

# North Yorkshire Council

## Audit Committee

18 March 2024

### Final Accounts and Audit Update

#### Report of the Corporate Director Resources

#### 1.0 PURPOSE OF REPORT

- 1.1 To update on the audit and publication of Statement of Final Accounts (SOFA) for legacy councils.
- 1.2 To approve the Statement of Accounts of legacy Councils following completion of the external audit.

#### 2.0 SUMMARY

- 2.1. This report provides an update on the audit, certification and publication of the outstanding final audited Statement of Accounts for legacy Councils.

#### 3.0 BACKGROUND

- 3.1. The Accounts and Audit Regulations set out the requirements and timelines for Member approval of Local Authority Accounts and one of the Terms of Reference for this Committee is to approve the Annual Statement of Accounts (SOFA).
- 3.2. The regulations set out the requirement for the Statement of Accounts (SOFA) to be certified by the Section 151 Officer (Corporate Director – Resources) and approved by Members (the Audit Committee) in advance of the certification and publication.
- 3.3. As previously agreed, the Statement of Accounts for the legacy Councils are not considered by the Corporate Governance Working Group. However, any exceptional and significant changes reflected in the Final SOFA compared with the Draft version will be reported to Members prior to sign off.

#### 4.0 STATEMENT OF ACCOUNTS UPDATED POSITION

- 4.1. Draft 2022/23 accounts are published by 31 May 2023 for the majority of the legacy councils. A summary giving a brief update on the status of the accounts for the legacy councils is shown in **Appendix A**. The latest position for each council is as follows:
  - Hambleton – 2020/21 - 2022/23 Draft accounts published and audits are outstanding; 2019/20 presented to AC (awaiting final EY Report).
  - Ryedale – 2022/23 audit completed and report on this agenda.
  - Selby – 2022/23 Draft accounts published and audit in progress.
  - North Yorkshire – 2021/22 & 2022/23 Draft accounts published and audits in progress.
  - Richmondshire – 2022/23 Draft accounts published; 2020/21 & 2021/22 Audits in progress.

- Scarborough – 2021/22 - 2022/23 Draft accounts published and audits outstanding.
- Harrogate – 2022/23 Draft accounts published and audit outstanding.
- Craven – 2021/22 and 2022/23 Draft accounts to be published March 2024

4.2 In addition to the update set out in **Appendix A**, the North Yorkshire Council external auditors, Mazars have prepared an Audit Progress Report (**Appendix B**), providing a position statement on the 2023/24 NYC audit as well as an update on the legacy District and Borough audits and the recent DLUHC consultation. An Indicative Audit Strategy Memorandum for North Yorkshire Pension Fund for 2023/24 is also included as **Appendix C**.

### **Audit and Certification of Accounts**

4.3. The following audits have now concluded (excluding work in relation to the Pension Fund assurance work) and the reports of the External Auditors are included as an item on this agenda:

- Ryedale District Council 2022/23 Accounts

4.4. The revised Ryedale 2022/23 SOFA is attached as **Appendix D**.

4.5. There have been a number of minor changes to the Final SOFA including refinements agreed with the External Auditors and internally initiated amendments.

4.6. The more significant changes reflected in the Final SOFA are highlighted in the External Auditors Reports (**Appendix E and F**) and were in relation to accrual estimates, accounting treatment for grant income and the valuation of land and buildings, as well as changes to disclosure notes.

4.7. The proposal to conclude the Final Accounts process is for this Committee to note the changes reflected in the Final SOFA compared to the Draft Version published prior to the audit and delegate authority to the Chairman and Section 151 Officer to sign the accounts on behalf of the Audit Committee conclusion of the audit on completion of the Pension Fund assurance work audit.

### **5.0 ALTERNATIVE OPTIONS CONSIDERED**

5.1 No alternative options were considered.

### **6.0 FINANCIAL IMPLICATIONS**

6.1 There are no specific financial implications.

### **7.0 LEGAL IMPLICATIONS**

7.1 There are no specific legal implications.

### **8.0 EQUALITIES IMPLICATIONS**

8.1 There are no equalities implications.

### **9.0 CLIMATE CHANGE IMPLICATIONS**

9.1 There are no climate change implications.

### **10.0 REASONS FOR RECOMMENDATIONS**

10.1 Member approval is required to sign off audited SOFAs in order to fulfil the obligations of those charged with the council's governance (i.e. the Audit Committee).

