Scarborough Borough Council

Core Single Entity

Statement of Accounts

2022 – 2023

Contents 2022/23

1. INTRODUCTION

The following pages introduce the Borough Council's Statement of Accounts for the year ended 31 March 2023. They are prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) which requires the accounts to show a true and fair view of the financial position of the Council. The Code is based upon International Financial Reporting Standards (IFRS). Suitable accounting policies have been adopted and applied consistently and where necessary judgements and estimates have been made to comply with the Code.

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

The structure of the accounts is as follows:

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

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

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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

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

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

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

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

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

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

2. OVERVIEW

Scarborough Borough Council provides services to residents, businesses and communities across a 315 square mile area. The borough is a coastal authority and is visited by over 7 million people annually, which places a broad range of specific financial opportunities, issues, risks on the Council in terms of service delivery.

The policies of the Council are directed by the political leadership and are implemented by the Executive Management team and officers of the Council. The Council had 46 Councillors who were elected every four years by local residents on a ward by ward basis.

The Corporate Plan 2020 – 2023 sets out the Council's priorities over the coming years. The Plan was adopted during 2020 and focuses on the following priorities and outcomes:

- **Better Lives**
    - Happy, healthy, active people
    - Thriving and engaged communities
    - A borough where all feel safe
- **Better Homes**
    - A good quality home for all
- **Better Places**

- A clean, green and attractive environment to be proud of
- Vibrant town centres
- A vibrant culture and heritage offer

- **Brighter Futures**
  - Economic growth that benefits everyone
  - A well connected place

- **Better Council**
  - An efficient, effective and financially sustainable council

Local government services within North Yorkshire for the 2022/23 financial year were operated under a two tier model, with services being delivered by both the Borough Council and North Yorkshire County Council. During 2020 the government invited North Yorkshire authorities to put forward proposals to provide alternatives to the current two tier model and in late July 2021 the Secretary of State for Housing, Communities and Local Government announced that a proposal to establish a single unitary on the footprint of the existing administrative county had been successful. The new authority has subsequently been formed on 1 April 2023, with elections for the new organisation taking place in May 2022. 2022/23 is therefore the final year for Scarborough Borough Council and therefore the final year in which a specific statement of accounts will be produced.

The Council's External Auditors, Mazars LLP (Mazars), inspect and assess how the Council manages its resources and its arrangements for financial management. The audit for the year ended 31 March 2022 is in progress, however has not yet been completed due to staffing constraints experienced by both the Council and the External Auditors during the year.

Whilst Mazars have substantially completed the audit of the financial statements for the year ended 31 March 2016, 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and March 2021 they have been unable to issue an opinion on the accounts or certify completion of the audit. This is due to an objection received from a local elector in relation to income generated in the vicinity of Whitby Harbour. Further details are provided in section 3 below.

3. FUNDING CONTEXT, FINANCIAL PLANNING AND RISKS

In line with most other public sector organisations the Council has suffered from significant cuts in Central Government funding in recent years. Funding announcements on government cutbacks have not come as a major shock to the Council; they have been anticipated, and positive actions have been put in place to ensure that where possible the Council reduces its budget in a controlled and managed way.

The pressure of additional expenditure and loss of income due to the COVID-19 pandemic that dominated 2020/21, and continued to impact in 2021/22, added to an already difficult financial position for local government as a whole. The Council's prudent approach to financial management in the years leading up to the pandemic did however put it in good stead to address the resulting financial situation and enabled the Council to manage the budgetary impact and set a robust and balanced budget for the 2022/2023 financial year without the need to cut frontline services.

Local Government Reorganisation clearly have implications for the Council's Financial Strategy and removes the need for a budget beyond the 2022/23 year. The Council is however obligated to hand its affairs over to the new organisation in the best state it can and therefore continued to tackle known budgetary issues and maintained adequate reserve balances.

The major budget and financial implications that would have impacted this Council's operations going forward are anticipated to be the potential impact of the court's decision on the treatment of income generated from the vicinity of Whitby Harbour (see below for further details) and the general public sector backdrop of potential reductions in government support arising from the Fair Funding Review and reset of Business Rate baselines which will impact on the overall resources of the new North Yorkshire Unitary Council.

Despite the current economic backdrop the Council continues to deliver an ambitious regeneration programme across the Borough; funded both by Council resources and central government funding. A number of schemes are progressing which demonstrate the Borough's commitment to working in partnership, improving economic prospects and encouraging enterprise in the region.

The Council's success in levering in Towns Deal funding for Whitby and Scarborough, along with the categorisation of the Scarborough borough as a top priority area for Levelling Up Funds opens up significant regeneration opportunities; however the additional financial and staffing capacity needed to deliver the projects, along with the financial risks associated with their delivery will inevitably result in increased financial pressures for the Council and this will need to be recognised and carefully managed within the new Council's financial plans.

COVID-19 RISKS

For the whole of 2020/21 the UK was either in national lockdown or under severe restrictions, which had a significant detrimental impact on local residents and businesses as well as the Council. In the 2021/22 financial year most restrictions were lifted and the resulting increase in staycations within the UK had a positive financial impact across the borough.

The Council anticipated a longer term financial impact associated with the pandemic and included a contingency budget of £750k in the setting of the 2022/23 budget to fund any ongoing pressures. This budget was not utilised in the year and subsequently incorporated into the closing General Fund Balance.

WHITBY HARBOUR

Scarborough Borough Council is the statutory harbour undertaker for Whitby Harbour which, in recent years, has been the subject of local opposition on the Council's treatment of income received from the land in proximity to the harbour.

Following publication of the Council's draft 2015/16 Statement of Account, a formal objection to the accounts was received from a local elector. The objector questioned whether sections 16 and 17 of the Whitby Urban District Council Act 1905 required income generated from land around Whitby Harbour, specifically land being used for off street car parking, should be specifically ring-fenced in earmarked reserves to fund harbour related expenditure as opposed to being held in the Council's General Fund (as is presented in these accounts). Similar objections were raised to the 2016/17, 2017/18, 2018/19, 2019/20, 2020/21, and 2021/22 accounts.

After some delay in reaching a determination on the objection, Mazars LLP (Mazars), the Council's external auditors, issued their Statement of Written Reasons to the elector and the authority on 26 March 2021.

In providing their Statement of Reasons Mazars stated that they considered whether it is more likely than not that income from each of the car parks is revenue received in respect of the harbour undertaking and whether the Council had failed to hold any surplus funds from the Whitby harbour undertaking in earmarked reserves for the improvement of Whitby harbour and inappropriately passed these to the General Fund. Mazars conclude however that it was not proportionate or appropriate for the time being to take this any further and therefore recommended that the Council seeks a declaration from the Court as to the status of the land in contention within 6 months of its Statement of Reasons.

The Council accepted this recommendation on 23 July 2021. There followed legal correspondence seeking clarification on the recommendation which led to a revised recommendation being issued by Mazars on 27 October 2021 as follows:

> *We recommend that the Council should seek a declaration from the Court as to the status of the land in contention, with a claim being issued by 31 December 2021. That is to say, the Council should take proceedings to seek a ruling on the land and property which comprises the statutory 'harbour undertaking', and whether all income from activities associated with that land and property is revenue received by the Council in respect of the 'harbour undertaking'. In the event that the Court decides that any revenue is received by the Council in respect of the 'harbour undertaking', the Court should be invited to give a direction as to the rectification of the accounts, including the financial years which should be rectified.*

The Council subsequently issued the claim by 31 December 2021 and is currently in the process of obtaining the requested Court declaration. Further information is included within Note 40 to these accounts.

Local Government Reorganisation

Secretary of State for Department for Levelling Up, Housing and Communities (DLUHC, formerly MHCLG – Ministry of Housing, Communities and Local Government) announced on the 21st July 2021 that North Yorkshire County Council's bid to reorganise local government in North Yorkshire had been successful. This means that the current County Council and seven District Councils will be replaced by a single unitary Council which will formally come into effect in April 2023.

New workstreams were created to undertake the work which was required to create the new Council with input from all 8 current councils.

The impacts of LGR were the risk of failure to deliver the projects of the Council, plan effectively for new requirements, motivate staff in the changing environment and increased pressures from workloads resulting in financial loss and loss of reputation. This was mitigated through effective planning and regular communications with staff, providing training and support. The previous North Yorkshire County Councils and the seven District Councils were successfully replaced by a new single unitary Council, North Yorkshire Council on 01 April 2023.

4. SUMMARY OF REVENUE SPENDING

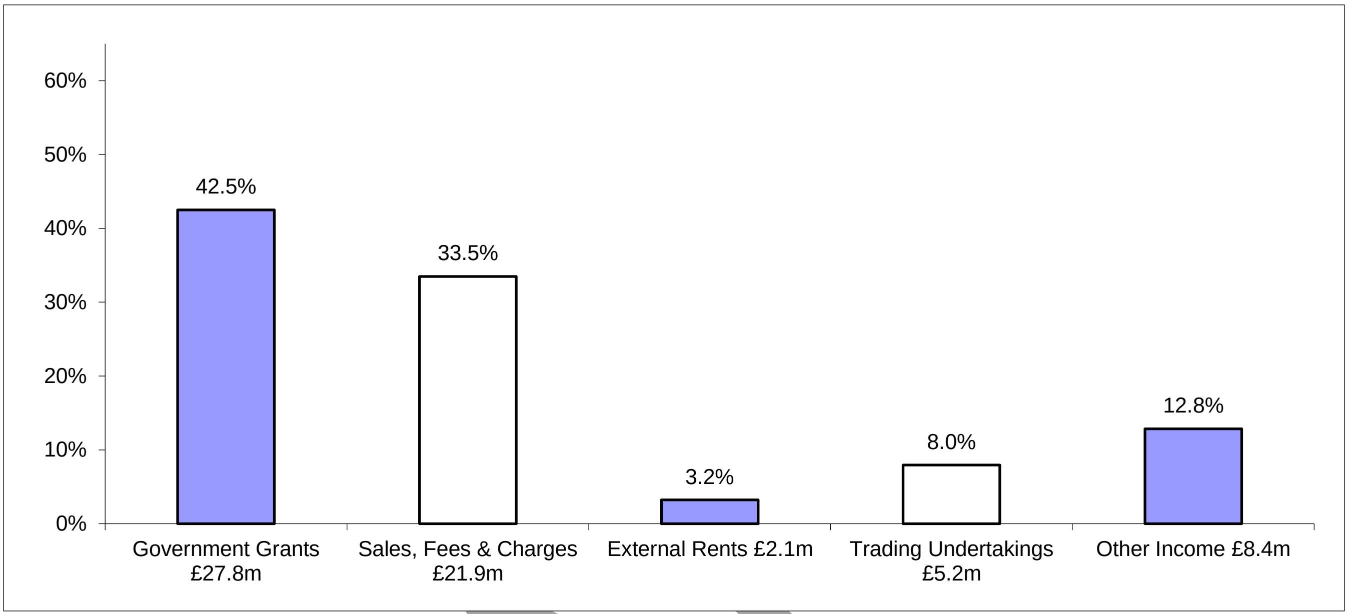
The revenue budget is used to record the day to day running expenses and income of the Council. It includes expenses such as employee costs, heating, lighting, rent, rates, and capital financing, plus income relating to those expenses.

The Council's gross revenue expenditure for the year totalled £96.501 million and its gross income, excluding Taxation and Non Specific Grant Income was £65.311 million, resulting in net operating expenditure of £31.190 million.

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

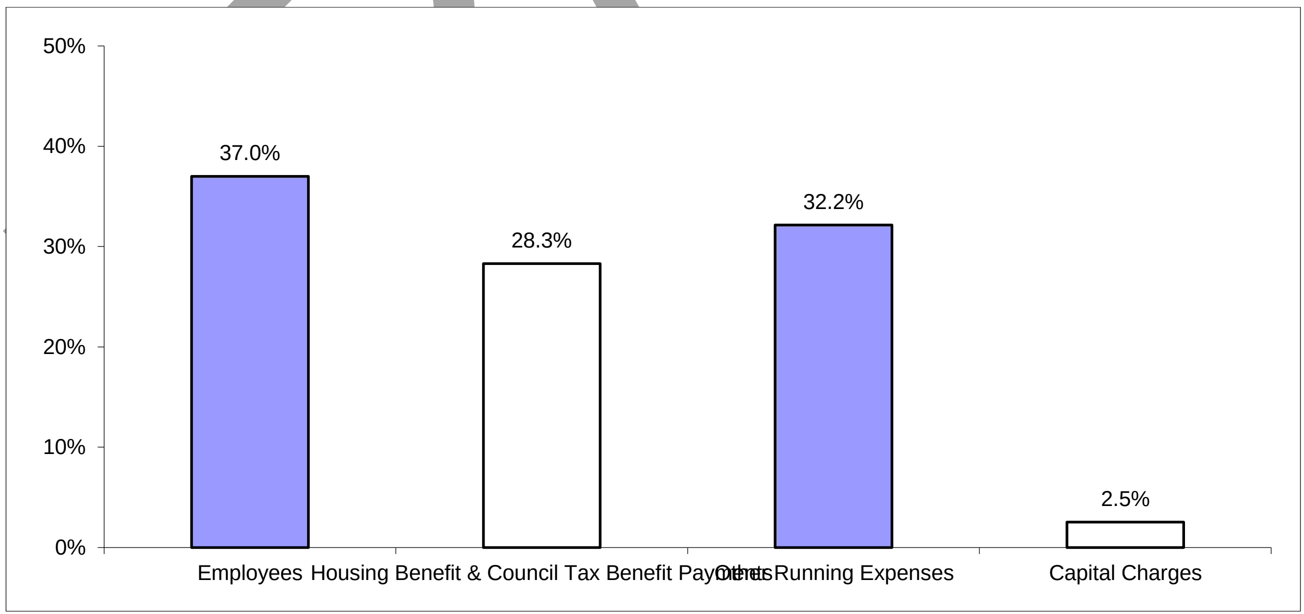
Revenue Funding

This chart shows the Council's various sources of revenue funding excluding Taxation and Non-Specific Grant Income (£65.312m):



Revenue Expenditure

This chart shows the main categories of Council gross expenditure over all General Fund Services (£96.501m).



5. COMPARISON OF THE BUDGET TO OUTTURN

The Council set a balanced budget for the 2022/23 year which included a planned draw of £0.5m from the General Fund Reserve.

As detailed previously, the approved budget included a contingency sum of circa £750k to fund Covid related pressures which was not utilised in the financial year. The balance has been transferred to the General Fund and is in addition to the quoted outturn position detailed below.

In December 2022 a quarterly monitoring report was presented to Cabinet covering the period to September 2022. The report set out that a £1m net revenue budget deficit was anticipated for the 2022/23 year.

The reported overspend for the year is £0.454m, which is an improvement of £0.548m when compared to the Q2 projection. When considered alongside the unutilised COVID contingency the there was a revised surplus contribution of £0.296m

The net additional resource has been transferred to the General Fund Reserve and subsequently transferred to the new North Yorkshire Council.

Outturn Position

The summary outturn position by Directorate is outlined below:

Directorate	2022/23 Actual £'000	2022/23 Budget £'000	Surplus / (Deficit) £'000
Director (Nick Edwards)	4,454	3,971	(483)
Director (Lisa Dixon)	3,500	3,703	203
Director (Richard Bradley)	(1,741)	(1,469)	272
Interim Director (Paul Thompson)	2,833	2,778	(55)
Interim Director (Marc Cole)	671	397	(274)
Corporate Budget Heads and Core Funding	(9,263)	(9,380)	(117)
Year End Overspend	**454**	**-**	**(454)**
In year COVID contingencies not required			**750**
Net Balance transferred to General Fund			**296**

The following table provides additional details with regards to the year-end outturn by Director and Service and compares the outturn position to the forecast provided in the monitoring report for the period ended 30 September 2022.

