessary.

Proportionate

- 2.10 Once it has been established that such interference is necessary it must then be considered whether it is proportionate to what is to be achieved. The Authorising Officer should consider the following elements of proportionality (as set out in paragraph 4.7 of the Code):
- 2.10.1 Balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;

- 2.10.2 Explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- 2.10.3 Considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the information sought; and
- 2.10.4 Evidencing as far as reasonably practicable what other methods had been considered and why they were not implemented, or have been implemented unsuccessfully
- 2.11 Authorising Officers should also take care to record within the authorisation form the reasons why they consider the action proportionate and must ensure that the case for the authorisation is presented in the application in a fair and balanced way. In particular, all reasonable efforts should be made to take into account information which weakens the case for the authorisation.

Judicial Approval

- 2.12 Following authorisation by an Authorising Officer judicial approval must be obtained prior to any surveillance being undertaken. Section 32A (2) of RIPA states that *“The authorisation is not to take effect until such time (if any) as the relevant judicial authority has made an order approving the grant of the authorisation.”*
- 2.13 Section 32A (3) of RIPA further provides that:
- “(3) The relevant judicial authority may give approval under this section to the granting of an authorisation under section 28 if, and only if, the relevant judicial authority is satisfied that*
- at the time of the grant there were reasonable grounds for believing that the requirements of section 28(2) were satisfied in relation to the authorisation, and*
- the relevant conditions were satisfied in relation to the authorisation, and*

at the time when the relevant judicial authority is considering the matter, there remain reasonable grounds for believing that the requirements of section 28(2) are satisfied in relation to the authorisation.

(4) For the purposes of subsection (3) the relevant conditions are –

(a) in relation to a grant by an individual holding an office, rank or position in a local authority in England or Wales, that

the individual was a designated person for the purposes of section 28,

the grant of the authorisation was not in breach of any restrictions imposed by virtue of section 30(3), and

any other conditions that may be provided for by an order made by the Secretary of State were satisfied...”.

- 2.14 The procedure for making an application for judicial approval is contained in The Magistrates’ Court (Regulation of Investigatory Powers) Rules 2012 (SI 2012/2563, and is explained further in the Guidance.

3. SURVEILLANCE

What is surveillance?

3.1 Surveillance includes:

3.1.1 Monitoring, observing, or listening to persons, watching or following their movements, their conversations or their activities or communications;

3.1.2 Recording anything mentioned above in the course of authorised surveillance; and/or

3.1.3 Surveillance, by or with, the assistance of a surveillance device.

3.2 Surveillance can be either overt or covert.

Overt Surveillance

3.3 The vast majority of surveillance, which the Council carries out, will be overt and will involve Officers and employees noting events in the course of their normal daily duties. This will not fall within the scope of RIPA and will not require an authorisation. For example, a dog warden who notes an offence being committed as he/she carries out their daily routine will not require RIPA authorisation as this is an immediate response to events.

Covert Surveillance

3.4 Covert surveillance is defined in section 26(9)(a) of RIPA. It provides that *“surveillance is covert if, and only if, it is carried out in a manner that is calculated to ensure that persons who are subject to the surveillance are unaware that it is or may be taking place”*.

Surveillance not relating to specified grounds or core functions

3.5 An authorisation for directed surveillance is only appropriate for the purposes of a specific investigation or operation, insofar as that investigation or operation is necessary on the grounds specified in RIPA (Section 28(3)). Covert surveillance for any other general purposes should be conducted under other legislation, if relevant and an authorisation under Part II of RIPA should not be sought.

3.6 These core functions referred to are the ‘specific public functions’ undertaken by the Council in contrast to the ‘ordinary functions’ which are those undertaken by all authorities (e.g. employment issues, contractual arrangements etc). These ordinary functions are covered by the Data Protection Act 2018 and the Information Commissioners Employment Practices Code.

RIPA Part II

3.7 RIPA Part II applies to the following conduct:

3.5.1 Directed Surveillance

3.5.2 Intrusive surveillance

3.5.3 Covert Human Intelligence Sources

Directed Surveillance (Section 26(2) RIPA)

3.8 **Section 26(2)** defines directed surveillance as surveillance, which is:

3.8.1 Covert but not intrusive;

3.8.2 Undertaken for the purpose of a specific operation;

3.8.3 Undertaken in such a manner as is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation); or

3.8.5 Otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under this Part to be sought for the carrying out of surveillance.

3.9 **Section 26(10)** defines “private information” in relation to a person as “*including any information relating to his private or family life*”. Private information should be taken generally to include any aspect of a person’s private or personal relationship with others, including family and professional or business relationships. Family should be treated as extending beyond the formal relationships created by marriage or civil partnerships.

3.10 Information which is non-private may include publicly available information such as books, newspapers, journals, TV and radio broadcasts, newswires, web sites, mapping imagery, academic articles, conference proceedings, business reports, and more. Such information may also include commercially available data where a fee may be charged, and any data which is available on request or made available at a meeting to a member of the public. Non-private data will also include the attributes of inanimate objects such as the class to which a cargo ship belongs.

3.11 Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether

or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute covert surveillance, a directed surveillance authorisation may be considered.

- 3.12 Private Information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.

Online Covert Activity

- 3.13 The growth of the internet and the extent of the information which is now available online have presented new opportunities for the Council to view or gather information which may assist it in preventing or detecting crime.
- 3.14 Much of the information can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. However, it should be noted that if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered.
- 3.15 In deciding whether online surveillance should be regarded as covert, consideration should be given to the likelihood of the subject(s) knowing that the surveillance is or may be taking place. Use of the internet itself may be considered as adopting a surveillance technique calculated to ensure that the subject is unaware of it, even if no further steps are taken to conceal the activity. Conversely, if reasonable steps have been taken to inform the public or particular individuals that the surveillance is or may be taking place, the activity may be regarded as

overt and a directed surveillance authorisation will not normally be required.