Service (£000)	Actuals	Budget	Surplus / (Deficit)	Q2 Forecast
Director (Nick Edwards)				
Corporate Management	364	197	(167)	0
Local Taxation	158	101	(57)	(94)
Public Clocks and Fountains	2	-	(2)	-
Land Drainage and Coast Protection	(2)	(7)	(5)	-
Property Services Operational Unit	(101)	(143)	(42)	-
Decorative Lighting	(13)	(13)	-	-
Housing Benefits Subsidy	23	(215)	(238)	(120)
Scarborough Harbour	(384)	(370)	14	-
Whitby Harbour	(79)	(195)	(116)	(50)
Depots and Admin Buildings	92	65	(27)	(20)
Home Improvement Agency	40	65	25	-
Accountancy	383	484	101	-
Accounts Receivable and Payable	222	238	16	-
Choices 4 Energy	3	2	(1)	(14)
Energy Management	53	53	-	-
Environmental Health and Safety	-	-	-	-
Estates and Asset Management	279	403	124	-
Housing and Homelessness	1,128	886	(242)	-
Housing Benefits administration	754	847	93	126
Internal Audit	133	153	20	15
Print Plus	124	174	50	(18)
Procurement Unit	105	96	(9)	
Rental Properties	1	2	1	-
Senior Management Team and Support	77	146	69	57
Street Seats, Lighting and Name Boards	(76)	(60)	16	-
Parks and Open Spaces	(24)	(24)	-	-
IT Services	1,192	1,086	(106)	(36)
	4,454	**3,971**	**(483)**	**(154)**
Director (Lisa Dixon)				
Electoral Services	296	304	8	-
Local Land Charges	(20)	(14)	6	-
Grants	83	83	-	-
Community Partnerships and Safety	411	422	11	-
CCTV	265	269	4	-
HR and Health and Safety	474	463	(11)	(11)
Corporate Costs	-	7	7	-
Legal Services	324	354	30	-
Member and Mayoral Expenses	351	327	(24)	3
Outsourced services	(128)	(138)	(10)	(8)
Public Relations	311	338	27	-
Regulatory, Governance, Performance and Admin	579	570	(9)	10

Service (£000)	Actuals	Budget	Surplus / (Deficit)	Q2 Forecast
Rental Properties	(14)	(14)	-	4
Senior Management Team and Support	16	93	77	-
Sports Development	77	84	7	-
Indoor Leisure Sites	15	15	-	-
Marketing and Events	(1)	2	3	60
Customer Services	461	538	77	16
Corporate Costs	-	-	-	-
	3,500	**3,703**	**203**	**74**
Director (Richard Bradley)				
Community Centres	(14)	(36)	(22)	(45)
Refuse Collection and Street Cleansing	(1,213)	(910)	303	200
Senior Management Team and Support	8	11	3	-
Beach Chalets	(103)	(117)	(14)	15
Outdoor Leisure Sites	(420)	(417)	3	4
	(1,741)	**(1,469)**	**272**	**174**
Interim Director (Paul Thompson)				
Grants	(7)	18	25	-
Parking Off Street	(4,717)	(4,239)	478	370
Sustainability	48	48	-	-
Depots and Admin Buildings	47	40	(7)	(10)
Cemeteries and Crematorium	(987)	(887)	100	30
Licensing	(198)	(156)	42	-
Cash Collection and Administration	60	71	11	10
Emergency Planning	19	21	2	-
Environmental Health and Safety	702	790	88	6
Outdoor Playing Fields and Amenities	8	(6)	(14)	(7)
Outsourced services	670	675	5	(117)
Refuse Collection and Street Cleansing	3,274	2,880	(394)	(97)
Rental Properties	(51)	(130)	(79)	(24)
Senior Management Team and Support	113	112	(1)	-
Transport and Vehicles Maintenance	895	909	14	(7)
Theatres	255	96	(159)	(160)
Public Conveniences	197	137	(60)	(85)
Parks and Open Spaces	2,425	2,366	(59)	(38)
Catering	(18)	87	105	(20)
Outdoor Leisure Sites	(13)	(164)	(151)	(145)
Marketing and Events	111	111	-	-
	2,833	**2,778**	**(55)**	**(294)**
Interim Director (Marc Cole)				
Grants	129	129	-	-
Economic Development	459	514	55	-
Industrial Units	(101)	(100)	1	(14)
Planning	695	518	(177)	(150)

Service (£000)	Actuals	Budget	Surplus / (Deficit)	Q2 Forecast
Land Drainage and Coast Protection	269	269	-	(13)
Decorative Lighting	55	50	(5)	-
Markets	(102)	(113)	(11)	(4)
Capital and Procurement Unit	150	167	17	25
Estates and Asset Management	135	197	62	-
Outsourced services	432	432	-	-
Redevelopment Projects	-	-	-	-
Rental Properties	(2,795)	(2,940)	(145)	(115)
Beaches	194	178	(16)	(13)
Marketing and Events	1,100	1,060	(40)	(40)
Tourist Information Centres	51	36	(15)	(10)
	671	**397**	**(274)**	**(334)**
Corporate Budget Headings				
Treasury Management	(1,119)	(270)	849	458
Corporate Costs	665	(212)	(877)	(510)
Redevelopment Projects	-	-	-	-
Senior Management Team and Support	182	182	-	-
Corporate	-	(70)	(70)	-
Unallocated costs	7	-	(7)	-
Insurance	625	610	(15)	-
Treasury Management	940	985	45	-
Business Rates	1,502	1,593	91	85
MRP (Minimum Revenue Provision) & Capital Element of Rent on Finance Leases	1,314	1,019	(295)	-
Property Repairs	533	608	75	-
Hard Standings	305	482	177	-
Utilities	1,450	1,027	(423)	(601)
Telephony	4	65	61	-
Other Staffing Costs (including apprentice levy)	153	108	(45)	-
Other	277	235	(42)	-
Core Funding				
Retained Business Rates Income and Transfer to SIF	(469)	(458)	11	-
Council Tax Precept	(14,909)	(14,909)	-	-
New Homes Bonus	(139)	(139)	-	-
Other MHCLG Core Funding	(571)	(413)	158	-
Collection Fund (Surplus) / Deficit	(147)	(147)	-	-

Service (£000)	Actuals	Budget	Surplus / (Deficit)		Q2 Forecast
Core Funding					
LRSG Discretionary Grants, Additional Restriction Grants and Isolation Payments (matches expenditure)	-	-	-		-
Government funding including New Burdens and sales, fees and charges Compensation	134	324	190		100
	(9,263)	**(9,380)**	**117**		**(468)**
Outturn Position	**454**	**-**	**(454)**		**(1,002)**

6. CAPITAL EXPENDITURE AND FUNDING

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

Type of expenditure	Total Spent & donated £000	Met By	
		Grants & Contributions £000	Council Resources £000
Fixed & Intangible Assets	8,678	4,810	3,868
Grants (e.g. Disabled Facilities)	2,460	2,430	30
Capital Resources Set Aside	**11,138**	**7,240**	**3,898**
Revenue Projects	5,184	2,413	2,771
Total Programme	**16,322**	**9,653**	**6,669**

Unlike the Revenue Budget, the budget for the Capital Programme is set over the medium term and so an annual budget to actual comparison is not as appropriate. Unforeseen costs are covered by the Risk Management Reserve. The Risk management Reserve was created through the Amalgamation of the Capital Contingency Reserve, Insurance Reserve and some Operational Reserves held.

The capital expenditure funded from Council resources includes £0.416m which has not been set aside at the balance sheet date, but for which provision will be made in future years. This unsupported borrowing has predominantly been used to fund investment in the regeneration of the South Cliff Gardens.

The Council operates limits for external borrowing to ensure it is kept within a prudent and affordable limit. Borrowing of £34.598m at year end was within the authorised limit of £83m.

Resources remaining in the Capital Development Reserve amount to £16.8m at 31 March 2023. This balance is fully committed as part of the Council's 5 year capital plan for projects such as regeneration masterplans, asset management and infrastructure investments, Coast Protection schemes and the vehicle and equipment replacements.

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

Scheme	£000
Scarborough Cinder Track	403
Station Gateway	304
Vehicles and Equipment	1,962
South Cliff Gardens	2,715
Public Conveniences	388
Filey Masterplan	375
West Pier Redevelopments	497
Green Village Construction	386
Other	1,648
Total	**8,678**

7. RESERVES AND BALANCES

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

General Fund Balance	the balance be maintained within the range of £2.5m to £3.5m.
Risk Management Reserve	the balance to be maintained within the range of £3m to £5m.
Pension Reserve	the balance to be maintained within the range of nil to £0.1m
Investment Fund	the approved expenditure from the reserve not to exceed the resources available in one year
Capacity Building Reserve	the approved expenditure from the reserve not to exceed the resources available in one year
Capital Development	the approved expenditure from the fund will match its resources over a 5 year planned period
Operational Reserves (Service investment Reserve)	reserves are held for specific purposes and there is no predetermined range

The **General Fund Balance** at 31 March 2023 was £6.084m. This sum will transfer to the North Yorkshire unitary Council on 1 April 2023.

The **Risk Management Reserve** balance as at 31 March 2023 the uncommitted balance of this reserve is £5m which is within the predetermined range. Note 10 to the accounts provides further information on the purpose of this reserve. This sum will transfer to the North Yorkshire unitary Council on 1 April 2023.

The **Pensions Earmarked Reserve** balance at 31 March 2023 was nil reflecting there will be no upfront costs associated with any added years employees pension and redundancy costs.

The **Investment Fund** provides one-off funding for schemes that will help the Council deliver future revenue savings or for areas of priority spend. The committed balance of the reserve as at 31 March 2023 is 433k. This sum will transfer to the North Yorkshire unitary Council on 1 April 2023.

The **Capacity Building Reserve** was originally established to address the findings of an LGA Corporate Peer Challenge, which was undertaken in 2020. One of the recommendations of the review was that the Council should 'Invest, align and prioritise the right resources and skills to support SBC to realise its ambitions articulated through its new Corporate Plan by addressing without delay immediate gaps and deficits in the capacity'. In addition the 2022 Financial Strategy recognised that there would be a need to fund set up and transition costs ahead of the new unitary council being established through LGR. The balance of the reserve as at 31 March 2023 is £458k of which £123k is currently uncommitted. This sum will transfer to the North Yorkshire unitary Council on 1 April 2023.

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

The **Capital Development Fund** underpins the Capital Strategy. It unifies all capital resources with the intention of focusing investment into priority areas over the medium term. The Capital Development Reserve aims to match resources to investments over a minimum 5 year period.

Current projections for the reserve show that the resources available are broadly balanced over a 10 year period.

The balance of the **Service Investment Fund Reserve** has reduced during the year and now stands at £6.1m. These reserves are intended to be used to support future operational requirements. Any reserve balances not committed will transfer to the North Yorkshire unitary Council on 1 April 2023.

8. PENSION RESERVE

The Authority participates in the Local Government Pension Scheme, administered by North Yorkshire County Council. This is reflected in the Balance Sheet, which includes a pension liability and a pension reserve in respect of the scheme of £17.473m as at 31 March 2023. Although these pension liabilities decrease the overall level of reserves they do not represent a reduction in the Council's cash reserves or impact on Council Tax levels.

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

9. TREASURY MANAGEMENT

The Council borrows money to fund its capital investment programme and operates within its own prudential limits set in accordance with the CIPFA Prudential Code for Capital Finance. This is seen as best practice in relation to local authorities and their treasury management activities. As at 31 March 2023, the Council's Capital Finance Requirement (or underlying need to borrow) was £46.043m and its external debt was £34.371m (excluding accrued interest).

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

The approved strategy that the Council has followed for many years is to maintain an under borrowed position whilst investment returns have been low. This means that it has used available cash balances to support the progression of capital schemes in the knowledge that, at some point in the future, external borrowing would need to be undertaken.

The Council has not undertaken any external borrowing during the 2022/23 year.

The Council invests its surplus cash balances on the money market in order to match the timing of both revenue and capital receipts to expenditure. The increasing of rates throughout the year has seen these investments generate £1,126k worth of income to the Council during 2022/23, which assisted the overall revenue budget position.

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

10. COLLECTION FUND

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

The Council set a Band D Council Tax of £244.75 for 2022/23 (£239.75 for 2021/22). When the County Council, Police and Crime Commissioner and Fire Authority precepts are included, a total Band D Council Tax of £2,068.77 was set for residents within the Borough (an increase of 3.65% on the previous year). Residents within parish council areas also paid a parish precept.

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

In 2022/23 the Council was a member of the North and West Yorkshire Business Rates Pool. The Pool is a voluntary arrangement which allows local authorities to retain locally a proportion of any growth in business rates income.

11. OUR PERFORMANCE

The Borough Council has an operating model that determines an annual revenue budget for each Directorate, within which they must operate and deliver on the Council's priorities. Budgets are monitored throughout the year and financial monitoring reports are considered by the Council's Cabinet. Those reports are accessible through the Council's website.

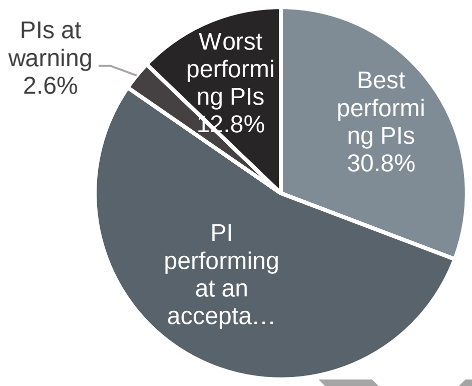
The Council operates a corporate Performance Management Framework (PMF) which is used to monitor and manage the performance of its Services. A range of performance indicators are maintained by each Service and are used to measure progress of our aims and key priorities as detailed in the Corporate Plan.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

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

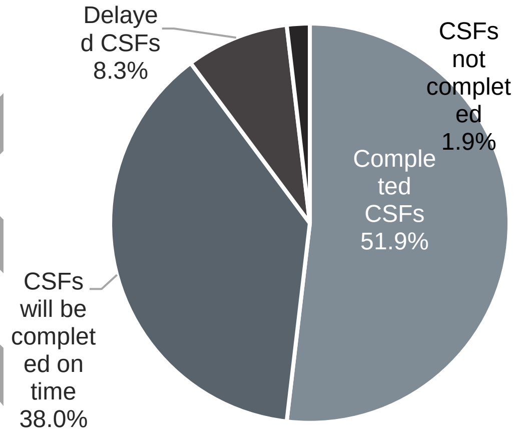
Service Performance Indicators - these PIs are those which directly measure the performance of the Council's services, such as processing times for benefits claims, planning applications, etc. Targets for these indicators are set – these are the indicators which are regularly monitored and results of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

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

There are 117 service performance indicators collected at the end of 2022/23 that are used to monitor our success in delivering the Council's Corporate Plan. Performance indicators are measured against improvement on the target set, improvement on the previous year (short term trend) and improvement on the average of the last 4 years (long term trend). Results of monitoring for 2022/23 shows the following:



There are 110 Critical Success Factors / projects used to monitor our success in delivering the Council's Corporate Plan. Results of monitoring for 2022/23 shows the following:



13. FURTHER INFORMATION

Statement of Accounts 2022/23

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

Director (Section 151 officer)
North Yorkshire Councill
County Hall, Northallerton, DL7 8AD
01609 780 780

www.northyorks.gov.uk

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

- Council Tax leaflet
- Financial Strategy 2022
- Annual Report

Copies of these accounts can be downloaded from the North Yorkshire Council website at www.northyorks.gov.uk/financeinformation

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

North Yorkshire County Council
Corporate Director – Strategic Resources
North Yorkshire County Council
County Hall, Northallerton, North Yorkshire,DL7 8AD
Telephone 01609 780 780.
Email: Home | North Yorkshire County Council

Police and Crime Commissioner North Yorkshire
Chief Finance Officer,
Office of the Police, Fire and Crime Commissioner
12 Granby Road, Harrogate, North Yorkshire, HG1 4ST
Telephone 01423 569 562
www.northyorkshire-pfcc.gov.uk
Budgets and expenditure - Police, Fire and Crime Commissioner North Yorkshire (northyorkshire-pfcc.gov.uk)

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

Statement of Responsibilities for the Statement of Accounts 2022/23

The Authority's Responsibilities

The Authority is required to:-

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

I confirm that the Audit Committee of North Yorkshire Council will approve the Statement of
Accounts at the meeting held on xx xxxxxxxxx 2023

Councillor Cliff Lunn
Chair of Audit Committee - North Yorkshire Council
Date: to be confirmed

The Chief Finance Officer's Responsibilities

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

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Certificate by the Chief Finance Officer

I certify that the Statement of Accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Scarborough Borough Council at 31 March 2023, and of its income and expenditure for the year then ended.

Gary Fielding
Corporate Director of Resources: s151 Officer – North Yorkshire Council
13 June 2023

SECTION 1: SCOPE OF RESPONSIBILITY
SECTION 2: PURPOSE OF THE GOVERNANCE FRAMEWORK
SECTION 3: THE GOVERNANCE FRAMEWORK
SECTION 4: ANNUAL REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK
SECTION 5: UPDATE ON SIGNIFICANT GOVERNANCE ISSUES
SECTION 6: SUMMARY

SECTION 1: SCOPE OF RESPONSIBILITY

1.1 Scarborough Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

1.3 In line with guidance issued by CIPFA 'Application of the Good Governance Framework 2020/21' (Bulletin 06):

"The preparation and publication of an annual governance statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the UK for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its statement of accounts. In England the Accounts and Audit Regulations 2015 stipulate that the annual governance statement must be "prepared in accordance with proper practices in relation to accounts".

1.4 This statement therefore explains how the Council meets the requirements of the Accounts and Audit Regulations 2015.

1.5 As a result of Local Government Reform (LGR) the county, district and borough councils of North Yorkshire including Scarborough Borough Council will be replaced by the new unitary authority, North Yorkshire Council from 1 April 2023.