- 3.16 Depending on the online platform there may be a reduced expectation of privacy where information relating to a person or group of people is made openly available within the public domain, however in some circumstances privacy implications still apply. This is because the intention when making such information available was not for it to be used for a covert purpose such as investigative activity. This is regardless of whether a user of a website or social media platform has sought to protect such information by restricting its access by activating privacy settings.
- 3.17 Where information about an individual is placed on a publicly accessible database, such as Companies House, which is commonly known to be available to all, they are unlikely to have any reasonable expectation of privacy over the monitoring by authorities of that information. Individuals who post information on social media networks and other websites whose purpose is to communicate messages to a wide audience are also less likely to hold a reasonable expectation of privacy in relation to that information.
- 3.18 Whether a public authority interferes with a person's private life includes consideration of the nature of the public authority's activity in relation to that information. Simple reconnaissance of such sites (i.e preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation of privacy and therefore not likely to require a directed surveillance authorisation. However, where a public authority is systematically collating and recording information about a particular person or group, a directed surveillance authorisation should be considered. These considerations apply regardless of whether the information was shared online. Paragraph 15 of the Code provides useful examples which will assist officers in their consideration of these issues.

3.19 Paragraph 3.16 of the Code sets out useful guidance on the factors to consider when determining whether authorisation should be sought for accessing information on a website as part of a covert investigation or operation. These include:

- Whether the investigation or research is directed towards an individual or organisation;
- Whether it is likely to result in obtaining private information about a person or group of people (taking account of the guidance at paragraph 3.6 above);
- Whether it is likely to involve visiting internet sites to build up an intelligence picture or profile;
- Whether the information obtained will be recorded and retained;
- Whether the information is likely to provide an observer with a pattern of lifestyle;
- Whether the information is being combined with other sources of information or intelligence, which amounts to information relating to a person's private life;
- Whether the investigation or research is part of an ongoing piece of work involving repeated viewing of the subject(s);
- Whether it is likely to involve identifying and recording information about third parties, such as friends and family members of the subject of interest, or information posted by third parties, that may include private information and therefore constitute collateral intrusion into the privacy of these third parties.

Aerial Covert Surveillance

3.20 Where surveillance using airborne crafts or devices, i.e. drones, is planned, the same considerations outlined in chapters 3 and 5 of this code should be made to determine whether a surveillance authorisation is appropriate. When considering whether such

surveillance is covert, consideration should be given to the reduced visibility of a craft or device at altitude.

Intrusive Surveillance (Section 26(3)-(6))

3.21 **Section 26(3)** defines surveillance as intrusive if and only if it is covert surveillance that:

3.21.1 Is carried out in relation to anything taking place on any residential premises or in any private vehicle; and

3.21.1 involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.

3.22 Pursuant to **Section 26 (5)** surveillance which:

3.22.1 Is carried out by means of a surveillance device in relation to anything taking place on a residential premise or in any private vehicle, but

3.22.2 Is carried out without that device being present on the premises or in the vehicle

is not intrusive **unless** the device is such that it consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.

3.23 Please note that there is **NO** provision for a local authority to authorise intrusive surveillance.

4. COVERT INTELLIGENCE SOURCES (“CHIS”)

Who is a CHIS?

4.1 **Section 26(8)** of RIPA defines a CHIS as a person who:

- (a) Establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within (b) & (c) below;
- (b) covertly uses such a relationship to obtain information or to provide access to any information to another person; or
- (c) covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship.

4.2 This is defined further within **Section 26(9) (b) &(c)** so that:

4.2.1 A **purpose** will only be covert if, and only if, it is carried out in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the purpose.

4.2.2 A **relationship** is used **covertly**, and information obtained is **disclosed covertly**, if and only if it is used or, as the case may be, disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.

4.3 Hence, there is no use of CHIS if a member of the public offers information to the Council that may be material to an investigation of an offence, but there would be if the Council then asked that person to obtain further information.

Authorising a CHIS

4.4 An authorisation must be obtained for CHIS in the same way as for directed surveillance. A detailed explanation of the authorisation

process is contained in **Section 5** below. However, in addition, to the process for considering whether an authorisation is justified, a CHIS should not be authorised if it does not comply with the requirements of **Section 29(5)** of RIPA.

4.5 **Section 29(5)** requires that:

4.5.1 There will at all times be a person holding an office, rank, or position with the relevant investigating authority who will have **day to day responsibility for dealing with the source** on behalf of that authority, and **for the source's security and welfare ("Handler")**;

4.5.2 There will at all times be another person holding an office, rank or position with the relevant investigating authority who will have **general oversight** of the use made of the source ("**Controller**");

4.5.3 There will at all times be another person holding an office, rank or position with the relevant investigating authority who will have responsibility for maintaining a record of the use made of the source;

4.5.4 The records relating to the source that are maintained by the relevant investigating authority will always contain particulars of all such matters (if any) as may be specified for the purposes of this paragraph in regulations made by the Secretary of State (**see below**); and

4.5.5 The records maintained by the relevant investigating authority that disclose the identity of the source will not be available to persons except to the extent that there is a need for access to them to be made available to those persons.

4.6 With regard to paragraph 4.5.4 above the regulations are set out in the Regulation of Investigatory Powers (Source Records) Regulations 2000.

These regulations can be found at

www.security.homeoffice.gov.uk/ripa/legislation/ripa-statutory-instruments

and must be referred to by Officers.

Security and Welfare

Before authorising the use of conduct of a CHIS the authorising officer should ensure that a risk assessment is carried out to determine the risk to the CHIS of any tasking and the likely consequences should the role of CHIS become known.

The ongoing security and welfare of the CHIS, after cancellation of the authorisation should also be considered at the outset. Also, consideration should be given to the management of any requirement to disclose information tending to reveal the existence or identity of a CHIS to, or at court.

The Handler will be responsible for bringing to the attention of the Controller any concerns about the personal circumstances of the CHIS in so far as they might affect:

- The validity of the risk assessment;
- The conduct of the CHIS; and
- The safety and welfare of the CHIS. Where appropriate concerns about such matters must be considered by the authorising officer, and a decision taken on whether or not to allow the authorisation to continue.

Vulnerable Individuals

4.7 A vulnerable individual is a person who is or may need community care services by reason of mental or other disability, age, illness and who is or may be unable to take care of himself, or unable to protect himself against significant harm or exploitation. Vulnerable individuals should only be authorised to act as a source in the most exceptional circumstances, and the Chief Executive may only give such an authorisation.

Juvenile sources

4.8 There are also special safeguards with regard to the use or conduct of juvenile sources (under 18 years).

4.9 A source under 16 years of age must not be authorised to give information against his parents or any person who has parental responsibility for him.

4.10 There are also further requirements within the Regulation of Investigatory Powers (Juveniles) Order 2000 (SI No. 2793), and in other cases authorisations should not be granted unless these provisions are complied with.

A copy of this can be also be found at

www.security.homeoffice.gov.uk/ripa/legislation/ripa-statutory-instruments

and **must** be referred to by all Officers

4.11 The duration of such an authorisation is one month instead of 12 months.

4.12 Notwithstanding the above, the Council has not to date utilised these powers and considers that it is rare that they would be used in the future. As such only the **Chief Executive** may authorise any application for the use of CHIS and Officers should contact the legal department before making any application.

5. AUTHORISATION PROCESS

- 5.1 Directed surveillance and/or the use of CHIS shall be lawful for all purposes, if the conduct is properly and legitimately authorised and an Officer's conduct is in accordance with the authorisation.
- 5.2 Therefore all officers must obtain an authorisation from an Authorising Officer¹ and Judicial approval before undertaking either directed surveillance and/or the use of CHIS, to ensure that it is lawful. A flowchart setting out the steps to be taken is contained at page 17 of the Guidance which can be found at Appendix 3.
- 5.3 Authorisations will only be given where:
- 5.3.1 The directed surveillance and/or the use of CHIS is necessary in the interests of preventing or detecting crime or disorder where the offence is punishable by a maximum term of at least six months imprisonment; and
- 5.3.2 It is proportionate to the objective which it is intended to achieve.
- 5.4 The Authorising Officer must satisfy himself of this before granting the authorisation.
- 5.5 In particular the Authorising Officer must consider whether the activity could be carried out in an overt or less intrusive manner. If it could then this should be the preferred method.

Collateral Intrusion

- 5.6 Before granting an authorisation an Authorising Officer must take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation.
- 5.7 Wherever practicable measures should also be taken, to avoid or minimise unnecessary intrusion into the lives of those people. Where such collateral intrusion is unavoidable, the activities may still be authorised, provided this intrusion is considered proportionate to what is sought to be achieved. The

¹ Head of Operational Services, Head of Planning, Director of Corporate and Commissioning, Director of Economic Regeneration & Place and the Chief Executive.

same proportionality tests should be applied to anticipated collateral intrusion as to intrusion into the privacy of the intended subject of the surveillance.

5.8 All applications must include an assessment of the risk of collateral intrusion in the application form. To ensure that the Authorising Officer is properly able to consider this the application should include:

- The scope of the anticipated surveillance;
- The likelihood that any equipment or software deployed may cause intrusion on persons or property other than the subject of the application.

Confidential Information

5.9 RIPA does not provide any special protection for “confidential information”.

5.10 Notwithstanding this, special care should be taken where the subject of the investigation or operation might reasonably expect a high degree of privacy or where confidential information may be involved.

5.11 Confidential information includes, matters subject to legal privilege, confidential personal information or confidential journalistic material.

5.12 For example special care should be taken with surveillance where it would be possible to acquire knowledge of discussions between a minister of religion and an individual relating to the latter’s spiritual welfare, or where matters of medical or journalistic confidentiality or legal privilege may be involved.

5.13 In cases where through the use of surveillance and/or CHIS, confidential information may be obtained, only the **Chief Executive**, or in his absence, a Director, may give authorisation.

Application Forms

5.14 All applications and authorisations must be made/granted on the relevant Home Office forms. Electronic copies of these forms are available on the Home Office website at <https://www.gov.uk/government/collections/ripa-forms--2>

If an officer has difficulty obtaining the correct form they should contact the Legal Department.

Content of Application

- 5.15 The applicant must ensure that each application contains a unique reference number (“URN”). This must be inserted into the box at the top right-hand corner of the relevant form. This should include a reference to their department, the year, and the number of the application during that year. Authorising Officers should not authorise any application, which does not contain this.
- 5.16 Applicants must also ensure that they complete all boxes within the forms. If done properly this will ensure compliance with RIPA’s requirements. However, to ensure that there is full compliance the details of RIPA’s requirements are set out below.