SECTION 2: PURPOSE OF THE GOVERNANCE FRAMEWORK

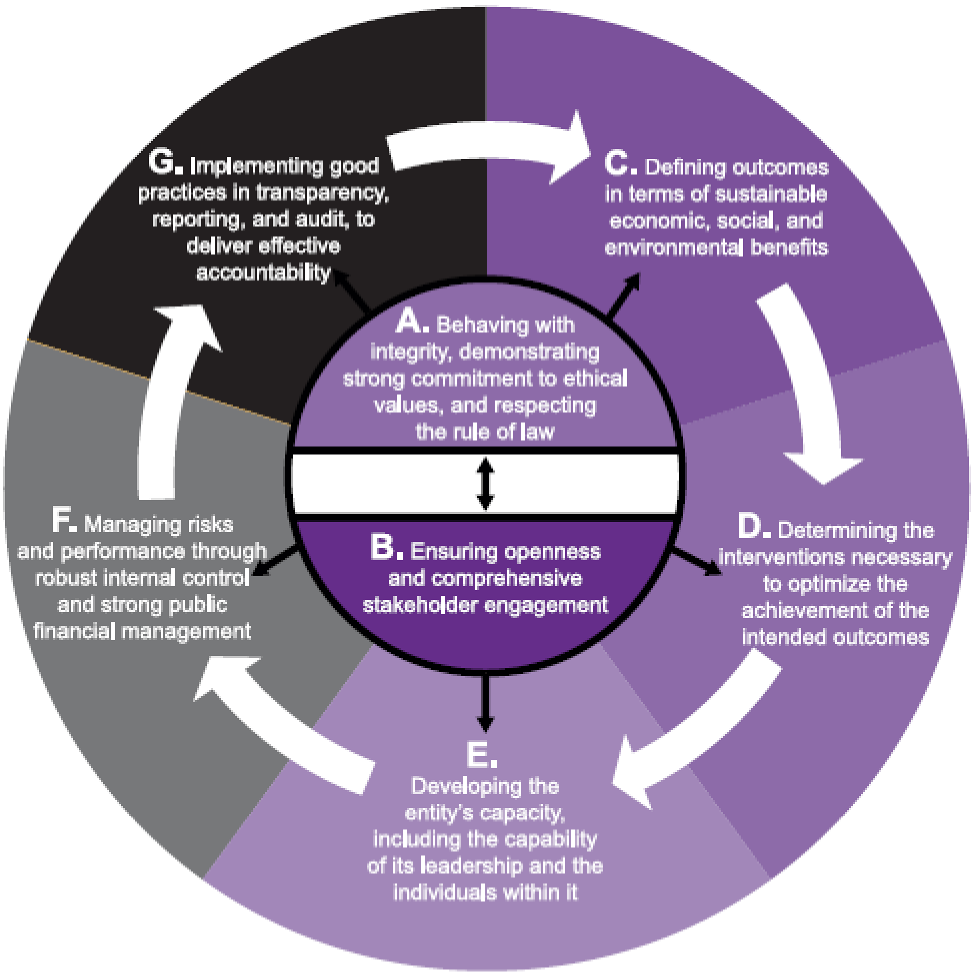
2.1 The Governance Framework comprises the systems and processes by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2 The system of Internal Control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The Governance Framework described in this statement has been in place at Scarborough Borough Council for the year ended 31 March 2023.

SECTION 3: THE GOVERNANCE FRAMEWORK

3.1 The diagram shown below is taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) illustrates the various principles of good governance in the public sector and how they relate to each other. The diagram illustrates that good governance is dynamic, and that the Council should be committed to improving governance on a continuing basis through a process of evaluation and review.



3.2 The Council is committed to and has adopted a Code of Corporate Governance which is consistent with the principles of CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). The Council's Code of Corporate Governance can be found on the Council's website.

3.3 The Council's Code of Corporate Governance sets out various documents and arrangements within these core and sub principles which demonstrate that the Council continues to seek to ensure it remains well governed, and that to deliver good governance the Council must seek to achieve its objectives whilst acting in the public interest at all times.

A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.

3.4 The Council's Monitoring Officer is responsible for performing the duties imposed by Section 5 of the Local Government and Housing Act 1989 and Section 5 places an obligation on the authority to provide the Monitoring Officer with the staff and resources required to perform those duties.

3.5 The Monitoring Officer is a member of the Executive Management Team, and reports directly to the Chief Executive. The Monitoring Officer has unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively.

3.6 The Monitoring Officer and Deputy Monitoring Officer have unfettered access to all reports produced for Council meetings prior to publication and are able to require amendments to such reports where necessary to ensure legal compliance. The Monitoring Officer / Deputy Monitoring Officer attend the majority of formal meetings of elected members to advise on the constitutional and legal aspects of processes, proposed decisions and actions. Officers from the Democratic / Legal Services attend, where necessary or where the Monitoring Officer / Deputy Monitoring Officer are not in attendance.

3.7 The Council has a Corporate Complaints procedure which is available on its website. The procedure includes targets for acknowledging and responding to complaints in full.

3.8 The Council has a Corporate Counter Fraud Strategy and Anti Money Laundering Policy, including specific arrangements to respond to fraudulent activity. The Council has also adopted a Whistleblowing Policy and Procedure to respond to allegations of malpractice. The Monitoring Officer takes an annual report to the Audit Committee to ensure its Whistleblowing Policy remains fit for purpose.

3.9 Elected members have a significant role to play in ensuring compliance and propriety, either collectively (e.g. through the work of the Overview and Scrutiny Committees), or individually as local representatives, providing feedback from their constituents.

3.10 Elected members are required to follow a Member Code of Conduct to ensure high standards in the way they undertake their duties. The Council has adopted the LGA Members Model Code of Conduct.

3.11 The Council has procedures in place to allow the Monitoring Officer / Deputy Monitoring Officer to administer and resolve complaints brought against elected members. The Monitoring Officer is supported in this role by the Standards Committee and two Independent Persons as required by the Localism Act 2011. The Standards Committee has in place procedures for the investigation and determination of complaints against Members and a procedure for granting dispensations. These procedures were updated in 2022 to ensure continued fitness for purpose.

3.12 The Council has published a voluntary Modern Slavery statement in response to the Modern Slavery Act 2015. The statement can be found at:

https://democracy.scarborough.gov.uk/documents/s102267/Modern%20Slavery%20Statement.pdf

3.13 The Council has adopted Information Governance Policies as well Corporate Equalities Scheme to ensure the policies still meet the Council statutory obligations and overall Corporate Objectives.

3.14 The Council publishes a gender pay gap report in line with its legal requirements. This report shows the difference between the average earnings of men and women expressed as a percentage of men's earnings. The 31 March 2022 report is due to be published before the end of March 2023.

3.15 The Council is the harbour authority for Whitby, Scarborough and Filey and an annual report is taken to the Council's Audit Committee providing an annual assessment of performance against the Council's adopted Harbour Safety Management Systems in accordance with the requirements of the Port Marine Safety Code. The Port Marine Safety Code sets out a national standard for every aspect of port marine safety.

B. Ensuring openness and comprehensive stakeholder engagement.

3.16 The Council has a strong focus on consultation as part of the development of its policies, strategies and projects.

3.17 During the 2022/2023 period the Council undertook various public consultations including as the development of the Filey Town Masterplan, the Whitby Old Town Hall & Market Place project and tourism initiatives as well as planning and licensing policy development.

3.18 The Council endeavours to be open and transparent about its decisions. To ensure maximum transparency, officers endeavour to ensure reports containing confidential information are split into confidential and non-confidential sections. Furthermore, when reports have to be considered in private an explanation is provided on the agenda.

3.19 The Council is committed to being open and transparent so that residents are able to hold it to account. Its publication scheme sets out how the Council meets its statutory obligations in terms of information governance. To demonstrate its openness, the Council adheres to the Local Government Transparency Code 2015 which is the foundation of local accountability and provides access to areas such as the pay policy, payments to suppliers and senior officer salaries.

3.20 The Council has a dedicated Information Governance Team; it reports on its performance quarterly to the Executive Management Team and annually to the Audit Committee. One of the requirements of the GDPR is to have an appointed Data Protection Officer. The Council's Data Protection Officer sits within the Information Governance Team and works closely with the Council's Deputy Monitoring Officer who is the appointed SIRO.

3.21 During the 2022/2023 period as part of its preparations for LGR the Council transferred part of its information governance function to Veritau North Yorkshire but retained the positions of Data Protection Officer and SIRO in-house.

3.22 The Council's communications team uses social media and works with the press to ensure information is received across the district. The Council's website is also user friendly and enables access to Council information. Internal communication across the Council is via the intranet, staff and Member newsletters and briefings by the Chief Executive. In preparation LGR regular Chief Executive and staff briefings have been introduced to keep everyone appraised of plans, changes and implications of LGR.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits.

3.23 The Council has a clear vision in the form of its Corporate Plan which was adopted in September 2020.

3.24 The Corporate Plan is a concise document, focused on setting out the key aims and priorities for this Council. These aims and priorities focus on the delivery of improved services for the community, continued progress towards the regeneration of the Borough and recovery from the impacts of Covid-19 on our economy and communities. The document also sets out the concept of a deal with our residents and details our expectations of our residents as to how the Council will work in partnership to deliver our ambitions for the Borough and its communities.

3.25 The Corporate Plan is titled 'Better Borough, Brighter Futures', and contains four key aims to reflect the priorities of Residents and Stakeholders as defined through the wide range of consultation undertaken.

3.26 The four aims are each supported by a number of priorities:

Better Lives covers happy, healthy and active people, how communities can thrive and be engaged and how to create a safe borough.
Better Homes is focused on providing more good quality housing for people who want to rent or buy them.
Better Places means a cleaner and greener borough, which is attractive and something we can be proud of, and ensures we have vibrant town centres, culture and heritage.
Brighter Futures covers economic generation, which benefits everyone and making sure the borough is as connected as it can be, virtually and in reality.

3.27 These are underpinned by a fifth aim of 'Better Council' which reflects the ambition to be an efficient and effective Council, which is (financially) sustainable for the future, is open and transparent and listens to the views of its communities.

3.28 During 2022/23 the Council has continued to deliver the Council Plan. Throughout the year 2022/23, the Council has also implemented measures to support the community and employees in managing financial hardship challenges arising from the cost-of-living crisis. Both of the Council's Overview and Scrutiny Committees (Lives and Homes; Places and Futures) set up a Member Task and Finish Group and commissioned a report on the impact of the cost of living crisis and what more could be done to support residents. The recommendations of the Committee were subsequently approved by the Council's Cabinet and included amendments to the criteria of the Members locality budget scheme to enable Members to support initiatives that help tackle the impact of the cost of living crisis.

3.29 As outlined in last year's Annual Governance Statement the Ministry of Homes, Communities and Local Government (MHCLG) announced that Scarborough and Whitby had been identified as two of 101 towns in England that they wish to work with to develop Town Investment Plans and bid for a share of the Government's £3.6bn Towns Fund. During the 2021/2022 period the government approved the businesses cases for fourteen transformational investment and regeneration projects in Whitby and Scarborough triggering the release of funding totalling £37.3 million. The investment will see Scarborough receive £20.2 million and £17.1 million will go to Whitby. The delivery of these projects has continued during the 2022/2023 period.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

3.30 To fund the Corporate Plan, the Council prepares a Medium Term Financial Strategy (MTFS). The Financial Strategy sets out the overall shape of the Council's budget by establishing how available resources will be allocated between services, reflecting Council and community priorities, and therefore providing a framework for the preparation of annual budgets.

3.31 The Council has a Capital Strategy which provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services together with an overview of how associated risk is managed and the implications for future financial sustainability. It forms part of the Council's integrated revenue, capital and balance sheet planning. It provides a framework for managing the Council's capital programme.

3.32 The Council's current Financial Strategy was approved by Cabinet and Full Council in February 2022. The capital strategy has been developed and capital programme was approved as part of this strategy. The programme commits resources within the capital programme to themes which link to the Council's Corporate Plan (Better Lives; Better Homes; Better Places, Better Futures, Better Council).

3.33 The Capital Strategy also sets out governance arrangements to ensure the Council's capital investments are appraised following a clearly defined gateway process and prioritising projects across the themes listed in the Council's Corporate Plan to ensure capital expenditure is distributed across all corporate priority areas. These arrangements are overseen by Board made up of the Council's Executive Management Team and supported by a working group made up of officers from keys service areas (legal, finance, estates, projects, regeneration and asset management).

3.34 The Council's section 151 Officer has a statutory duty to ensure that the figures provided for estimating and financial planning are robust and will stand up to audit scrutiny. The Council is also required to set Prudential Indicators for Capital Expenditure, financing and Treasury Management.

3.35 The Council uses integrated performance and risk management software (Pentana) to develop plans to set out delivery of the aims and priorities set out in Corporate Plan. It has also been used to monitor the Capital Strategy as well as the delivery of conditions attached to the Towns Fund projects.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

3.36 In December 2019, the Cabinet approved an ambitious programme of work, entitled 'Building a Better Borough' as a means to review the Council's approach to strategic planning, and to develop a new framework, which would establish a better blueprint for the future development of the Borough. 'Pride In Our People' was identified as a key part of this programme.

3.37 The 'Pride In Our People' programme aims to improve the Council by ensuring that the hard work, commitment and dedication of its workforce is recognised. In addition, the programme seeks to better equip the Council's workforce to deliver on all the Council's priorities by establishing an effective framework for future organisational development.

3.38 The programme focuses on four key areas. These are:

i. Review of the Council's reward and recognition processes
ii. Wellbeing and mental health support
iii. Improving communication
iv. New ways of working and inspiring the future workforce

3.39 This programme has continued throughout the 2022/2023 period which has included a second year of the Council's successful Time to LEAD programme. Staff have also received regular updates/bulletins and have attended periodic seminars to ensure they are fully briefed and prepared leading into the transition to the new Council as part of LGR.

F. Managing risks and performance through robust internal control and strong public financial management.

3.40 Within its Constitution, the Council has approved Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract Procedure Rules including land disposal procedures.

3.41 The various procedure rules set out a framework within which the Council conducts its financial and commercial affairs, and are designed to ensure that proper financial arrangements are in place and operational at all times.

3.42 The statutory duties of the Section 151 Officer in relation to financial management principally derive from:

i. Section 151 of the Local Government Act 1972
ii. Section 114 of the Local Government Financial Act 1988
iii. Local Government Act 2000 (in particular decisions contrary to policy or budget)
iv. Local Government Act 2003 (prudential limits for borrowing and investment)
v. Accounts and Audit Regulations 2015

3.43 The CIPFA Statement on the role of the Chief Finance Officer (CFO) in Local Government recommends that the CFO should report directly to the Chief Executive and be a member of the 'Leadership' Team. Furthermore that the AGS should assess the position of the CFO against these criteria and report on a 'comply or explain' basis.

3.44 The Council's Section 151 Officer is a member of the Executive Management Team, and reports directly to the Chief Executive. The Council's Section 151 Officer has unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively.

3.45 The Section 151 Officer and the Deputy Section 151 Officer have access to all reports produced for Council meetings prior to publication and are able to require amendments to such reports where necessary to ensure financial governance.

3.46 Set out below are the processes and procedures in place which provide assurance that the role of the Section 151 Officer in the Council meets the Statement's expectations.

- The Section 151 Officer drafts a Medium Term Financial Strategy and presents it annually to Cabinet and the Council; linked to this Strategy are the detailed

Revenue Budget, Capital Plan, Efficiency Plan, Treasury Management arrangements and Prudential Indicators.

- The Section 151 Officer is responsible for determining the accounting procedures, the form of financial records and statements and for maintaining the financial accounts of the council. The Section 151 Officer ensures that proper accounting arrangements are established in all service areas.
- It is the duty of all Directors and Service Managers / Heads of Service to plan and manage their budgets to meet the agreed bottom line budget figure for their Service Unit. This includes ensuring that adequate arrangements exist for monitoring budgets throughout the year, and taking action to adjust the budget to ensure that overall control of expenditure is maintained. The Section 151 Officer is responsible for submitting a quarterly report to Cabinet on the overall revenue budget position.
- The Section 151 Officer prepares and publishes an Annual Statement of Final Accounts that conforms to all statutory and professional requirements, codes of practice and timetables.

3.47 The Council's comprehensive approach to risk management is detailed in the Corporate Risk Management Strategy. Application of the Strategy is by the Section 151 Officer, the Officer Risk Champion. Risk Registers are prepared and maintained at Corporate and Directorate levels and reported to Audit Committee quarterly. The Risk Management Strategy is subject to an annual review to ensure it remains current.

3.48 A risk-based Service Continuity Planning process has been agreed and resourced by the Management Team. To enable the Council to fully comply with the requirements of the Civil Contingencies Act 2004 this process is linked to specific work that is being done in both generic and specific risk areas such as Brexit and cyber security. In addition, the Council continues to work closely with the North Yorkshire Local Resilience Forum to identify and mitigate key risks.

3.49 With local authorities across the UK facing the challenges of reduced funding and increased demand for services, the need for robust financial management has never been more important. CIPFA has developed the Financial Management Code (FM Code), which sets out the principles by which authorities should be guided in managing their finances and the specific standards that they should seek to achieve. It is up to each authority to determine the extent to which it complies with the FM Code and to identify what action it may wish to take to better meet the standards that the FM Code sets out.