Application for Directed Surveillance

5.17 A written application for directed surveillance should include:

- 5.17.1 the reason(s) why the authorisation is necessary in the particular case and the ground(s) on which it is considered necessary pursuant to Section 28(3) of the Act. As set above the only ground on which the Council can now rely is “for the purpose of preventing or detecting crime or disorder”.
- 5.17.2 the reasons why the surveillance is considered proportionate to what it seeks to achieve;
- 5.17.3 the nature of the surveillance;
- 5.17.4 the identities, where known of those to be the subject of the surveillance;
- 5.17.5 an explanation of the information, which it is desired to obtain as a result of the surveillance;
- 5.17.6 the details of any collateral intrusion and why the intrusion is justified;
- 5.17.7 the details of any confidential information that is likely to be obtained as a consequence of the surveillance;

5.17.8 the level of authority required (or recommended where that is different) for the surveillance; and

5.17.9 a subsequent record of whether authorisation was given or refused, by whom, and the date and time.

Application for the use of CHIS

5.18 An application for the use or conduct of a source should include:

5.18.1 the reasons why the authorisation is necessary, and the grounds listed in section 29(3). Again, the only ground upon which the Council can rely is “for the purpose of preventing or detecting crime where the offence is punishable by a maximum term of at least six months imprisonment”;

5.18.2 the reasons why the authorisation is considered proportionate to what it seeks to achieve;

5.18.3 the purpose for which the source will be tasked or deployed;

5.18.4 where a specific investigation or operation is involved, the nature of that investigation or operation;

5.18.5 the nature of what the source will be tasked to do;

5.18.6 the level of authority required (or recommended where different);

5.18.7 the details of any potential collateral intrusion and why the intrusion is justified;

5.18.8 the details of any confidential information that is likely to be obtained as a consequence of the authorisation; and

5.18.9 a subsequent record of whether authority was given or refused, by whom and the time and date.

Duration of Authorisations Directed Surveillance

5.19 A written authorisation granted by an Authorising Officer will cease to have effect (unless renewed) at the end of a period of three months beginning with the day on which it took effect.

CHIS

5.20 A written authorisation will unless renewed cease to have effect at the end of a period of twelve months beginning with the day on which it took effect.

Reviews

5.21 Regular reviews should be carried out to assess the need for the authorisation to continue. Reviews should take place frequently if the source of surveillance provides confidential information or involves collateral intrusion.

5.22 The Authorising Officer must decide how frequently and when the reviews should take place. This should be as frequently as is considered necessary and practicable.

5.23 The Authorising Officer must use the appropriate form to complete the review, and the results of the review should be recorded in the central record of authorisations and retained for at least 3 years.

Authorisations may be renewed more than once, if necessary and proportionate, and provided they continue to meet the criteria for authorisation.

Renewals

5.24 If at any time before an authorisation ceases to have effect an Authorising Officer considers it necessary for the authorisation to continue for the purpose for which it was given he may renew it for:

5.28.1 3 months (Directed Surveillance)

5.28.2 12 months CHIS

5.25 The renewal will take effect at the time at which, or the day on which the authorisation would have ceased to have effect but for the renewal.

5.26 An application for renewal of an authorisation should not be made until shortly before the authorisation is due to cease to have effect.

5.27 Any person who would be entitled to grant a new authorisation is able to renew an authorisation.

5.28 An authorisation can be renewed more than once as long as it continues to meet the criteria for authorisation.

5.29 The application for renewal must include:

Directed Surveillance

- Whether this is the first renewal of an authorisation on which the authorisation has been renewed previously;
- Any significant changes to the information included in the initial application;
- The reasons why the authorisation for directed surveillance should continue;
- The content and value to the investigation or operation of the information so far obtained by the surveillance; and
- The results of regular reviews of the investigation or operation.

CHIS

- Whether this is the first renewal or every occasion on which the authorisation has been renewed previously
- Any significant changes to the information in the original application;
- The reasons why it is necessary to continue to use the source;
- The use made of the source in the period since the grant or, as the case may be, latest renewal of the authorisation;
- The tasks given to the source during that period and the information obtained from the conduct or use of the source; an
- The results of regular reviews of the use of the source.

5.30 As with new applications judicial approval must also be sought after the Authorising Officer gives authorisation.

Cancellations

- 5.31 The Authorising Officer who granted or last renewed the authorisation must cancel it if he is satisfied that it no longer meets the criteria under which it was first granted.
- 5.32 The Authorising Officer must complete the relevant form to do so and pass the information to the legal department to be included on the central register.
- 5.33 In addition, when the decision is taken to stop surveillance, an immediate instruction must be given to those involved to stop all surveillance of the subject(s). The date and time when such an instruction was given should be recorded in the central register and on the cancellation form.
- 5.34 There is no requirement for any further details to be recorded when cancelling a directed surveillance authorisation but effective practice suggests that a record should be retained detailing the product obtained from the surveillance and whether or not objectives were achieved.

6. AUTHORISING OFFICERS

- 6.1 The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 SI 2010 No. 521 provides that the Director, Head of Service, Service Managers, or equivalent officer may give authorisations for directed surveillance and CHIS under RIPA.
- 6.2 In light of the infrequent use made of RIPA and CHIS, Selby District Council has designated only five Authorising Officers - the Chief Executive, the two Directors, the Head of Operational Services and the Head of Planning. These Officers will receive regular training to enable them to deal properly with all authorisations.
- 6.3 Moreover, applicants must submit their application to an Authorising Officer, from outside of their department.

7. RECORDS AND CENTRAL REGISTER

- 7.1 The Council's Legal Department will maintain a central record of all authorisations. This will be updated whenever an authorisation is granted, renewed, or cancelled.
- 7.2 The record will be retained for a period of at least three years from the end of the authorisation and will contain the following information:
- 7.2.1 the type of authorisation;
 - 7.2.2 the date the authorisation was given;
 - 7.2.3 Name and rank/grade of the authorising officer
 - 7.2.4 the unique reference number (URN) of the investigation or operation;
 - 7.2.5 the title of the investigation or operation, including a brief description and names of subjects, if known;
 - 7.2.6 details of attendances at the magistrates' court to include the date of attendances at court, the determining magistrate, the decision of the court and the time and date of that decision;
 - 7.2.7 the dates of any reviews;
 - 7.2.8 if the authorisation is renewed, when it was renewed and who authorised the renewal, including the name and rank/grade of the Authorising Officer;
 - 7.2.9 whether the investigation or operation is likely to result in obtaining confidential information as defined in this code of practice;
 - 7.2.10 whether the authorisation was granted by an individual directly involved in the investigation; and
 - 7.2.11 the date the authorisation was cancelled.

7.3 In respect of each step in the procedure Authorising Officers must retain all original documentation and must give to the legal department a copy of the following information:

7.3.1 the application, and authorisation together with any supplementary documentation and notification of the approval given by the authorising officer;

7.3.2 a record of the period over which the surveillance has taken place;

7.3.3 the frequency of reviews prescribed by the authorising officer;

7.3.4 a record of the result of each review of the authorisation;

7.3.5 the renewal of an authorisation, given together with the supporting documentation submitted when the renewal was requested;

7.3.6 the date and time when any instruction to cease surveillance was given;

7.3.7 the date and time when any other instruction was given by the authorising officer; and

7.3.8 a copy of the order approving or otherwise the grant or renewal of an authorisation from a Justice of the Peace (JP).

7.4 For the avoidance of doubt the information set out above must be passed to the legal department contemporaneously to ensure that the Council's central record can be maintained and that the Council can therefore ensure that all authorisations are reviewed and cancelled in accordance with RIPA.

8 ERRORS

8.1 The Council's Senior Responsible Officer will undertake a regular review of errors and a written record will be made of this review. In the event that relevant errors occur, the Council's Senior Responsible Officer will notify the Investigatory Powers Commissioner's Office as soon as practicable and no later than 10 working days after it has been established that the error occurred and will have regard to Section 8 of the Code in doing so.

9. INFORMATION

9.1 The Council will have regard to the guidance provided in the Code with regard to the relevant legislation, guidance and the Code when handling, storing, or disseminating information.

10. COMPLAINTS

10.1 Complaints about the Council's use of investigatory powers can be made to:

The Investigatory Powers Tribunal PO Box 33220 London SW1H 9ZQ

10. APPENDICES

1. Code of Practice on Covert Surveillance
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742041/201800802_CSPI_code.pdf
2. Code of Practice on Covert Human Intelligence Sources
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742042/20180802_CHIS_code .pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742042/20180802_CHIS_code.pdf)
3. Home Office Guidance to local authorities in England and Wales on the judicial approval process for RIPA and the crime threshold for directed surveillance –
www.gov.uk/government/uploads/system/uploads/attachment_data/file/118173/local-authority-england-wales.pdf

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Report Reference Number: A/21/11

To: Audit & Governance Committee
Date: 29 September 2021
Status: Non-Executive
Ward(s) Affected: All
Joint Authors: Alison Hartley, Solicitor to the Council
Kirsty Bewick, Veritau Ltd (Data Protection Officer)
Joint Lead Officers: Karen Iveson, S151, Senior Information Risk Officer
Alison Hartley, Solicitor to the Council

Title: Corporate Policy & Guidance: Surveillance Overview Document and the Overt Surveillance Policy: Version: 2021

Summary:

Following the Investigatory Powers Commissioner's Office inspection on 9th February 2021 a revised draft RIPA policy relating to **covert** surveillance is before Members elsewhere on this agenda. It was also agreed that a policy relating to **overt** surveillance be prepared to ensure oversight of its use and to demonstrate compliance with the relevant Codes of Practice and requirements of the Surveillance Camera Commissioner and GDPR.

Recommendations:

To note the policy and guidance that is intended to take effect from 1st October 2021.

Reasons for recommendation

Part of the role of the Audit and Governance Committee is to monitor the Council's use and authorisation of covert surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA). Whilst outside RIPA legislation, **overt** surveillance undertaken by the Council also requires oversight. Providing up to date policy and guidance to the Committee enables Member oversight as to how **overt** surveillance is used and managed at SDC in compliance with the Surveillance Camera Commissioner's Codes of Practice and GDPR.

1. Introduction and background

- 1.1 The Officer Corporate Information Governance Group chaired by Karen Iveson, as the Council's Senior Information Risk Officer (SIRO), has undertaken a review of the Council's use of surveillance to ensure the

distinction between **covert** and **overt** surveillance is clear. **Covert** surveillance is governed by the Regulation of Investigatory Powers Act 2000 and is the subject of a separate policy and report on this agenda.

1.2 Overt surveillance must still meet standards set by the Surveillance Camera Commissioner and UK GDPR legislation. To demonstrate this, Officers have identified the surveillance equipment used by the Council and the circumstances in which it is deployed. The attached Surveillance Overview Document and the Overt Surveillance Policy have been drafted in association with Veritau Ltd, who act as SDC Data Protection Officer.

1.3 Amongst the issues covered in the policy and guidance - key points are:

- (i) A Central Register of Surveillance Equipment is kept by [Head of Communities?]
- (ii) Information Asset Owners are responsible for providing up to date information to the Central Register
- (iii) Standard of CCTV systems and compliance with Codes of Practice
- (iv) Use of recorded information
- (v) Subject Access Requests
- (vi) Distinction between Covert and Overt Surveillance
- (vii) Cross-referencing to all relevant Information Governance policies and procedures at SDC

1.4 Prior to the policy and guidance taking effect, further training is intended to be delivered to key officers involved in overt surveillance, and this will include all members of ELT and LT.