3.50 Compliance with the Financial Management Code has been incorporated into the Local Code of Corporate Governance, as financial management is one of the seven principles in the Good Governance framework.

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

3.51 The independent external auditor is the Mazars Group: they publish an Annual Audit and Inspection Letter following the end of each financial year.

3.52 Under the Accounts and Audit Regulations 2015, the Council has a legal responsibility to provide an adequate and effective internal audit. From 1 April 2020 the internal audit service has been provided by Veritau North Yorkshire. In addition to internal audit, Veritau provides the Council with specialist counter fraud services.

3.53 Veritau provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. Internal Audit reports include an assurance opinion and recommendations are made to address any control weaknesses. Agreed actions are followed up every six months and the results reported to the Council's Audit Committee.

SECTION 4: ANNUAL REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK

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

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

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

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

4.4 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it provides Substantial Assurance. No reliance was placed on the work of other assurance providers in reaching this opinion, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.

4.5 The opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison with officers. However, in giving the opinion, we would note that preparations for LGR have, over the last year, required a significant investment of time, effort and resources across the organisation. This has put strain on the Council's control environment and its business operations. The Council has had to operate during periods of uncertainty and substantial change all while maintaining service delivery and other key support functions. The unique circumstances and uncertainty brought about by the LGR transition have combined to create a very challenging operating environment. While the work of internal audit is directed to the areas that are considered most at risk, or to provide most value for the Council, it is not possible to conclude on the full extent of the LGR transition on the Council's operations.

SECTION 5: SIGNIFICANT GOVERNANCE ISSUES 2022/2023

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

5.2 On the basis of the review work carried out it was considered that, overall, the Governance Framework has been effective. The majority of the internal control arrangements have been operating adequately in the financial year 2022/23.

5.3 Last year's Annual Governance Statement highlighted a number of risks and as indicated above LGR has dominated. Following the implementation of the North Yorkshire (Structural Changes) Order in March 2022 the Secretary of State issued a section 24 direction pursuant to the Local Government and Public Involvement in Health Act 2007 which provides that the district and borough councils in North Yorkshire need approval of the newly elected Executive from 23 May 2022 for the following transactions:

(1) dispose of any land worth over £100,000;

(2) enter into any capital contracts over £1,000,000;

(3) enter into any capital contract where a term can be varied on how much the Borough/District Council pays;

(4) enter into any non-capital contract over £100,000 where the contract has a potential to go over 1 April 2023.

5.4 Other significant issues have included those resulting from the residual impacts of the Covid pandemic, the invasion of Ukraine and escalating costs of living.

5.5 As with previous years significant government issues continued to be around financial risks including the impact of funding reductions as well as the Council's ambitious capital programme including the Whitby and Scarborough Town deal projects.

5.6 There continued to be a resource risk linked to the delivery of the Council's capital programme. This has been further heightened as a result of LGR.

5.7 There were also more general risks relating to service delivery as well as information governance risks. This includes more emphasis being placed on the significantly increasing number of incidents and severity of impacts posed by Cyber Security incidents. This increase in Cyber Security incidents and risk have been experienced nationally.

5.8 The objection to the Council's accounts is still ongoing; this risk has remained unresolved since the publication of the 2015/2016 draft accounts.

5.9 All key corporate risks have been reported to the Audit Committee on a quarterly basis.

5.10 The table below sets out action taken to address issues highlights in last year's AGS:

	Issue	Action taken during 2022/2023
1.	**Local Government Reform** On 21 July 2021 the Government announced that the county, district and borough councils of North Yorkshire will be replaced by a new unitary authority from 1 April 2023. Significant council resource is being called upon to support LGR in addition to staff retention issues associated with LGR. Potential to affect service delivery. Although the Council will cease to exist on 31 March 2023, the issues below will assist the new Council in agreeing any action plan for improving the governance framework and system of internal control.	Collaborative working with neighbouring authorities. Budget reserve set aside to assist with staffing. Regular staff and Member updates. Arrangements put in place under section 24 Direction to seek consent from s151 Officer of North Yorkshire County Council prior to enter into contracts and land disposals.
2.	**Financial Risks**	
	i. Impact of funding reductions The Council continues to face significant funding pressures and changes to both national and regional funding regimes which present a risk to the Council's overall governance arrangements. The challenging economic climate, coupled with the need to deliver significant efficiency savings may lead to budgetary cuts that could weaken the Council's governance and control framework. Impact of current and anticipated reductions in funding and the knock on effect on services. Changes continue to be significant and the lack of certainty makes planning difficult.	The Medium Term Financial Strategy reflected need to make financial savings. A Capital Strategy developed which managed and allocated capital funding. Risk remains and will pass to the new Yorkshire Council as part of LGR from 1 April 2023.

	Issue	Action taken during 2022/2023
	The economic climate remains turbulent and this is therefore an ongoing risk for the Council.	
	ii. Capital Programme The Council continues to undertake a number and range of concurrent high value major projects which are stretching resources and putting strain on the authority's continually reducing resources. New high value major projects are emerging and continue to stretch the Council's resources.	There are significant risks associated with the major schemes which have been identified in various reports. The Council reported to members on major capital projects in accordance with its Risk Management Strategy and to Cabinet via quarterly financial monitoring reports. Through its Capital Strategy the Council introduced governance arrangements to ensure the Council's capital investments were appraised following a clearly defined gateway process and prioritised across the themes listed in the Council's Corporate Plan.
	iii. Outstanding Objection to the Council's Accounts (2015/2016) and delays in completion of the 2020/2021 external audit. The Council's external auditors Mazars have been unable to certify completion of their audit of the Council's accounts due to an objection from a local elector which queries whether income generated from harbour activities at Whitby and land surrounding the harbour area, should be held in the Council's General Fund or be specifically ring-fenced in earmarked reserves to fund harbour related expenditure.	The Council has continued with its court application seeking a declaration following the issue of a recommendation from Mazars under the Local Audit and Accountability Act 2014. It is expected that a court decision will be reached post vesting date of North Yorkshire Council. The Council has received a similar objection in respect of Scarborough Harbour which is currently being reviewed.

	Issue	Action taken during 2022/2023
3.	**Cyber Security / Information Governance**	
	i. Cyber Security A cyber-attack affecting the Council's ICT infrastructure and systems, significantly impacting the organisation's ability to access digital information and online services, and to continue to deliver some or all Council services to our customers. Varying levels of impact; generally serious or critical, and potentially catastrophic. Could cause complete shutdown of the Council's ICT network, telephony and IT applications – possibly for a period of days or even weeks – and may result in 'ransomware' payment demands in exchange for the return of the hacked/stolen data. Significant fines for data protection breaches from the Information Commissioners Office (ICO) and reputational risk.	Annual IT Health Checks, IT Security Audits and IT Security Policies Cyber Security Education programme for staff and Members Investment in cyber security tools and ICT specialist training to reduce risks and impacts of cyber security incident Service area business continuity and disaster recovery plans Cyber security incident exercises and trials Cyber Security certification
	ii. Information Governance Data protection legislation/Information Governance/PCIDSS issues. Significant fines for data protection breaches from the Information Commissioners Office (ICO) and reputational risk.	Corporate Data Protection Policy and Data Retention Policies updated to reflect new legislation. Compulsory refresher training for all staff and Members. Information audits undertaken. Professional training undertaken by key officers.

	Issue	Action taken during 2022/2023
4.	**Service Delivery**	
	i. Coronavirus Significant impact on service delivery, events and scheduled committees	A risk-based Service Continuity Planning process Service area business continuity plans Continuing work and dialogue with other public bodies to mitigate risk including the NY Local Resilience Forum.
	ii. ICT Infrastructure The pandemic has highlighted the critical importance of ICT infrastructure and technology solutions to ensure continuity to service delivery in an agile working environment.	Reviews undertaken to assess and mitigate the performance, reliability and resilience risks that have impacted the council's ICT infrastructure and technology solutions since the pandemic forced the emergency mass migration to working from home.

SECTION 6: SUMMARY

6.1 The governance framework operating during 2022/23 is considered to have provided reasonable and objective assurance that significant risks impacting on the achievement of the Council's principal objectives would be identified and actions taken to avoid or mitigate their impact.

SIGNATURES

The Annual Governance Statement was approved by the Councils Audit Committee 23 March 2023.

Comprehensive Income & Expenditure Statement 2022/23

2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000		Note	2022/23 Gross Expenditure £000	2022/23 Gross Income £000	2022/23 Net Expenditure £000
38,560	(32,944)	5,616	Director (Nick Edwards)		38,037	(31,739)	6,298
4,250	(487)	3,763	Director (Lisa Dixon)		5,966	(328)	5,638
1,516	(2,934)	(1,418)	Director (Richard Bradley)		1,935	(3,207)	(1,272)
22,255	(11,677)	10,578	Director (Paul Thompson)		24,250	(12,741)	11,509
11,628	(4,289)	7,339	Director (Marc Cole)		10,291	(3,132)	7,159
2,574	(399)	2,175	Corporate		5,134	(4,477)	657
80,783	**(52,730)**	**28,053**	**Cost of Services**		**85,613**	**(55,624)**	**29,989**
1,005	(362)	643	Other Operating Expenditure	5	1,331	(952)	379
4,943	(4,878)	65	(Surplus)/Deficit on Trading Undertakings	6	7,096	(5,151)	1,945
2,290	(2,495)	(205)	Finance and Investment Income and Expenditure	7	2,460	(3,584)	(1,124)
	(29,538)	(29,538)	Taxation and Non-Specific Grant Income	8		(29,027)	(29,027)
		(982)	**(Surplus) or Deficit on Provision of Services**				**2,162**
			Items that will not be reclassified to the Surplus or Deficit on the Provision of Services				
		(11,456)	(Surplus) or deficit on the revaluation of Property, Plant and Equipment	24a			63
		(16,634)	Re-measurements of the defined benefit liability	22			(45,868)
		(28,090)	**Other Comprehensive Income and Expenditure**				**(45,805)**
		(29,072)	Total Comprehensive Income and Expenditure				(43,643)

£000	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Balance at 1 April 2022	5,788	40,889	-	3,656	**50,333**	192,288	**242,621**
Movement in Reserves during 2022/23							
Surplus or (deficit) on the provision of services	(2,162)	-	-	-	**(2,162)**		**(2,162)**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	45,805	**45,805**
Total Comprehensive Income and Expenditure	(2,162)	-	-	-	**(2,162)**	45,805	**43,643**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(4,964)	-	-	4,822	**(142)**	142	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(7,126)	-	-	4,822	**(2,304)**	45,947	**43,643**
Transfers to / from Earmarked Reserves (Note 10)	7,422	(7,422)	-	-	**-**	-	**-**
Increase / (Decrease) in Year	296	(7,422)	-	4,822	**(2,304)**	45,947	**43,643**
Balance at 31 March 2023 carried forward	6,084	33,467	-	8,478	**48,029**	238,235	**286,264**

£000	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Balance at 1 April 2021	4,500	46,515	-	3,312	**54,327**	159,222	**213,549**
Movement in Reserves during 2021/22							
Surplus or (deficit) on the provision of services	982	-	-	-	**982**	-	**982**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	28,090	**28,090**
Total Comprehensive Income and Expenditure	**982**	**-**	**-**		**982**	**28,090**	**29,072**
Adjustments between accounting basis and funding basis under regulations (Note 9)	(5,320)	-	-	344	**(4,976)**	4,976	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	(4,338)	-	-	344	**(3,994)**	33,066	**29,072**
Transfers to / from Earmarked Reserves (Note 10)	5,626	(5,626)	-	-	**-**	-	**-**
Increase / (Decrease) in Year	1,288	(5,626)	-	344	**(3,994)**	33,066	**29,072**
Balance at 31 March 2022 carried forward	5,788	40,889	-	3,656	**50,333**	192,288	**242,621**

31 March 2022 £000				31 March 2023 £000
272,054	Property, Plant and Equipment	Note 11	270,467	
4,869	Heritage Assets	Note 12	4,869	
12,877	Investment Property	Note 13	13,413	
555	Intangible Assets	Note 14	501	
7,389	Long Term Investments	Note 16	7,189	
1,757	Long Term Debtors	Note 16	913	
299,501	**Long Term Assets**			**297,352**
54,802	Short Term Investments	Note 16	42,906	
2,973	Assets Held for Sale	Note 15	3,410	
143	Inventories	Note 17	98	
17,050	Short Term Debtors	Note 18	9,948	
744	Cash and Cash Equivalents	Note 19	3,532	
75,712	**Current Assets**			**59,894**
(615)	Short Term Borrowings	Note 16	(625)	
(37,322)	Short Term Creditors	Note 20	(16,212)	
(1,001)	Provision for Accumulated Absences	Note 24	(1,371)	
(1,022)	Short Term Provisions	Note 21	(909)	
(39,960)	**Current Liabilities**			**(19,117)**
(207)	Long Term Creditors	Note 16	(419)	
(34,371)	Long Term Borrowings	Note 16	(33,973)	
(58,054)	Liability Related to Defined Benefit Pension Scheme	Note 22	(17,473)	
(92,632)	**Long Term Liabilities**			**(51,865)**
242,621	**Net Assets**			**286,264**
50,333	Usable Reserves			48,029
192,288	Unusable Reserves	Note 24		238,235
242,621	**Total Reserves**			**286,264**

We certify that the Balance Sheet and related accounts represents a true and fair view of Scarborough Borough Council as at 31 March 2023 and its income and expenditure for the year ending 31 March 2023.

Gary Fielding
Corporate Director of Resources:
s151 Officer – North Yorkshire Council
13 June 2023

Councillor Cliff Lunn
Chair of Audit Committee
North Yorkshire Council
To b confirmed

2021/22 £000		2022/23 £000
(982)	Net (surplus) or deficit on the provision of services	2,162
(15,863)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14,960
5,605	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	6,692
(11,240)	Net cash flows from Operating Activities (Note 26)	23,814
24,501	Investing Activities (Note 27)	(17,158)
(6,920)	Financing Activities (Note 28)	(9,444)
6,341	Net (increase) or decrease in cash and cash equivalents	(2,788)
7,085	Cash and cash equivalents at the beginning of the reporting period	744
744	Cash and cash equivalents at the end of the reporting period (Note 19)	3,532

0 EXPENDITURE AND FUNDING ANALYSIS

2022/23	Outturn (as internally reported) £000	In year Gen Fund mvts and transfer of in year surplus £000	Movement in General Fund Balance £000	Movement in Earmarked Reserves £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in CIES £000
Director Nick Edwards	4,555		4,555	929	5,484		5,484
Director Lisa Dixon	3.500		3,500	465	3,965		3,965
Director Richard Bradley	(1,741)		(1,741)	43	(1,698)		(1,698)
Int Director (Paul Thompson)	2,896		2,896	933	3,829		3,829
Int Director (Marc Cole)	3,352		3,352	480	3,832		3,832
Corporate	4,584	(750)	3,834	(605)	3,229	11,348	14,577
Net Cost of Services	**17,146**	**(750)**	**16,396**	**2,245**	**18,641**	**11,348**	**29,989**
<u>Other Operating Expenditure</u>							
Corporate	1,330		1,330		1,330	(951)	379
<u>Trading Undertakings</u>							
Director Nick Edwards	(101)		(101)	70	(31)		(31)
Director Lisa Dixon							
Director Richard Bradley							
Int Director (P Thompson)	(63)		(63)	6	(57)		(57)
Int Director (M Cole)	(2,681)		(2,681)	173	(2,508)		(2,508)
Corporate	3,451		3,451		3,451	1,090	4,541
<u>Finance and Investment Income and Expenditure</u>							
Corporate	(1,228)		(1,228)	58	(1,170)	46	(1,124)
<u>Taxation and Non-Specific Grant Income</u>							
Corporate	(17,400)		(17,400)	4,870	(12,530)	(16,497)	(29,027)
Total Other Income and Expenditure	**(16,692)**		**(16,692)**	**5,177**	**(11,515)**	**(16,312)**	**(27,827)**
(Surplus) or Deficit	**454**	**(750)**	**(296)**	**7,422**	**7,126**	**(4,964)**	**2,162**
Opening General Fund and Earmarked Reserve Balance					46,677		
Less deficit on General Fund and Earmarked Balance in Year					(7,126)		
Closing General Fund and Earmarked Balance					39,551		