2. Alternative Options Considered

n/a

3. Implications

3.1 Legal Implications

It strengthens the Council's position in defending legal challenge for breach of legislation with up-to-date policy and guidance in place.

4.2 Financial Implications

Failure to comply with legislation in deploying surveillance would put the Council at risk of legal challenge for breach of legislation. Breach of the legislation can result in a fine.

4.3 Policy and Risk Implications

Failure to comply with guidance in deploying surveillance would put the Council at risk of legal challenge for breach of legislation.

4.4 Corporate Plan Implications

n/a

4.5 Resource Implications

n/a

4.6 Other Implications

n/a

4.7 Equalities Impact Assessment

n/a

5. Conclusion

Overt surveillance includes CCTV used for general non-directed surveillance where the public are made aware through signage that cameras are in place. There is a Code of Practice and a separate Surveillance Camera Commissioner's Office that maintains an oversight on use of such equipment for overt surveillance. The updated policy and guidance reflects the current legislation and statutory guidance, to ensure that any consideration regarding use of **overt** surveillance by SDC Officers complies with the law.

NOTE: There is a separate report on this agenda to bring the SDC RIPA Policy relating to the use of **covert** surveillance to the Committee's attention.

6. Background Documents

Surveillance Overview Document

[Surveillance camera code of practice - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

7. Appendices

Appendix A: Surveillance Overview Document
Appendix B: Overt Surveillance Policy 2021

Contact Officers:

Alison Hartley
Solicitor to the Council
ahartley@selby.gov.uk

Kirsty Bewick
Veritau Ltd
Data Protection Officer
Kirsty.Bewick@veritau.co.uk

Selby District Council

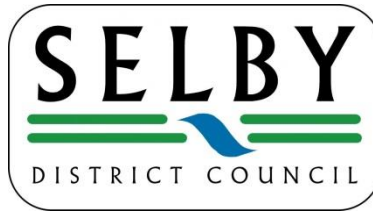
Surveillance Overview

Document Control

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Version	Date	Notes	Author
0.1	15/11/2019	Initial draft	Veritau DPO
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1. Introduction

This overview forms part of the Council's wider Information Governance Framework that has been refreshed following the introduction of the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

The new legislation states that data controllers are responsible for compliance with the six data protection Principles (the Principles) and must be able to demonstrate compliance to data subjects and regulatory bodies. The Information Governance Framework is the Council's method to demonstrate compliance with the Principles.

The Surveillance Overview is not a policy itself but instead explains the Council's approach to Information Security and which policy documents are relevant to the Council's approach to governing the use of surveillance to ensure such processing takes place within the provisions of data protection legislation.

Queries about this overview, or any policy in the Information Governance framework, should be directed to the Council's Data Protection Officer.

2. Relevant Legislative Framework

The Council maintains two individual policies to govern the use of Surveillance activity. The policies have been written in accordance with the provisions of the following relevant legislation:

- Regulation of Investigatory Powers Act (2000)
- Human Rights Act 1998
- Data Protection Act 2018
- UK General Data Protection Regulation (2018)

Likewise, the following regulatory guidance has been considered when drafting these policies:

- Covert Surveillance and Property Interference Code of Practice (August 2018)
- Covert Human Intelligence Sources Code of Practice (August 2018)
- ICO's Surveillance Code of Practice (November 2011)
- ICO Employment Practices Code (November 2011)

3. Covert Surveillance Activity

The Council is authorised, in certain circumstances, to carry out covert surveillance activity. However, such activity is heavily regulated and subject to a number of safeguards.

The Council has one specific policy which relates to covert surveillance activity maintained by the Solicitor to the Council and Monitoring Officer.

- Regulation of Investigatory Powers Act 2000 (RIPA) Guidance and Policy ([include reference here](#))

Officers should not partake in covert surveillance activity without seeking the relevant authorisations specified in the policy.

4. Overt Surveillance Activity

As well as operating covert surveillance the Council is also permitted to operate 'overt' surveillance technology. Whilst such processing is not as heavily regulated as covert surveillance the Council must still ensure the rights and freedoms of individuals whose data is captured by such systems are protected.

The Information Governance Policy Framework has a specified policy which relates to 'overt' surveillance activity:

- Overt Surveillance Policy ([include reference here](#))

Officers should consult with the Council's Data Protection Officer prior to implementing any new surveillance system.

Selby District Council

Overt Surveillance Policy Document Control

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Title	Overt Surveillance Policy
Subject	Information Governance
Version	0.4
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Policy Version History

Version	Date	Notes	Author
0.1	15/11/2019	Initial draft	Veritau DPO
0.2	05/12/2019	Inclusion of Lone Worker section	Veritau DPO
0.3	21/01/2021	Completion of some amendments due to feedback received plus format changes.	Veritau DPO
0.4	25/8/2021	Draft Amendments to align with other Council policies including refreshed Corporate Policy: RIPA	Alison Hartley Solicitor to the Council

Update and approval

This Policy shall be updated annually or, if deemed necessary, whenever there is a need or requirement to do so. It will be updated in respect of changes within the privacy field, other regulatory changes, changes in the market where the District Council operates and internal changes within the District Council. Any changes to this Policy are subject to approval by the SIRO.



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1. Introduction

This policy forms part of the Council's wider Information Governance Framework.

This policy is concerned with the use and governance of surveillance technology, and the processing of Personal Data which has been collected by using surveillance technology. The policy sets out the standard to ensure the Council complies with the Data Protection Act 2018 and UK GDPR as well as the Surveillance Code of Practice.

Queries about any aspect of the Council's Information Governance strategy or corresponding policies are to be directed to the Data Protection Officer (DPO) at: information.governance@veritau.co.uk

2. Scope

Who the policy applies to

This policy applies to all Council officers, any authorised agents working on behalf of the Council, including temporary or agency staff, elected members, volunteers, and third party contractors. The Policy does not apply to Selby traded companies as these organisations are data controllers in their own right and are therefore obliged to have their own information governance policies.

For the benefit of doubt this Policy will refer to all individuals within scope of the policy as 'Officers'. Officers who are found to knowingly or recklessly infringe this policy may face disciplinary action in accordance with the Council's disciplinary policies and procedures.

What the policy applies to

Surveillance is the monitoring of behaviour, activities, or other changing information for the purpose of influencing, managing, directing, or protecting people. Unless stated otherwise, this policy will apply to any surveillance used by the Council.

The policy does not apply to 'covert' surveillance or to social media surveillance as these are covered by the *Corporate Policy: Regulation of Investigatory Powers*¹

Key Messages

¹ Covert Surveillance can be defined as any surveillance deliberately conducted without the knowledge of the individual(s) who are being monitored. [insert link to Corporate Policy: RIPA here]

1. Officers will ensure that CCTV systems are planned, maintained, and operated within the provisions of data protection legislation and this policy. Such systems must have a specified purpose and only be used for the specified purpose.
2. The Council may use audio equipment to record internal or external meetings. Those being recorded by such equipment must be made aware of this prior to the recording taking place otherwise this constitutes 'covert' surveillance which can only be permitted in certain circumstances.
3. The Council operates tracking location devices in its fleet vehicles. Officers must be made aware of such devices prior to the use of that vehicle.
4. All Council operated surveillance systems must be registered centrally and reviewed every two years.

3. CCTV Systems

Planning CCTV Systems

Any new implementation of CCTV systems will employ the concept of 'privacy by design' which will ensure that privacy implications to data subjects will be considered before any new system is procured. The prescribed method for this is through the completion of a Data Protection Impact Assessment (DPIA). Officers should use the DPIA process as defined by the Council *Personal Privacy Policy*².

The Council has various statutory responsibilities to protect the privacy rights of data subjects. Therefore during this planning phase officers need to consider and address the following:

1. The purpose of the system and any risks to the privacy of data subjects.
2. That there are statutory requirements placed on the location and position of cameras. This means that cameras must be positioned to meet the requirement(s) of the intended purpose(s) and not exceed the intended purpose(s).
3. The obligation to ensure that the CCTV system can meet its intended purpose(s) also means that the system specification must be such that it can pick up any details required for these aims. For example the system must record with sufficient resolution to perform its task.

² [insert link to Personal Privacy Policy policy here]

4. The system must also have a set retention period (the typical retention period is one month) and, where appropriate, the Council must also have the ability to delete this information prior than the set retention period in order to comply with the rights of data subjects.
5. That the Council will need a level of access to the system and there will need to be the option to provide other agencies (such as law enforcement agencies) with specific footage if requested. If a data subject is captured and recorded by the system, then that individual also has the right to request a copy of that footage under subject access provisions.

As per the Council's Personal Privacy Policy³, officers will ensure that a contract will be agreed between the Council (as Data Controller) and the CCTV system provider. Consideration should also be given to whether there are any joint data controller arrangements where the system is shared with another organisation. Data Processing clauses must be included within the written contract.

CCTV Privacy Notices

The processing of personal data requires that individuals that the data relates to - which in this case any individuals captured by the CCTV system, are made aware of the processing taking place.

As such the use of CCTV systems must be visibly signed. This signage will include the purpose for the system (e.g. the prevention or detection of crime), the details of the organisation operating the system and who to contact about the system (including basic contact details). The signage must be clear enough that anyone entering the recorded area will be aware that they are being recorded.

A more detailed Privacy Notice⁴ for the use of CCTV will be maintained with the intention of informing data subjects of their rights in relation to surveillance data. Officers should refer to the Council's Personal Privacy Policy regarding this notice.

Access to CCTV Footage

CCTV footage will only be accessed to comply with the specified purpose, for example if the purpose of maintaining a CCTV system is to prevent and detect crime then officers must only examine footage where there is evidence to suggest criminal activity having taken place

A central register of surveillance systems will be maintained by the Council.⁵ Each CCTV system will have an Information Asset Owner who will be responsible for the governance and security of the system. The Information

³ [insert link to Personal Privacy Policy] [

⁴ insert link to SDC Privacy Notice CCTV V0.2]

⁵ [insert link to the Councils Central Register of Surveillance Systems]

Asset Owner will authorise officers to access CCTV footage either routinely or on an ad-hoc basis.

CCTV Footage Disclosures

Requests by individuals for CCTV recordings should be regarded as subject access requests. Officers should refer to the Information Access and Information Rights Policy Version 1.0 21/1/⁶ when considering such requests.

Requests by other agencies, including law enforcement agencies, for CCTV Recordings should be considered under the terms of the North Yorkshire Multi Agency Information Sharing Protocol⁷ which the Council is a signatory to.

Review of CCTV

CCTV systems must be reviewed biennially to ensure that systems still comply with Data Protection legislation and national standards. Officers should use the checklist included in Appendix One of this policy to complete this review.