2021/22	Outturn (as internally reported)	In year Gen Fund mvts and funding of in year deficit	Movement in General Fund Balance	Movement in Earmarked Reserves	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in CIES
	£000	£000	£000	£000	£000	£000	£000
Director Nick Edwards	4,373	-	4,373	1,181	5,554	-	5,554
Director Lisa Dixon	3,305	-	3,305	465	3,770	-	3,770
Director Richard Bradley	(1,725)	-	(1,725)	-	(1,725)	-	(1,725)
Interim Director Paul Thompson	2,725		2,725	455	3,180	-	3,180
Interim Director Marc Cole	3,363		3,363	152	3,515	-	3,515
Corporate	3,758	1,000	4,758	(599)	4,159	9,600	13,759
Net Cost of Services	**15,799**	**1,000**	**16,799**	**1,654**	**18,453**	**9,600**	**28,053**
Other Operating Expenditure							
Corporate	1,005	-	1,005	-	1,005	(362)	643
Director Nick Edwards			16	-	16	(70)	(54)
Director Lisa Dixon			-	-	-	-	-
Director Richard Bradley	-	-	-	-	-	-	(-)
Int Director (P Thompson)	(596)	-	(596)	-	(596)	-	(596)
Int Director (M Cole)	(2,402)	-	(2,402)	220	(2,182)	-	(2,182)
Corporate	1,629	-	1,629	-	1,629	1,268	2,897
Finance and Investment Income and Expenditure							
Corporate	1,652	-	1,652	1,283	2,935	(3,140)	(205)
Taxation and Non-Specific Grant Income							
Corporate	(19,391)	-	(19,391)	2,539	(16,852)	(12,686)	(29,538)
Total Other Income and Expenditure	**(18,087)**	**-**	**(18,087)**	**3,972**	**(14,115)**	**(14,920)**	**(29,035)**
(Surplus) or Deficit	**(2,288)**	**1,000**	**(1,288)**	**5,626**	**4,338**	**(5,320)**	**(982)**

Opening General Fund and Earmarked Reserve Balance	51,015
Plus Surplus on General Fund and Earmarked Balance in Year	(4,338)
Closing General Fund and Earmarked Balance	46,677

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

2022/23	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Corporate	(7,472)	(3,595)	(281)	(11,348)
Net Cost of Services				(11,348)
Other operating expenditure	951			951
Trading undertakings	(825)	(176)	(89)	(1,090)
Finance and investment income and expenditure	1,470	(1,516)		(46)
Taxation and non-specific grant income and expenditure	10,124		6,373	16,497
Total Other Income and Expenditure	**11,720**	**(1,692)**	**6,284**	**16,312**
Difference between General Fund surplus or deficit and CIES surplus or deficit on the provision of services	**4,248**	**(5,287)**	**6,003**	**4,964**

2021/22	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Corporate	(5,432)	(4,140)	(28)	(9,600)
Net Cost of Services	(5,432)	(4,140)	(28)	(9,600)
Other operating expenditure	362	-	-	362
Trading undertakings	(1,184)	(86)	2	(1,268)
Finance and investment income and expenditure	4,553	(1,413)	-	3,140
Taxation and non-specific grant income and expenditure	8,263	-	4,423	12,686
Total Other Income and Expenditure	**11,994**	**(1,499)**	**4,425**	**14,920**
Difference between General Fund surplus or deficit and CIES surplus or deficit on the provision of services	**6,562**	**(5,639)**	**4,397**	**(5,320)**

1. Adjustments for Capital Funding and Expenditure Purposes

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

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

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

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

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

3. Other Differences

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

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

Expenditure and Income Analysed by Nature

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

2021/22 £000		2022/23 £000
	Income;	
(21,879)	Sales, Fee and Charges	(25,733)
(4,045)	Rental Income	(3,425)
(635)	Interest and investment income	(2,079)
(33,907)	Other grants and other income	(34,074)
(10,314)	Council Tax Income	(10,706)
(10,960)	Non domestic rates and non-ring fenced Government Grants	(8,199)
(8,263)	Capital grants and contributions	(10,124)
(90,003)	**Total Income**	**(94,340)**
	Expenditure;	
29,585	Employee expenses	31,993
8,461	Premises	10,660
9,467	Supplies and Services	8,377
1,408	Transport	1,568
25,063	Transfer Payments	24,482
5,190	Third Party Payments	7,227
9,847	Interest Payable and Capital Charges	12,195
89,021	**Total Expenditure**	**96,502**
(982)	**Total Net Expenditure in Comprehensive Income and Expenditure Statement**	**2,162**

1 ACCOUNTING POLICIES

a) GENERAL PRINCIPLES

The Statement of Accounts summarises the authority's transactions for the 2022/23 financial year and its position as at the year end of 31 March 2023. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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

Going Concern

In July 2020, The Minister for Regional Growth and Local Government announced that the Department for Levelling Up, Housing and Communities (DLUHC) Would be publishing a Devolution and Local Recovery White Paper imminently. As a result Scarborough Borough 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 DLUHC formally sought the views of the public on two proposals and the Consultation closed on 19 April 2021. A decision was announced by DLUHC in July 2021determining that the current County, District and Borough Council's would be replaced by a new single Council for North Yorkshire from 1 April 2023. In the intervening period, the accounts and financial plans for Scarborough Borough have continued to be constructed on a 'going concern' basis - with any assets and liabilities transferring to the successor Authority.

Basis of Preparation
The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions of the Code in respect of going concern reporting requirements reflect the economic and statutory environment within which authorities operate.

These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council's accounts are therefore produced under the Code and assume that the Council's services will continue to operate for the foreseeable future.

The functions and services of Scarborough Borough Council transferred to North Yorkshire Council on 1 April 2023 in accordance with the North Yorkshire (Structural Changes) Order 2022 (Statutory Instrument 2022).

Conclusion
Having regard to the Code and its reporting requirements, the Council concludes that it is appropriate to prepare the financial statements on a going concern basis, and that Scarborough Borough Council will cease to exist with effect from 31 March 2023. The new North Yorkshire Council will be a going concern, 12 months from the date of the approval of the financial statements. This is based on the financial position of North Yorkshire County Council, considering the balanced budget, positive assurance by North Yorkshire County Council's Chief Financial Officer on the robustness of budget estimates and adequacy of reserves for 2022/23.

b) ACCRUALS OF INCOME & EXPENDITURE

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

- Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Specifically; services provided by employees are accounted for in accordance with IAS 19 and accruals are made in relation to short term accumulating compensated absences
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty or notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature overnight or deposits that are held within call accounts and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

d) EXCEPTIONAL ITEMS

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

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

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

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

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

f) CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

g) COUNCIL TAX AND NON-DOMESTIC RATES

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

Accounting for Council Tax and NDR

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

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

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

h) EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render services to the authority. An accrual is made for the cost of holiday entitlements (including time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but the reversed out through the Movement in Reserves Statement so that holiday benefits are charges to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service area at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement and termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

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

- The liabilities of the scheme attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates and employee turnover rates and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices.

- The assets of the scheme attributable to the authority are included in the Balance Sheet at their fair value:

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

The change in the net pension's liability in the year is analysed into the following components:

Service cost comprising:

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

Re-measurements comprising:

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

Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

i) EVENTS AFTER THE REPORTING PERIOD

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

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

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

j) FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

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

Expected Credit Loss Model

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

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

Instruments entered into before 1 April 2006

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

k) GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement (CIES) until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

l) HERITAGE ASSETS

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

Art Collections

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

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

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

Monuments, Statues and Sculptures

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

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

Museum Pieces

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

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

Heritage Assets - General

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

m) INTANGIBLE ASSETS

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000), the Capital Receipts Reserve.

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

n) INVENTORIES AND LONG TERM CONTRACTS

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

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

o) INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

p) LEASES

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES)).

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

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

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease.

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

q) OVERHEADS AND SUPPORT SERVICES

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

r) PROPERTY, PLANT AND EQUIPMENT

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

Recognition
Expenditure on the acquisition, creation, enhancement or provision of rights over the use of property, plant and equipment, in excess of £10,000, is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.
Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement (CIES), unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

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

Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.)

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

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

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

Impairment

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant line(s) in the CIES.

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

Depreciation

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

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

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

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

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

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.
If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the authority’s underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

s) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

t) RESERVES

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

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

u) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

v) VAT

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

w) FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Council is required to disclose information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of new or amended standards within the 2022/23 Code.

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

CIPFA continue to consider 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 deferred as a result of measures to address the demands placed on local authorities supporting the nation's response to the Covid-19 pandemic. It will not be adopted until 2024/25.

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

- Definition of Accounting Estimates (Amendments to IAS 8) issues in February 2021
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2) issues in February 2021
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020

Any impact on the Statement of Accounts will be assessed at the time of adoption by the CIPFA Code of Practice. These changes are not expected to have a material impact on the Council's statements.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

Investment Properties
Investment properties have been assessed using the identifiable criteria under the international accounting standards as being held purely for rental income or for capital appreciation.

Properties have been assessed using this criteria, which is subject to interpretation, to determine if there is an operational reason for holding the property such as regeneration.

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

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

Property, Plant and Equipment valuations
The Code of Practice has clarified the requirements for valuing Property, Plant and Equipment and states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' In order to be satisfied that the value of assets in the balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2023 the Council, for assets not valued in the year, has judged that their value has not altered materially at the balance sheet date. This judgement is supported by a year-end valuation report provided by the Council's qualified valuers that provides assurance that valuations are materially correct at the balance sheet date.

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

A business rates revaluation took effect on 1 April 2017 alongside a new “Check, Challenge and Appeal” process for lodging business rate appeals with the Valuation Office. A provision of 4.7% of net rates payable has been allowed for in the 2017/18, 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 year, which is in line with the national losses for appeal calculation factored into the Business Rates Retention Scheme.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the authority’s Balance Sheet as at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Liability

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

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

- a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2,772k
- a 0.1% per annum assumed increase in salaries would result in an increase in the pension liability of £370k.
- a 0.1% per annum assumed increase in pensions in payment would result in an increase in the pension liability of £2,403k.
- a -1 year adjustment to mortality age assumptions would increase the pension liability by £4,806k

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

Arrears

At 31 March 2023, the authority had a balance of sundry debtors of £5.357m. A review of balances suggested that an impairment of £1.412m was appropriate however with the current economic climate there is a risk that such allowance would be insufficient.

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

Property Plant and Equipment

Judgements are made by valuers when valuing property and a wide range of variables are involved and some, such as building costs, can be volatile. Changes to the judgements would lead to changes in the balance sheet values of non-current assets. A 1% change in the net book value of land and buildings would amount to £1.7m, under current accounting rules any revaluation gain or loss have no impact on the General Fund Balance.

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

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

Business Rates

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

A provision has therefore been recognised for an estimate of the amount that businesses have been overcharged up to 31 March 2023. The estimate for appeals relating to the 2010 ratings list has been calculated using the Valuation Office ratings list of appeals and historical analysis of successful appeals in the past (by category).

A business rates revaluation took effect on 1 April 2017 alongside a new “Check, Challenge and Appeal” process for lodging business rate appeals with the Valuation Office, and a further revaluation took effect from 1 April 2022. A provision of 4.7% of net rates payable has been allowed for in the 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22 year, and a provision of 3.7% has been allowed for the 2022/23 year, which is in line with the national losses for appeal calculation factored into the Business Rates Retention Scheme.

If the level of successful appeals rose by 1% then the provision for appeals would increase by £3.771m from £2.272m to £6.043m. The Council’s share of this provision is 40%.

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include consideration such as uncertainty and risk. Changes in the assumptions used could, however, affect the fair value of the authority’s assets and liabilities.

Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate techniques to determine fair value (for example for the investment properties, the authority’s valuer).

Information about the valuation techniques and inputs used in determining the fair value of the authority’s assets and liabilities is disclosed in notes 13 and 16 below.

The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for investment properties and financial assets.

5 OTHER OPERATING EXPENDITURE

2021/22 £000		2022/23 £000
976	Parish Council Precepts	1,081
29	Levies	31
	Energy Rebate Grants	219
(362)	(Gains) / losses on the disposal of non-current assets	(952)
643	**Total**	**379**

6 TRADING OPERATIONS

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

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

External Trading Organisations	2021/22 £000	2022/23 £000
Property Rentals		
Turnover	(2,097)	(1,371)
Expenditure	2,518	2,934
(Surplus) / Deficit	421	1,563
Property Services		
Turnover	(1,532)	(2,137)
Expenditure	1,696	2,315
(Surplus) / Deficit	164	178
Catering		
Turnover	(1,249)	(1,643)
Expenditure	729	1,848
(Surplus) / Deficit	(520)	205
Total Trading Organisations		
Turnover	(4,878)	(5,151)
Expenditure	4,943	7,097
Total (Surplus) / Deficit	**65**	**1,946**

7 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021/22 £000		2022/23 £000
877	Interest payable and similar charges (including interest payable on lessee payments)	943
1,413	Net interest cost on the net defined benefit liability	1,516
(635)	Interest receivable and similar income (including interest receivable on lessee payments)	(2,079)
(1,860)	Income and expenditure in relation to investment properties and changes in their fair value	(1,505)
(205)	**Total**	**(1,125)**

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

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

Credited to Taxation and Non Specific Grant Income

2021/22 £000		2022/23 £000
(10,314)	**Council tax income**	(10,705)
	Non domestic rates:	
(9,853)	Retained Business Rates	(12,496)
10,499	Business Rates Tariff	10,499
529	Business Rates Levy	1,759
(8,380)	Section 31 Grants (Business Rates)	(6,597)
	Non-ring fenced government grants:	
(50)	Revenue Support Grant	(52)
(222)	New Homes Bonus	(139)
(125)	DLUHC Towns Fund / Levelling Up	-
(21)	DLUHC Rural Services Delivery Grant	(21)
(240)	DLUHC Council Tax Support Grant	-
(183)	DLUHC Local Services Support Grant	(490)
(8)	Other DLUHC Grants	(202)
-	Energy Rebate Discretionary Grant	(218)
	COVID Grants	
(689)	DLUHC COVID-19 Funding	-
(557)	DLUHC New Burdens – Grants	(240)
(167)	DLUHC Isolation Administration	-
(952)	DLUHC Additional Restrictions Grants	-
(117)	DLUHC Isolation Discretionary Scheme	-
(178)	DHSC Contain Outbreak Management Fund	-
(247)	ERDF Welcome Back Fund	(2)
	Capital grants and contributions:	
(56)	Environment Agency	(5)
(5,568)	DLUHC	(7,172)
(56)	North Yorkshire County Council	-
(649)	Local Enterprise Partnership	(28)
(1,600)	Heritage Lotto	(2,166)
(154)	Private Contributions	-
(180)	Other	(753)
(29,538)	**Total**	**(29,028)**

Credited to Services

2021/22 £000		2022/23 £000
(426)	DWP Benefits Admin Grant	(425)
(24,829)	DWP Rent Allowances and Rebates	(23,887)
-	DWP Transitional / Other Funding	
(170)	North Yorkshire County Council	(151)
(76)	Police, Fire and Crime Commissioner for North Yorkshire	(58)
(3,943)	Department of Housing, Levelling Up and Communities	(5,399)
(1,199)	Environment Agency	(1,057)
(14)	Heritage Lottery	(294)
(187)	Ryedale District Council	(215)
-	MHCLG Northern Regeneration CIC	
-	MHCLG Seagrown Limited	
(404)	Other	(377)
(31,248)	**TOTAL**	**(31,863)**

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

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

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

2022 / 2023	Useable Reserves (£000)			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	7,457	-	-	7,457
Revaluation losses on Property Plant and Equipment	313	-	-	313
Movements in the market value of Investment Properties	(536)	-	-	(536)
Amortisation of intangible assets	59	-	-	59
Capital grants and contributions applied	(6,192)	-	-	(6,192)
Revenue expenditure funded from capital under statute	2,460	-	-	2,460
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,989	-	-	1,989
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(1,318)	-	-	(1,318)
Capital expenditure charged against the General Fund balance	(541)	-	-	(541)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(5,871)	-	5,871	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(1,049)	(1,049)
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	(2,940)	2,940	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(2,940)	-	(2,940)

2022 / 2023 continued	Useable Reserves (£000)			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of the sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	871	-	-	871
Adjustment primarily involving the Financial Instruments Adjustment Account				
Amount by which the costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	9,103	-	-	9,103
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,816)	-	-	(3,816)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(6,373)	-	-	(6,373)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	371	-	-	371
Total Adjustments	**(4,964)**	**-**	**4,822**	**(142)**

2021 / 2022	Useable Reserves (£000)			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	7,355	-	-	7,355
Revaluation losses on Property Plant and Equipment	(574)	-	-	(574)
Movements in the market value of Investment Properties	(1,161)	-	-	(1,161)
Amortisation of intangible assets	53	-	-	53
Capital grants and contributions applied	(8,460)	-	-	(8,460)
Revenue expenditure funded from capital under statute	1,447	-	-	1,447
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,477	-	-	1,477
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(2,411)	-	-	(2,411)
Capital expenditure charged against the General Fund balance	(1,156)	-	-	(1,156)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,468)	-	1,468	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(1,124)	(1,124)
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	(1,765)	1,765	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,765)	-	(1,765)

2021 / 2022 continued	Useable Reserves (£000)			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of the sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	100	-	-	100
Adjustment primarily involving the Financial Instruments Adjustment Account				
Amount by which the costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	9,075	-	-	9,075
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,436)	-	-	(3,436)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(4,423)	-	-	(4,423)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	27	-	-	27
Total Adjustments	**(5,320)**	**-**	**344**	**(4,976)**

10 TRANSFERS TO / FROM EARMARKED RESERVES

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

Earmarked Reserves	Balance at 1-Apr-22 £000	Transfers (to) / from General Fund £000	Transfers between Reserves £000	Balance at 31-Mar-23 £000
Risk Management	5,000	-	-	5,000
Pension	101	(101)	-	-
Capital Development	17,560	(1,175)	377	16,762
Capacity Building Reserve	1,509	(1,051)	-	458
Service Investment	6,646	(378)	(161)	6,107
Investment Fund	789	(399)	43	433
Section 106	3,289	1,038	(132)	4,195
Commuted Sums	190	(54)	-	136
Scarborough Harbour	-	97	-	97
Whitby Harbour	270	16	(127)	159
Other	96	24	-	120
Sub total				
Collection Fund (timing difference)	5,439	(5,439)	-	-
Total Earmarked Reserves	**40,889**	**(7,422)**	**-**	**33,467**

Earmarked Reserves	Balance at 1-Apr-21 £000	Transfers (to) / from General Fund £000	Transfers between Reserves £000	Balance at 31-Mar-22 £000
Risk Management	2,616	316	2,068	5,000
Pension	494	100	(493)	101
Capital Development	15,801	(597)	2,356	17,560
Capacity Building Reserve	1,185	(309)	633	1,509
Service Investment	12,716	(2,312)	(3,758)	6,646
Investment Fund	905	(51)	(65)	789
Section 106	2,689	858	(258)	3,289
Commuted Sums	173	17	-	190
Scarborough Harbour	265	84	(349)	-
Whitby Harbour	246	24	-	270
Other	206	24	(134)	96
Sub total	37,296	(1,846)	-	35,450
Collection Fund (timing difference)	9,219	(3,780)	-	5,439
Total Earmarked Reserves	**46,515**	**(5,626)**		**40,889**

The purposes of the main reserves are:

- **The Risk Management Reserve** has been created by merging the Insurance Reserve and the Capital Contingency Reserve which were both held to mitigate certain risks that the Council faced. The Risk Management Reserve:
  - Provides contingency funding for potential overspends on schemes included within the capital programme
  - Provides funding for unforeseen, essential infrastructure works where those cannot be accommodated within existing capital programme budgets
  - Covers risks which by their nature are difficult to insure such as cliff slippage and certain storm damage
  - Covers risks which are generally uneconomic to insure such as damage due to leakage from water pipes and the theft of small items of equipment
  - Covers the cost of insurance excesses where those costs cannot be accommodated within existing revenue budgets
  - Covers the costs of emerging revenue risks that the Council might face that are not already addressed within the revenue budget proposals (e.g. the costs of pursuing a Harbour Revision Order for Whitby Harbour)
  - Provides funding for emerging financial risks such as the one surrounding treatment of income at Whitby Harbour

- **The Pensions Reserve** is used to meet the upfront costs associated with the added year's element of employees' pensions and redundancy costs when compulsory redundancy occurs. No redundancies occurred in year in the lead up to Local Government Reorganisation and therefore the reserve was released.

- **The Capacity Building Reserve** was originally established to address the findings of an LGA Corporate Peer Challenge, which was undertaken in 2020. Further sums were added to the reserve through the 2022 Financial Strategy to fund set up and transition costs ahead of the new unitary authority being established through Local Government Reorganisation. The authority to approve expenditure from the reserve is delegated to the Council's Chief Executive, in consultation with the Executive Management Team.

- **The Capital Development Reserve** underpins the Capital Strategy. It unifies all capital resources with the intention of focusing investment into priority areas over the medium term. The Capital Development Reserve aims to match resources to investments over the long term (usually 5-year period).

  Current projections for the reserve show that the resources available are broadly balanced over the 5 year period.

- **The Service Investment Reserve** is held for corporate areas as well as each Directorate. The reserve primarily relates to accumulated under spending that has been carried over to support known future operational requirements. All transactions to and from these reserves are subject to the approval and review of the Section 151 Officer, in accordance with the Council's Financial Regulations, and the broad Policy Framework. Any proposed use of the reserves not within the overall Policy Framework would be reported to Cabinet / Council.

- **The Investment Fund** provides one-off funding for schemes that will help the Council deliver future revenue savings or for areas of priority spend. The authority to approve expenditure from the reserve was delegated to the Council's Chief Executive, in consultation with the Executive Management Team.

- **The Section 106 Reserve** collects receipts that the Borough Council has received from developers towards infrastructure as a result of the granting of planning permission. These monies received by the Council relate to investment in specific areas such as maintenance costs, or new facilities that need to be provided, as a result of the granting of that permission (eg requiring the developer to provide funding to create a play area or open space). The agreements specify that the funds are to be used within a specific period or else will be returned.

- **Harbour Reserves** represent earmarked amounts for the repair and renewal of specific items of harbour equipment in future years.

11 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Movement in 2022 / 2023	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation					
At 1 April 2022	**174,724**	**19,821**	**138,000**	**2,037**	**334,582**
Additions	866	2,311	3,370	2,131	8,678
Revaluation increases / (decreases) recognised in Revaluation Reserve	(361)				(361)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(425)				(425)
Category Transfers	91	169	182	(442)	-
Derecognition - disposals	(206)	(358)			(564)
Assets classified (to)/from Held for Sale	(2,221)				(2,221)
Other movements in cost or valuation					
At 31 March 2023	**172,468**	**21,943**	**141,552**	**3,726**	**339,689**
Accumulated Depreciation and Impairment					
At 1 April 2022	**(4,584)**	**(13,607)**	**(44,337)**	**-**	**(62,528)**
Depreciation Charge	(2,391)	(1,722)	(3,283)		(7,396)
Depreciation and impairments written out to the Revaluation Reserve	302				302
Depreciation written out on revaluations recognised in the Surplus / Deficit on Provision of Services	47				47
Impairment written out on revaluations recognised in the Surplus / Deficit on Provision of Services	3				3
Derecognition – disposals	12	335			347
Assets Depreciation(to)/from Held for Sale	3				3
Other movements in cost or valuation					
At 31 March 2023	**(6,608)**	**(14,994)**	**(47,620)**	**-**	**(69,222)**

Net Book Value					
At 31 March 2023	165,860	6,949	93,932	3,726	270,467
At 31 March 2022	170,140	6,214	93,663	2,037	272,054

Movement in 2021 / 2022	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation At 1 April 2021	**161,878**	**19,425**	**131,041**	**6,363**	**318,707**
Additions	6,032	1,723	2,953	1,996	12,704
Revaluation increases / (decreases) recognised in Revaluation Reserve	8,377		40		8,417
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(122)			(193)	(315)
Category Transfers	720		5,397	(6,129)	(12)
Derecognition - disposals	(283)	(1,327)	(1,431)		(3,041)
Assets classified (to)/from Held for Sale	(1,878)				(1,878)
Other movements in cost or valuation					
At 31 March 2022	**174,724**	**19,821**	**138,000**	**2,037**	**334,582**
Accumulated Depreciation and Impairment At 1 April 2021	(5,775)	(13,348)	(41,542)	-	(60,665)
Depreciation Charge	(2,464)	(1,401)	(3,217)	(-)	(7,082)
Depreciation and impairments written out to the Revaluation Reserve	3,007		32		3,039
	889				889
Depreciation and impairments written out on revaluations recognised in the Surplus / Deficit on Provision of Services	(273				(273)
Derecognition – disposals	32	1,142	390		1,564
Assets Depreciation(to)/from Held for Sale					
Other movements in cost or valuation					-
At 31 March 2022	**(4,584)**	**(13,607)**	**(44,337)**	**(-)**	**(62,528)**

Net Book Value					
At 31 March 2022	170,140	6,214	93,663	2,037	272,054
At 31 March 2021	156,103	6,077	89,499	6,363	258,042

Capital Commitments

At 31 March 2023, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years. The budgeted value of the works to be completed under the most significant of these contracts is £2,673k. Similar commitments at 31 March 2022 were £5,162k.

The major commitments are:

	£000
Filey Sea Wall	139
National Coastal Monitoring Programme	1,552
Station Gateway	198
Coastal Strategy	138
Whitby Maritime Training Hub	646
Total	**2,673**

Revaluations

The Authority carried out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations were carried out both internally by the Council's Principal Valuer who is a qualified member of the Royal Institute of Chartered Surveyors (RICS) and through external valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS.

The significant assumptions applied in estimating the fair values are:

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

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Carried at historical cost	1,888	21,943	23,831
Values at fair value as at:			
31 March 2023	5,021	-	5,021
31 March 2022	84,951	-	84,951
31 March 2021	15,580	-	15,580
31 March 2020	55,717	-	55,717
31 March 2019	8,744	-	8,744
31 March 2018	567	-	567
Total Cost or Valuation	**172,468**	**21,943**	**194,411**

12 HERITAGE ASSETS

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

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

	Art Collections £000	Monuments, Statues and Sculptures £000	Museum Pieces £000	Other £000	Total £000
Cost or Valuation					
As at 1 April 2021	**3,610**	**370**	**270**	**619**	**4,869**
Additions	-	-	-	-	-
Revaluations	-	-	-	-	-
As at 1 April 2022	3,610	370	270	619	4,869
Additions	-	-	-	-	-
Revaluations	-	-	-	-	-
At 31 March 2023	**3,610**	**370**	**270**	**619**	**4,869**
Accumulated Depreciation and Impairment					
As at 1 April 2021					
Depreciation Charge	-	-	-	-	-
As at 1 April 2022					
Depreciation Charge	-	-	-	-	-
At 31 March 2023	**-**	**-**	**-**	**-**	**-**

Net Book Value					
31 March 2023					
Assets measured at cost	-	370	-	62	432
Assets measured at valuation	3,610	-	270	557	4,437
	3,610	**370**	**270**	**619**	**4,869**
31 March 2022					
Assets measured at cost	-	370	-	62	432
Assets measured at valuation	3,610	-	270	557	4,437
	3,610	**370**	**270**	**619**	**4,869**

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

Where assets are held at valuation, the valuations were carried out by an independent specialist valuer external to the organisation. The Valuation of Museum Pieces and Other Assets were carried out during April 2010 when it became necessary to recognise heritage assets within the Statement of Accounts. Art Collections were revalued during 2018/19 in line with the most recent insurance valuation.

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

Heritage assets not reported in the balance sheet include:

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

13 INVESTMENT PROPERTY

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

	2021/22 £000	2022/23 £000
Rental Income from investment property	701	971
Direct operating expenses arising from investment property	(2)	(2)
Net gain/(loss)	699	969

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

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

	2021/22 £000	2022/23 £000
Balance at start of year	11,716	12,877
Additions	-	-
Disposals	-	-
Net gains / (losses) from fair value adjustments	1,161	536
Assets classified (to) / from Available for Sale	-	-
Balance at end of the year	12,877	13,413

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

14 INTANGIBLE ASSETS

The Authority recognises items of software, licenses and concessions as intangible assets. It accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

- General IT Systems 5-10 Years
- General Software Licenses 5-10 Years

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

- Way Leaves / Rights up to indefinite

The carrying amount of intangible assets is amortised on a straight line basis over the life of the asset, (with the exception of those assets with an indefinite useful life which are not amortised). Amortisation of £42k charged to revenue in 2022/23 was charged to the IT Administration cost centre and then absorbed as an overhead across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. £5k was charged to the Property Trading Unit within Trading Undertakings and relates to way leaves and licences / rights for which the trading account receives the income.

	2021/22 £000	2022/23 £000
Balance at start of year		
Gross Carrying Amounts	2,995	3,053
Accumulated Amortisation	(2,445)	(2,498)
Net Carrying Amount at start of year	550	555
Disposals		7
Additions	46	-
Category Transfers	12	-
Amortisation for the period	(53)	(59)
Net carrying Amount at end of year	555	501
Comprising:		
Gross carrying amounts	3,053	3,053
Accumulated Amortisation	(2,498)	(2,552)
	555	501

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

	2021/22 £000	2022/2023 £000
Access Rights	22	22
Concessions	158	158
Grazing Rights	13	13
Other	11	11
	204	204

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

15 ASSETS HELD FOR SALE

	2021/22 £000	2022/23 £000
4Balance outstanding at start of year	1,094	2,973
Assets newly classified as held for sale		
Property, Plant and Equipment	1,882	2,208
Revaluation losses	-	-
Assets declassified as held for sale		
Property, Plant and Equipment		-
Assets Sold	(3)	(1,771)
Balance Outstanding at end of year	2,973	3,410

16 FINANCIAL INSTRUMENTS

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

Financial Assets

	Long Term		Current	
	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23
	£000	£000	£000	£000
Investments				
Loans and Receivables held at amortised cost:				
Investments - Waterpark (Benchmark)	7,379	7,179	495	260
Investments	-	-	53,500	42,000
Accrued (overdue) interest – Waterpark	-	-	795	464
Accrued Interest	-	-	12	182
Cash and Cash Equivalents	-	-	744	3,532
Veritau North Yorkshire	10	10	-	-
Total Investments	**7,389**	**7,189**	**55,546**	**46,438**
Debtors				
Loans and Receivables held at amortised cost:				
Finance Leases	1,662	825	174	140
Financial assets carried at contract amounts	95	88	9,179	6,746
Total Debtors	**1,757**	**913**	**9,353**	**6,886**
Total	**9,146**	**8,102**	**64,899**	**53,324**

Financial Liabilities

	Long Term		Current	
	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23
	£000	£000	£000	£000
Borrowings				
Financial liabilities held at amortised cost:				
Financial Liabilities (principle amount)	(34,371)	(33,973)	(389)	(398)
Accrued Interest	-	-	(226)	(227)
Other Accounting Adjustments	(-)	(-)	-	-
Total included in borrowings	**(34,371)**	**(33,973)**	**(615)**	**(625)**
Other Liabilities				
Finance Lease Liabilities	(26)	(22)	(4)	(4)
Financial liabilities carried at contract amount	(181)	(397)	-	-
Total Other Liabilities	**(207)**	**(419)**	**(4)**	**(4)**
Creditors				
Financial liabilities carried at contract amount	-	-	(15,414)	(7,924)
Total Creditors	**-**	**-**	**(15,414)**	**(7,924)**
Total	**(34,578)**	**(34,392)**	**(16,033)**	**(8,553)**

Income, Expense, Gains and Losses

	2021/22 £000	2022/23 £000
Interest Revenue:		
Interest income (money market investments)	(62)	(1,126)
Interest income (waterpark)	(440)	(-)
Interest income (leases)	(133)	(476)
Increase / (decrease) in fair value	-	-
Total income in surplus or deficit on the provision of services	**(635)**	**(1,602)**
Interest Expense:		
Interest expense (money market borrowing)	875	940
Interest expense (leases)	2	1
Increase / (decrease) in fair value	-	-
Total expense in surplus or deficit on the provision of services	**877**	**941**

Financial assets and financial liabilities represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost.

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31-Mar-22		31-Mar-23	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Investments (Note 1)				
Short Term Loans and Receivables	55,546	55,546	46,438	46,438
Long Term Loans and Receivables	7,389	7,389	7,189	7,189
Long Term Debtors				
Finance Leases	1,662	1,662	825	825
Financial assets carried at contract Amount	94	94	88	88
Debtors				
Finance Leases	174	174	140	140
Financial assets carried at contract Amount	9,179	9,179	6,746	6,746
Total	**74,044**	**74,044**	**61,426**	**61,426**

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

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

	31-Mar-22		31-Mar-23	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Borrowings				
Public Works Loan Board (Note 2)	(30,978)	(35,400)	(30,590)	(25,617)
Barclays Loan (Note 3)	(4,008)	(5,204)	(4,008)	(3,856)
Other Long Term Liabilities				
Finance Lease Liabilities	(26)	(26)	(22)	(22)
Financial liabilities carried at contract amount	(181)	(181)	(397)	(397)
Short Term Creditors				
Finance Lease Liabilities	(4)	(4)	(4)	(4)
Financial liabilities carried at contract amount	(15,414)	(15,414)	(7,924)	(7,924)
Total	**(50,611)**	**(56,229)**	**(42,945)**	**(37,820)**

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

At 31 March 2023, the fair value of the PWLB loans is higher than the carrying amount because, should the Council wish to prematurely repay the borrowings, then this would be done at an amount higher than the carrying amount.

If the Fair Value of the PWLB loans had been calculated using the New Loan Rate then it would be £22,690k (£30,445k at 31 March 2022).

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

Note 3 – The fair value of the Barclays Loan has been calculated using the New Loan Rate. At 31 March 2023 the fair value of the loan is higher than the carrying amount because the effective interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders at a rate that is higher than current market rates.

The Fair Value of the Barclays Loan would be £4,410k (£5,942k at 31 March 2022) if it was calculated in the same way as the PWLB loans, (i.e. premature repayment rate rather than new loan rate).