It is the responsibility of the Information Asset Owner to ensure reviews are completed and evidence of the reviews taking place are recorded on the corporate register of surveillance systems

4. Audio and Video Recordings

Systematic Use of Audio and Video Recordings

Systematic recordings may be used by the council where it is considered proportionate to the aims of the recording, for example the recording of council committee meetings for the purposes of promoting accountability and public engagement.

Any new systematic use of recording will require that a DPIA is conducted. With any recording the scope of the recording and whether data subjects can choose not to consent to the recording must be established during the DPIA stage.

Recordings must only be accessed where there is a valid reason to do so – for example for law enforcement purposes or to fulfil the purpose that the information was created for.

⁶ [insert link to the Councils Information Access and Information Rights Policy]

⁷ [insert link to North Yorkshire Multi Agency Information Sharing Protocol]

Before recording begins, data subjects must be informed that they are going to be recorded. If, legislation permitting, data subjects have the option not to consent to the recording, then they should be given the choice and possible alternative. This information can be given verbally, so, for example, individuals can be informed as part of a phone call recording. However, a more detailed written privacy notice must exist that an individual can be referred to. The verbal privacy notice will at least include the purpose for the recording, any alternative available, and that more information is available on the Council's website. The written privacy notice will also include details of the data subject's data protection rights and the envisaged retention period and/or criteria.

The recording device or software must be able to produce good quality recordings so that the recordings are fit for the purpose for which they are made. Copies should be made available to data subjects upon request unless there is a legislative permitting reason not to do so. Officers should refer to the Information Access and Information Rights Policy⁸ when handling such requests.

Ad-Hoc Use of Recordings by Officers

Although officers do not require the consent of members of the public to use audio recording equipment on an ad-hoc basis, so long as there is a lawful and justified reason for doing so, it is not permissible to record members of the public either using Audio or Video without their knowledge unless this has been authorised through the 'Regulation of Investigatory Powers Act' and in accordance with the Council's *Corporate Policy: Regulation of Investigatory Powers*⁹

Recordings submitted by members of the Public

Members of the public may submit recordings to the Council. However, members of the public that submit such recordings must be made aware that they may not be submittable as "evidence" and that this is left to the discretion of relevant officers. Reasons for not permitting the submission of a recording could be that the recording is not of good enough quality or that there are concerns that recordings have been altered at a later stage.

⁸ Link to Information Access and Information Rights Policy]

⁹ [Link to Corporate Policy: Regulation of Investigatory Powers

5. Fleet Management Vehicle Surveillance

Location data

The Council's fleet cars are fitted with devices that record the location of the vehicle. Where there is suspicion of inappropriate conduct, managers will have permission to access these records to investigate the suspicions.

Members of staff who use fleet cars are made aware of this when they are granted the use of a fleet car and agree to the terms and conditions of using fleet cars. As well as the terms and conditions a short notice will be visible in the vehicles. This short 'just in time' notice will signpost to a comprehensive privacy notice on the Council's website.

6. Lone Worker activation phone application

Personal details and location Data

The employee's Smartphone will have an Application installed on their phone which allow an employee to activate an alarm in an emergency situation. The data collected will only be utilised in order to help safeguard the individual and will at no time be used as part of any performance review of the employee in question.

It is possible for the Council to ping the Smartphone which would reveal the employee's location if the application has been left running in the background. This does not allow the Council to track the employee.

Members of staff who use Smartphones with the Application installed, will be made aware of this when they sign up to the use of the Application and agree to the terms and conditions of using the Application. Whilst also considering the terms and conditions, the employee will also be provided with information which will signpost them to a comprehensive privacy notice on the Council's website.

7. Related Documents

Officers who are planning the implementation of a surveillance system are encouraged to read the following related documents prior to implementation:

- [Data Protection Impact Assessment Template \(intranet link\)](#)
- [ICO Surveillance code of Practice \(External Link\)](#)
- [Surveillance camera code of practice - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

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Appendix One: Surveillance System Review Checklist

This checklist should be used by officers when conducting the mandatory biennial review of surveillance systems. This checklist needs to be signed off by the relevant information asset owner.

Name and Description of Surveillance System:		
The purpose and requirements of the system are addressed by the system (i.e the cameras record the required information)	YES	NO
	Notes:	
The system is still fit for purpose and produces clear images of adequate resolution.	YES	NO
	Notes:	
Cameras are sited in effective positions to fulfil their task.	YES	NO
	Notes:	
Cameras are positioned so that they avoid capturing the images of persons not visiting the premises and/or neighbouring properties.	YES	NO
	Notes:	
There are visible signs showing that CCTV is in operation. These signs include: <ul style="list-style-type: none"> ▪ Who operates the CCTV, ▪ Their contact details, ▪ What the purpose of the CCTV is. 	YES	NO
	Notes:	
CCTV recordings are securely stored and access limited.	YES	NO
	Notes:	

The system has the capability to transfer recordings to law enforcement or to fulfil a request for an individual's own personal information.	YES	NO
	Notes:	
The system has a set retention period. This retention period should only be long enough to fulfil the CCTV's purpose and not longer. Outside of this retention period information should be deleted	YES	NO
	Notes:	
The system users should be able to selectively delete information still inside the retention period to fulfil the right to erasure.	YES	NO
	Notes:	
All operators have been authorised by the Information Asset Owner and have sat their mandatory data protection training.	YES	NO
	Notes:	
This system has been declared on the corporate register of surveillance systems.	YES	NO
	Notes:	

<p>Checklist Completed By:</p> <p>Name: Job Title: Date:</p>	<p>Checklist Reviewed and Signed By (Information Asset Owner):</p> <p>Name: Job Title: Date:</p>
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Agenda Item 14

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