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

17 INVENTORIES

2022/23 £000	Stocks and Stores			Total
	Trading Units	Catering	Other	
Balance outstanding at start of year	76	46	21	143
Purchases	398	605	37	1,040
Recognised as an expense in year	(456)	(580)	(49)	(1,085)
Balance outstanding at year end	**18**	**71**	**9**	**98**

2021/22 £000	Stocks and Stores			Total
	Trading Units	Catering	Other	
Balance outstanding at start of year	34	17	20	71
Purchases	282	327	42	651
Recognised as an expense in year	(241)	(298)	(40)	(579)
Balance outstanding at year end	**75**	**46**	**22**	**143**

18 SHORT TERM DEBTORS

2021/22 £000		2022/23 £000
8,913	Central Government Bodies	4,975
2,104	Other Public Bodies (includes Local Authorities)	446
1,539	Local Tax Payers	582
6,464	Sundry Debtors	5,357
19,020		11,360
(1,970)	Bad Debt Provision	(1,412)
17,050	**Total**	**9,948**

19 CASH AND CASH EQUIVALENTS

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

2021/22 £000		2022/23 £000
33	Cash held by the Authority	40
711	Bank Current Accounts	3,492
-	Short-term Deposits with Banks	-
744	**Total**	**3,532**

20 SHORT TERM CREDITORS

2021/22 £000		2022/23 £000
	Creditors:	
(58)	HM Revenue & Customs	(480)
(25,726)	Central Government Bodies	(7,114)
(1,993)	Local Tax Payers	(539)
(8,225)	Sundry Creditors	(6,036)
(1,320)	Other Local Authorities	(2,043)
(37,322)	**Total**	**(16,212)**

21 PROVISIONS

2021/22 £000		2022/23 £000
1,995	Balance as at 1 April	1,022
714	Additional Provisions made in year	590
(1,603)	Amounts used in year	(590)
(84)	Reversal of unused amounts in year	(113)
1,022	**Balance as at 31 March**	**909**

Business Rates

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013.

Scarborough Borough Council, as the business rates billing authority, acts as an agent on behalf of central government, North Yorkshire County Council, North Yorkshire Fire & Rescue Service and itself and is required to make a provision for any refunds that may become payable to ratepayers following successful appeals against the ratable value of their properties on the ratings list.

The Council retains a share of net business rates income under the new localised scheme. The amount shown in the Council's Balance Sheet reflects the Council's proportion of the appeals provision as at 31 March, based on the share of income retained under the localised business rates scheme. The proportion of the appeals provision reflected in the Council's Balance Sheet at 31 March 2022 and 31 March 2023 is 40%.

22 DISCLOSURE OF INFORMATION RELATING TO RETIREMENT BENEFITS

PARTICIPATION IN PENSION SCHEMES

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

The Authority participates in the Local Government Pension Scheme (LGPS), administered by North Yorkshire County Council. The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the LGPS requires participating employers and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

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

TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

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

Comprehensive Income & Expenditure Account

2021/22 £000		2022/23 £000	
	Cost of Services:		
7,662	Current Service Cost (note 1)	7,587	
-	Past Service Cost	-	
-	Curtailment	-	
-	Settlement Cost	-	
7,662			7,587
	Financing and Investment Income and Expenditure:		
1,413	Net Interest Expense	1,516	
1,413			1,516
9,075	Total Post Employment Benefit Charged to Surplus / Deficit on the Provision of Services		9,103
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
	Re-measurement of the net defined benefit liability comprising:		
244	Return on plan assets	23,110	
800	Actuarial (gains) and losses arising on changes in experience assumptions	14,987	
(15,183)	Actuarial (gains) and losses arising on changes in financial assumptions	(86,048)	
(2,495)	Actuarial (gains) and losses arising on changes in demographic assumptions	2,083	
(16,634)			(45,868)
(7,559)	Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement		(36,765)

Note 1 – included within the Current Service Cost is an allowance of £106k (£79k 2021/22) for administration expenses.

Movement in Reserves Statement

2021/22 £000		2022/23 £000
(9,075)	Reversal of net charges made to the surplus or deficit for the provision of Services for post employment benefits in accordance with the code	(9,103)
	Actual amounts charged against the General Fund Balance for pensions in the Year:	
3,436	- Employers Contributions Payable to the Scheme	3,816

The cumulative amount of actuarial gains recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2023 is a gain of £37.392m.

ASSETS AND LIABILITIES IN RELATION TO POST-EMPLOYMENT BENEFITS

Reconciliation of present value of the Scheme Liabilities

	2021/22 £000	2022/23 £000
Balance as at 1 April	(256,963)	(246,630)
Current Service Cost	(7,662)	(7,587)
Interest Cost	(5,329)	(6,578)
Contributions by Scheme Participants	(1,029)	(1,156)
Remeasurements (liabilities)		
Experience Gain / (loss)	(800)	(14,987)
Gain / (Loss) on financial assumptions	15,183	86,048
Gain / (Loss) on demographic assumptions	2,495	(2,083)
Past Service Cost	-	-
Curtailments	-	-
Settlements	-	-
Benefits / Transfers paid	7,475	7,271
Closing balance at 31 March	**(246,630)**	**(185,702)**

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

	2021/22 £000	2022/23 £000
Balance as at 1 April	187,914	188,576
Interest on Plan Assets	3,916	5,062
Remeasurements (assets)	(244)	(23,110)
Employer Contributions	3,436	3,816
Contributions by scheme Participants	1,029	1,156
Settlements	-	-
Benefits / transfers paid	(7,475)	(7,271)
Closing fair value of scheme assets at 31 March	**188,576**	**168,229**

As at 31 March the scheme assets comprised:

	31-Mar-22	31-Mar-23
Cash and cash equivalents	1.1%	1.4%
Equity Instruments	55.7%	52.1%
Government Bonds	16.8%	11.0%
Corporate Bonds	7.7%	7.2%
Property	7.4%	6.4%
Other (quoted)	3.9%	12.6%
Other (unquoted)	7.4%	9.3%

PENSION ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

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

	2021/22 £000	2022/23 £000
Present value of the defined benefit obligation	(246,630)	(185,702)
Fair value of plan assets	188,576	168,229
Net liability arising from defined benefit obligation	(58,054)	(17,473)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £17.473 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, reducing reserves from £303.737 million to £286.264 million (5.75%). Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 is £3.479m.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The fund liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2019.

The main assumptions used in their calculations have been:

31-Mar-22		31-Mar-23
2.7%	Discount Rate	4.7%
3.0%	Rate of Inflation (CPI)	2.7%
3.0%	Rate of Increase in Pensions	2.7%
3.0%	Pension accounts revaluation rate	2.7%
4.25%	Rate of Increase in Salaries	3.95%
	Mortality Assumptions:	
	Member aged 65 at accounting dates	
21.8	Men	22.6
23.8	Women	25.0
	Member aged 45 at accounting dates	
23.5	Men	23.5
25.7	Women	26.0

SENSITIVITY ANALYSIS (FUNDED BENEFITS)

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2023 and the projected service cost for the period ending 31 March 2024 is set out below.

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

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

Discount rate assumption Adjustment to discount rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£000)	182,061	184,833	187,605
% change in present value of total obligation	-1.5%		1.5%
Projected service cost (£000)	3,548	3,688	3,832
Approximate % change in projected service cost	-3.8%		3.9%

Rate of general increase in salaries Adjustment to salary increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£000)	185,203	184,833	184,463
% change in present value of total obligation	0.2%		-0.2%
Projected service cost (£000)	3,688	3,688	3,688
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption Adjustment to pension increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£000)	187,236	184,833	182,430
% change in present value of total obligation	1.3%		-1.3
Projected service cost (£000)	3,832	3,832	3,832
Approximate % change in projected service cost	3.9%		-3.8%

Post retirement mortality assumption Adjustment to mortality age rating assumption *	- 1 Year	Base Figure	+ 1 Year
Present value of total obligation (£000)	189,639	184,833	179,843
% change in present value of total obligation	2.6%		-2.7%
Projected service cost (£000)	3,921	3,688	3,555
Approximate % change in projected service cost	3.6%		-3.6%

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

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep the employers' contributions at as constant a rate as possible. At the triennial valuation carried out as at 31 March 2022, a strategy was agreed with the scheme's actuary to achieve a funding level of 100% over an 18 year period. Funding levels are monitored on an annual basis.

The weighted average duration of the defined benefit obligation for scheme members is 15.2 years, (18.6 years 2021/22).

23 USABLE RESERVES

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

24 UNUSABLE RESERVES

31-Mar-22 £000		31-Mar-23 £000
96,372	Revaluation Reserve	93,862
157,885	Capital Adjustment Account	160,630
1,836	Deferred Capital Receipts Reserve	965
(58,054)	Pension Reserve	(17,473)
(4,750)	Collection Fund Adjustment Account	1,623
(1,001)	Accumulated Absences Account	(1,372)
192,288	**Total Unusable Reserves**	**238,235**

(a) REVALUATION RESERVE

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

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

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

2021/22 £000			2022/23 £000
86,013	Balance as at 1 April		96,372
13,243	Upward revaluation of assets	546	
(1,787)	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(609)	
11,456	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(63)
(982)	Difference between fair value depreciation and historical cost depreciation		(955)
(115)	Accumulated gains on assets sold or scrapped		(1,492)
96,372	Balance as at 31 March		**93,862**

(b) CAPITAL ADJUSTMENT ACCOUNT

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

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

2021/22 £000			2022/23 £000
150,469	Balance at 1 April		157,885
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
(7,355)	Charges for depreciation and impairment of non-current assets	(7,457)	
574	Revaluation losses / (gains) on Property, Plant and Equipment	(314)	
(53)	Amortisation of intangible assets	(59)	
(1,447)	Revenue expenditure funded from capital under statute	(2,460)	
(1,477)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,989)	
(9,758)			(12,279)
1,097	Adjusting amounts written out of the Revaluation Reserve		2,448
(8,661)	Net written out amount of the cost of non-current assets consumed in the year		(9,831)
	Capital financing applied in the year:		
1,765	Use of the Capital Receipts Reserve to finance new capital expenditure	2,940	
8,460	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	6,192	
1,124	Application of grants to capital financing from the Capital Grants Unapplied Account	1,049	
2,411	Statutory provision for the financing of capital investment charged against the General Fund balances	1,318	
1,156	Capital Expenditure charged against the General Fund balances	541	
14,916			12,040
1,161	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		536
157,885	Balance at 31 March		**160,630**

(c) DEFERRED CAPITAL RECEIPTS RESERVE

The table below shows the movement on this Reserve

2021/22 £000		2022/23 £000
1,936	Balance as at 1 April	1,836
(100)	Transfer of deferred sales proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(871)
-	Transfer to the Capital Receipt Reserve upon receipt of cash	-
1,836	Balance as at 31 March	**965**

(d) PENSION RESERVE

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

2021/22 £000		2022/23 £000
(69,049)	Balance at 1 April	(58,054)
16,634	Actuarial (gains) or losses on pensions assets and liabilities	45,868
(9,075)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(9,103)
3,436	Employer's pensions contributions and direct payments to pensioners payable in the year	3,816
(58,054)	**Balance at 31 March**	**(17,473)**

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

(f) COLLECTION FUND ADJUSTMENT ACCOUNT

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

2021/22 £000		2022/23 £000
(9,173)	Balance at 1 April	(4,750)
4,423	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	6,373
(4,750)	Balance at 31 March	**1,623**

(g) ACCUMULATED ABSENCES ACCOUNT

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

2021/22 £000		2022/23 £000	
(974)	Balance as at 1 April		(1,001)
974	Settlement or cancellation of accrual made at the end of the proceeding year	1,001	
(1,001)	Amounts accrued at the end of the current year	(1,372)	
(27)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(371)
(1,001)	Balance as at 31 March		**(1,372)**

25 EVENTS AFTER THE BALANCE SHEET DATE

The un-audited Statement of Accounts was authorised for issue by Gary Fielding Corporate Director Resources: s151 Officer on 13 June 2023. Events taking place after this date are not reflected in the financial statement or notes but will be included in the audited Statement of Accounts when published. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events after the balance sheet date to report at the date that these un-audited accounts were authorised for issue on 13 June 2023.

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

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

2021/22 £000		2022/23 £000
(982)	(Surplus) / Deficit on the Provision of Services	2,162
	Adjustment to the Surplus / Deficit on the Provision of Services for Non Cash Movements	
(7,409)	Depreciation, amortisation, impairment and downward Revaluations	(7,516)
(8,125)	(Increase) / Decrease in Creditors	24,684
(1,691)	Increase / (Decrease) in Debtors	1,973
72	Increase / (Decrease) in Inventories	(45)
(5,639)	Pension Fund Adjustments	(5,287)
11	Increase / (Decrease) in impairment for provision for bad debts	558
999	Contributions to / (from) provisions	(258)
(1,465)	Carrying amount of PP&E, investment property and intangible assets sold	(1,988)
7,384	Other non-cash items charged to the net surplus or deficit on the provision of services	2,840
	Adjustments for items included in the Surplus / Deficit on the Provision of Services that are Investing or Financing Activities	
1,765	Proceeds from the disposal of PP&E, investment property and intangible assets	2,940
8,263	Capital Grants credited to Surplus or deficit on the provision of services	10,124
(4,423)	Other adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities	(6,373)
(11,240)	**Net Cash Flows from Operating Activities**	**23,814**

OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2021/22 £000		2022/23 £000
(189)	Interest received	(1,359)
882	Interest paid	940
693	**Total**	**(419)**

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2021/22 £000		2022/23 £000
12,695	Purchase of property, plant and equipment, investment property and intangible asset	8,369
116,000	Purchase of short term and long term investments	418,500
-	Other payments for investing activities	-
(1,765)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(2,940)
(96,552)	Proceeds from short term and long term investments	(430,436)
(5,877)	Other receipts from investment activities	(10,651)
24,501	**Net cash flows from investing activities**	**(17,158)**

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2021/22 £000		2022/23 £000
(-)	Cash receipts of short term and long term borrowing	-
(7,308)	Other receipts for financing activities	(9,846)
8	Cash payments for the reduction of outstanding liabilities to finance leases	4
380	Repayments of short term and long term borrowing	398
-	Other payments for financing activities	-
(6,920)	**Net cash flows from financing activities**	**(9,444)**

29 MEMBERS ALLOWANCES

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

2021/22 £000		2022/23 £000
201	Salaries	213
61	Responsibility Allowances	64
262	**Total**	**277**

In addition to the above, Members can reclaim any costs that they incur in meeting their duties as Councillors (such as travel and subsistence). Total payments of £10k were made during 2022/23 (2021/22 £8k). More details on these payments can be found on the Council's website at www.northyorks.gov.uk

30 OFFICERS' REMUNERATION

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

2022 / 2023 Post Holder Information	Salary	Returning Officer Fees (Note 2)	Other Payments & Expense Allowances	**Total exc Pension**	Pension (Note 1)	**Total 2022/23**
Chief Executive	71,797	9,087	562	**81,446**	15,006	**96,452**
*Interim Chief Executive	55,760	-	812	**56,572**	11,654	**68,226**
Director (S151)	47,865	323	385	**48,573**	10,003	**58,576**
*Acting Director (S151)	31,387	0		**31,387**	6,560	**37,947**
Director (MO)	84,025	1,719	4,371	**90,115**	17,561	**107,676**
Commercial Director	84,025	0	963	**84,988**	17,561	**102,549**
Interim Director Neighborhoods and Climate Change	83,006	0	963	**83,969**	17,348	**101,317**
	457,865	11,129	8,056	**477,050**	95,693	**572,743**

*The acting Directors (S151) and Interim Chief Executive were effective from the 1st November 2022 following the departure of the Chief Executive.

2021 / 2022 Post Holder Information	Salary	Returning Officer Fees (Note 2)	Other Payments & Expense Allowances	**Total exc Pension**	Pension (Note 1)	**Total 2021/22**
Chief Executive	117,737	7,982	963	**126,682**	26,275	**152,957**
Director (s151)	84,950	-	955	**85,905**	17,755	**103,660**
Director (MO)	82,100	1,434	961	**84,495**	17,459	**101,954**
Commercial Director	82,100	-	963	**83,063**	17,159	**100,222**
	366,887	9,416	3,842	**380,145**	78,648	**458,793**

Note 1: The pension figures shown in the above tables reflect the employer's contribution to the Local Government Pension Scheme. Officers also make contributions, which range from 9.9% to 11.4% (9.9% to 11.4% 2021/22) of their pensionable pay, to the scheme.

Note 2: The Chief Executive receives payment for his role of 'Returning Officer'. The Council is reimbursed for the costs associated with regional, national and European elections. A payment of £9,087 (Chief Executive and Interim) was made during the year (2021/22 £7,982).

In addition to the payments above, Directors can receive additional monies for work undertaken in relation to elections held throughout the year. The council is reimbursed for any costs associated with regional, national and European elections.

The following payments were made to Directors during the year; Director (s151) and Acting 151 £323 (2021/22 £nil), Director (MO) £1,719 (2021/22 £1,434), Commercial Director £0 (2021/22 £nil) and Interim Director Neighbourhoods and Climate Change £0.

Note 3: The Interim Director Marc Cole is a temporary position and is employed on an agency basis. There is excluded from the above temple under employee remuneration.

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

2021/22 Number of Employees	Salary Band	2022/23 Number of Employees
6	£50,000 to £54,999	6
9	£55,000 to £59,999	5
4	£60,000 to £64,999	10
0	£65,000 to £69,999	2
3	£70,000 to £74,999	0
0	£75,000 to £79,999	1
0	£80,000 to £84,999	1

Some officers receive payments in relation to election duties. This role is separate from an officer's employment with the local authority although sometimes the role is taken on directly as a result of that employment. Where officers have received such payments then these are included within the table above.

31 TERMINATION BENEFITS

The Council made no redundancy payments in 2022/23 with severance payments including (£42,103 in 2021/22). There were no pension strain payments made during the year (£NIL in 2021/22).

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

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

2021/22		Exit package cost band (including pension strain cost)	2022/23	
Number	Cost		Number	Cost
-	-	£0 to £20,000	-	-
-	-	£20,001 to £40,000	-	-
1	42,103	£40,001 to £60,000	-	-
-	-	£60,001 to £80,000	-	-
-	-	£80,001 to £100,000	-	-
-	-	£100,001 to £150,000	-	-
1	**42,103**	**Total**	**-**	**-**

32 EXTERNAL AUDIT COSTS

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

2021/22 £000		2022/23 £000
-	Refund of fees paid to the Audit commission with regard to external audit services carried out by the appointed auditor in previous years	-
40	Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor for the year	124
-	Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor in relation to objections received to the 2015/16, 2016/17, 2017/18, 2018/19, 2019/20, 2021,22 accounts	153
15	Fees payable to Mazars LLP for the certification of grant claims and returns	42
55	**Total**	**319**

33 RELATED PARTY TRANSACTIONS

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

Central Government

Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

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

Companies and Joint Ventures:

Scarborough Museums Trust

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

The Council's museum service transferred to the Trust on 1 January 2008 and the Trust is now primarily responsible for running the Art Gallery and Rotunda Museum under a Service Level Agreement (SLA). In return for this the Council paid a grant of £426,660 (£516,660 2021/22) for the year. The Council also offers the use of the Rotunda and Art Gallery at a peppercorn rent.

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

The audited Trust accounts for the year ended 31 March 2022 show a deficit of £45,507 and net assets as at 31 March 2022 of £434,069. No figures are yet available from the Trust for 2022/23.

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

The Museums Trust and the Creative Industries Centre merged in May 2022. Following the merger there is a new service level agreement (SLA) with SMT governing the operation of the Rotunda Museum, Art Gallery and Woodend.

North Yorkshire Building Control Partnership

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

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

During 2022/23 the partnership made an overall operating surplus of £221k with the Borough Council's share of the surplus being £44k.

The Borough Council's proportion of the cumulative net surplus reserve held by the Partnership at the 31 March 2023 remains at £50,000.

Other Bodies

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

Other Bodies

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

Significant funding provided to the Council by other bodies was:

Capital funding - £10,125k including £2,166k from the Heritage Lottery, £7,012k from DLUHC, and £550k from Sustrans.

North Yorkshire County Council – estimated funding of £245k in respect of specific services. It also administers the Local Government Pension Scheme (note 22).

Police, Fire and Crime Commissioner for North Yorkshire - £58k in respect of funding specific services.

The following Councillors were Councillors of North Yorkshire County Council at 31 March 2023: Cllr Bastiman, Cllr Broadbent, Cllr Colling, Cllr Donohue-Moncrieff, Cllr Jeffels, Cllr Jefferson, Cllr Pearson, Cllr Phillips, Cllr Randerson, Cllr Sharma, Cllr Swiers.

Cllr Carl Maw is a member of the Police, Fire and Crime Panel.

Cllr Janet Jefferson is a Trustee of the Rainbow Centre, during the year the Council made payments to the organisation of £27,000.

Cllr Colling is a Community Trustee of the Citizens Advice Bureau, during the year the Council made grant payments to the organisation of £128,528.

Cllr Pearson, Cllr Sharma and Cllr Jeffels are a Member of the North Yorkshire Moors National Park Authority. During the year the Council made payments to the organisation of £31,632.

All values quoted above exclude VAT.

34 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2021/22 £000	2022/23 £000
Opening Capital Financing Requirement	47,716	46,944
Capital investment		
Property Plant and Equipment	12,704	8,678
Investment Properties	-	
Intangible Assets	46	
Heritage Assets	-	
Revenue Expenditure Funded from Capital under Statute	1,447	2,460
Sources of Finance		
Capital receipts	(1,765)	(2,940)
Government grants and other contributions	(9,585)	(7,240)
Repayment receipts re Long Term Investment	(52)	
Sums set aside from Revenue		
Direct revenue contributions	(1,156)	(541)
Minimum Revenue Provision / Loans Fund Principle	(2,411)	(1,318)
Closing Capital Financing Requirement	**46,944**	**46,043**

	2021/22 £000	2022/23 £000
Explanation of movements in year:		
Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(764)	(897)
Assets acquired under finance leases	(8)	(4)
Increase / (decrease) in Capital Financing Requirement	**(772)**	**(901)**

35 LEASES

Authority as Lessee

Finance Leases

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

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

	31 March 2022 £000	31 March 2023 £000
Other Land and Buildings	20	17
Vehicles, Plant, Furniture and Equipment	-	-
	20	17

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

	31 March 2022 £000	31 March 2023 £000
Finance lease liabilities (net present value of minimum lease payments)	30	26
Finance costs payable in future years	60	58
Minimum lease payments	90	84

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

	Minimum Lease Payments		Finance Costs	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Not later than one year	6	6	1	1
Later than 1 year and not later than five years	13	9	5	4
Later than five years	71	70	54	53
	90	85	60	58

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

The Authority has sub-let some property held under finance leases. At 31 March 2023 the minimum payments expected to be received under non-cancellable sub-leases was £212k (£93k at 31 March 2022).

Operating Leases

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

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

	31 March 2022 £000	31 March 2023 £000
Not later than one year	147	132
Later than one year and not later than five years	278	226
Later than five years	724	570
	1,149	928

The Authority has sub-let some property classified as operating leases. At 31 March 2023 the minimum payments expected to be received under non-cancellable sub-leases was £144k (£93k at 31 March 2022).

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

	2021/22 £000	2022/23 £000
Minimum lease payments	57	65
Sublease payments receivable	-	-
	57	65

Authority as Lessor

Finance Leases

The Authority has leased out property and leisure amenities around the Borough on finance leases with remaining terms of up to 32 years.

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

	31 March 2022 £000	31 March 2023 £000
Finance lease debtor (net present value of minimum lease payments)	1,836	1,662
Unearned finance income	1,136	1,016
Gross investment in the lease	2,972	2,678

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

	Gross Investment in the lease		Minimum Lease Payments	
	31 Mar 2022 £000	31 Mar 2023 £000	31 Mar 2022 £000	31 Mar 2023 £000
Not later than one year	294	268	174	159
Later than 1 year and not later than five years	937	803	570	475
Later than five years	1,742	1,608	1,092	1,028
	2,973	2,679	1,836	1,662

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

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

Operating Leases

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

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

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

	31 March 2022 £000	31 March 2023 £000
Not later than one year	4,798	4,681
Later than one year and not later than five years	13,170	12,440
Later than five years	42,852	39,784
Total	**60,820**	**56,905**

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

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

	31 March 2022 £000	31 March 2023 £000
Buildings	12,666	10,892
Land	27,150	24,709
Intangibles	172	179
Investment Properties	11,295	13,413
Total	**51,283**	**49,193**

36 THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity Risk** – the possibility that the Council might not have sufficient funds available to meet its commitments to make payments as they fall due.
- **Re-financing Risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market Risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

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

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

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

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

The full Treasury Management Strategy for 2022 /23 was approved by Full Council in February 2022 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £42m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principle sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at 31 March 2023 that this was likely to crystallise.

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

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

31-Mar-22 £000		31-Mar-23 £000
1,936	Less than 3 months	402
107	Between 3 to 6 months	856
265	Between 6 months and one year	163
477	More than one year	477
2,785	**Total**	**1,898**

Liquidity Risk

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

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

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

31-Mar-22 £000	Analysis of Maturity	31-Mar-23 £000
52,456	Less than one year	46,295
-	Between 1 and 2 years	-
-	Between 2 and 3 years	-
-	Maturing in more than 3 Years	-
52,456	**Total**	**46,295**

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

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

Refinancing Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

31-Mar-22 £000	Analysis of Maturity	31-Mar-23 £000
(615)	Less than one year	625
(398)	Between 1 and 2 years	407
(1,252)	Between 2 and 5 years	1,281
(32,721)	Maturing in more than 5 Years	32,284
(34,986)	**Total**	**34,597**

Market Risk

Interest Rate Risk

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

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

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

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

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

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

	1% Increase £000	1% Decrease £000
Change in interest payable on variable rate borrowing	-	-
Change in interest receivable on variable rate investments (note 1)	540	(516)
Impact on Surplus or Deficit on the Provision of Services (note 1)	540	(516)
Change in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(3,055)	3,055

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

Price Risk

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

Foreign Exchange Risk

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

37 CONTINGENT LIABILITIES

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. There have been no material contingent liabilities identified by the Council in 2022/23.

38 CONTINGENT ASSETS

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. At 31 March 2023 the Council has identified one material contingent asset:

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

Under the terms of the sale agreement, the Council received an upfront payment of £1.525m with an additional payment of £1.158m being due after 3 years and a further £1.158m after 6 years. All of these payments were recognised as capital receipts during 2015/16 along with a long term debtor for the monies still owed. In line with the sale agreement the Council received payments of £1.158m during 2018/19 and 2021/22.

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

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

39 WATERPARK - BENCHMARK

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

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

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

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

Benchmark had drawn down the full £9 million of the loan facility by the end of 2017/18 and the amount outstanding on the loan is now £7.9 million (£8.67 million at 31 March 2022). The current balance includes £110k of lease payments that were due to be made which had not been received at the Balance Sheet date. A further payment of £110k due towards the end of March 2023 (relating to April, May and June 2022) also remains outstanding.

This outstanding amount is shown in the Council's Balance Sheet as a long-term investment with the amounts due over the next 12 months, including arrears and unpaid interest, shown as a short-term investment.

40 LAND AT WHITBY HARBOUR

Section 3 of the Narrative Report provides an update on the objections to the Council's 2015/16 accounts and outlines that the Council are to seek a declaration from the Court as to the status of the land in contention at Whitby Harbour.

The Council will robustly defend its treatment of the income that has been received in line with its legal advice but the position is uncertain and the Court's decision could be unfavourable to the Council. Conversely the Court may determine that the Council has acted reasonably and determine that the current treatment is lawful and appropriate. Over an illustrative seven year period (ie 2015/16 to 2021/22 inclusive), which is the date from which the objection was lodged, the maximum income that the court could determine as being allocated to General Fund activities as opposed to Whitby Harbour ones would be £6.07m with the minimum being £nil.

Should the Court rule that some of the car parking income should be ring-fenced for harbour activities then the Council would need to review the funding of its capital programme activities relating to Whitby Harbour over the relevant period, which at present have been funded from General Fund monies. This capital investment has levered in substantial sums of external funding. Over the illustrative seven year period the Council's General Fund balance has directly contributed £567k to capital programme activities perceived to relate to Whitby Harbour and this has allowed total investment, including external grants, of £9.13m. The Council's contribution outlined above is purely the direct funding and does not represent officer time required to source and claim the grant funding.

In addition to this the Council has earmarked some of the capital monies from the Risk Management Reserve to undertake works on Eskside Wharf. Should the Court rule that some car parking income needs to be earmarked specifically for Whitby harbour then this funding would no longer come from the Council's Risk Management Reserve but would instead be replenished from Whitby harbour reserves.

The Council will include the outcome of the Court determination in future budget setting processes.

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

31 March 2022 Council Tax	31 March 2022 Business Rates			31 March 2023 Council Tax	31 March 2023 Business Rates
		Income			
(79,478)	-	Income from Council Tax Payers		(83,611)	-
-	(26,338)	Income from Business Rate Payers		-	(33,747)
-	(215)	Transitional Protection Payments		-	62
(39)	(21,605)	Contribution towards previous year's Collection Fund deficit	Note 4	-	(13,598)
(79,517)	**(48,158)**	**Total Income**		**(83,611)**	**(47,283)**
		Less: Expenditure			
		Precepts and Demands:			
9,207	-	Scarborough Borough Council		9,470	-
54,186	-	North Yorkshire County Council		56,778	-
10,409	-	Police & Crime Commissioner for North Yorkshire		9,887	-
2,847	-	North Yorkshire Fire & Rescue Authority		3,914	-
976	-	Parish Councils		1,081	-
-	-	Distribution of Collection Fund Surplus	Note 4	1.121	-
		Business Rates:			
-	17,682	Central Government		-	14,461
-	14,146	Scarborough Borough Council		-	11,569
-	3,183	North Yorkshire County Council		-	2,603
-	354	North Yorkshire Fire & Rescue Authority		-	289
		Impairment of debts and appeals			
406	59	Write offs of uncollectable amounts		622	298
450	1,574	Allowance for impairment		62	1,852
		Disregarded amounts			
-	11	Renewable Energy		-	11
-	275	Cost of Business Rate Collection Allowance		-	285
78,481	37,284	**Total Expenditure**		82,935	31,368
(1,036)	**(10,874)**	**Movement on Fund Balance**		**(676)**	**(15,915)**
118	23,048	Opening Fund Balance (Surplus) / Deficit		(918)	12,174
(918)	**12,174**	**Closing Fund Balance (Surplus) / Deficit**		**(1,594)**	**(3,741)**

1 ACCOUNTING POLICIES

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

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

2 INCOME FROM COUNCIL TAX

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

Council Tax Valuation Band	2021/22		2022/23	
	Chargeable Dwellings	Band 'D' Equivalent Numbers	Chargeable Dwellings	Band 'D' Equivalent Numbers
A* (up to £40,000 with disabled band reduction)	-	11	-	12
A (up to £40,000)	15,920	9,255	15,856	9,198
B (£40,001 to £52,000)	14,632	10,293	14,624	10,256
C (£52,001 to £68,000)	12,820	10,481	12,903	10,544
D (£68,001 to £88,000)	7,119	6,691	7,173	6,723
E (£88,001 to £120,000)	4,038	4,660	4,072	4,701
F (£120,001 to £160,000)	1,640	2,251	1,632	2,240
G (£160,001 to £320,000)	648	1,002	651	1,008
H (over £320,000)	51	72	52	73
	56,868	44,716	56,963	44,755
Plus:				
Contributions in Lieu		19		21
Localised Support for Council Tax Scheme		(5,593)		(5,274)
Provision for Non Collection		(741)		(809)
Council Tax Base		**38,401**		**38,693**

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

3 BUSINESS RATE INCOME

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a standard rate. The total non-domestic rateable value at 31 March 2023 was £108.340m, (31 March 2022 £107.184m). The national non-domestic and the small business non-domestic rating multiplier were 51.2p and 49.9p respectively (51.2p and 49.9p 2021/22).

4 CONTRIBUTIONS TO THE COLLECTION FUND SURPLUSES AND DEFICITS

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

DISTRIBUTION OF COUNCIL TAX SURPLUSES

In January 2020 the Council declared a £1.121m surplus on the Council Tax Collection Fund and therefore preceptors received the following amounts during 2022/23:

2021/22 £'000		2022/23 £'000
-	North Yorkshire County Council	784
-	Police and Crime Commissioner North Yorkshire	150
-	North Yorkshire Fire Authority	41
-	Scarborough Borough Council	147
-	**Total**	**1,122**

CONTRIBUTION TO COUNCIL TAX DEFICIT

In January 2020 the Council declared a £39k deficit on the Council Tax Collection Fund and therefore preceptors made payments of the following amounts to the fund during 2021/22:

2021/22 £'000		2022/23 £'000
27	North Yorkshire County Council	-
5	Police and Crime Commissioner North Yorkshire	-
2	North Yorkshire Fire Authority	-
5	Scarborough Borough Council	-
39	**Total**	**-**

CONTRIBUTION TO BUSINESS RATE DEFICIT

In January 2021 the Council declared a £13.598m deficit (2020 £21.605m) on the Business Rates Collection Fund and therefore preceptors made payments of the following amounts to the fund during 2021/22 and 2022/23:

2021/22 £'000		2022/23 £'000
1,881	North Yorkshire County Council	6,799
216	North Yorkshire Fire Authority	5,439
10,929	Central Government	1,224
8,579	Scarborough Borough Council	136
21,605	**Total**	**13,598**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCARBOROUGH BOROUGH COUNCIL

These accounts have not yet been audited.

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

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

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

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

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

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

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

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

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

Capital Adjustment Account
A reserve that reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debtors

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

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

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

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

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

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

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

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

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

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

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

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

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial instruments include: trade and other

payables; borrowings; financial guarantees; bank deposits; trade receivables; loans receivable; other receivables and advances and investments.

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

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

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

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

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

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

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

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

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

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

International Financial Reporting Standards (IFRS)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SerCOP
Service Reporting Code of Practice for Local Authorities

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

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

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

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

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

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

Surplus
The remainder after taking away all expenditure from income.

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

TUPE
Transfer of Undertakings – Protection of Employment.

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

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

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