#### **11.0 RECOMMENDATIONS**

- i) That Members delegate authority to the Chairman and Section 151 Officer to approve the final Statement of Accounts for Ryedale District Council (2022/23) and authorise the Chairman to sign the Statement of Accounts and Letters of Representation (**paragraph 4.7**)

#### **APPENDICES:**

- Appendix A: Update on Legacy Council Accounts
- Appendix B: Mazars NYC Audit Progress Report 2023/24
- Appendix C: Mazars Audit Strategy Memorandum for North Yorkshire Pension Fund for 2023/24
- Appendix D: RDC Statement of Accounts 2022/23
- Appendix E: Grant Thornton RDC 2022/23 Audit Findings Report
- Appendix F: Grant Thornton RDC 2022/23 Auditors Annual Report

#### **BACKGROUND DOCUMENTS:**

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23

Gary Fielding  
Corporate Director – Resources  
County Hall  
Northallerton  
March 2024

Report Author – John Raine, Head of Technical Finance  
Presenter of Report – John Raine, Head of Technical Finance

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or ques

## Update on Legacy Council 2022/23 Accounts

Council	Audit Firm	Draft Accounts	Audit of Accounts Completed						
		22/23	22/23	21/22	20/21	19/20	18/19	17/18	16/17
Craven	Mazars	x	x	x	√	√	√	√	√
Hambleton	EY	√	x	x	x	√	√	√	√
Harrogate	Mazars	√	x	x	√	√	√	√	√
NYCC	Deloitte	√	x**	x**	√	√	√	√	√
Richmondshire	EY	√	x	x**	x**	√	√	√	√
Ryedale	GT	√	√*	√	√	√	√	√	√
Scarborough	Mazars	√	x	x	x***	x***	x***	x***	x***
Selby	Mazars	√	x**	√	√	√	√	√	√

\* Audit Completed and Final Accounts to be approved by Audit Committee

\*\* Audit in Progress

\*\*\* Audit complete subject to decision in relation to harbour accounts

# Audit Progress Report: March 2024

North Yorkshire Council



1. Status of audits for the year ending 31 March 2023 and earlier
2. Summary of DLHUC & NAO consultations on backstop arrangements
3. Planning for auditing the year ending 31 March 2024

# 1. Status of audits for the year ending 31 March 2023 and earlier

Mazars LLP was the appointed auditor for Selby District Council, Scarborough Borough Council, Craven District Council and Harrogate District Council

Completion of the outstanding prior year audits is a significant challenge for officers who have subsequently taken on new roles in North Yorkshire Council. We will continue to work with officers and it is important to note that, while we aim to avoid disruption, significant delays in responses can create significant inefficiencies in delivering our audit procedures.

## Selby District Council

Our audit work is ongoing. We have several queries with officers and are awaiting responses. There are no matters to report at this stage.

## Harrogate District Council

We have several significant queries outstanding on the 2021/22 audit. These queries have been outstanding for several months and, given their significance, need resolution before we could commence audit work on the 2022/23 accounts. .

## Craven District Council

At time of drafting this report the 2021/22 and 2022/23 accounts have not been published. Consequently we have not commenced our audit work on either year.

## Scarborough Borough Council

- **Whitby Harbour** - Our work in relation to each objection on this matter has concluded and we issued statements of reasons explaining our conclusions. The Council has now filed a claim in the Court in response to our statutory recommendation. When the Court issues its declaration, the impact on the accounts for 2015/16 onwards can be assessed.
- **Minimum Revenue Provision (MRP), North Bay Railway and the ferris wheel on the Futurist site (2020/21)** - We concluded our work and issued our statement of reasons on the MRP objection in November 2022 . We concluded our work on the North Bay Railway and ferris wheel contract in March 2023, issuing a statement of reasons to the objector and making recommendations to the Council which were reported to the meeting of the Council's Audit Committee in March 2023. The additional fee for this work is £14,329 and is subject to agreement by the PSAA.
- **Yorkshire Coast Business Improvement District (2021/22)** - We received an objection in relation to the operating agreement and our work is finalised. We issued a statement of reasons in September 2023. The fee of £9,162 is subject to PSAA approval.
- **Scarborough Harbour (2021/22)** - We accepted an objection in relation to the application of income from the harbour undertaking. We have not yet completed our work.

## 2. Summary of DLHUC and NAO consultation on backstop arrangements

After over 6 months of discussions with the sector and local auditors, on 7 February, the government and the NAO released a 4 week consultation on their proposals to address the national backlog. The plans are to reset, recover and reform the system. Some of the proposals impact directly on the Council and the former district councils in North Yorkshire.

### DLHUC proposals

- To clear the backlog of historical accounts and ‘reset’ the system, proposes putting a date in law (the “backstop date”) – 30 September 2024 – by which point local councils would publish audited accounts for all outstanding years up to and including 2022/23.
- Local auditors will issue a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before the backstop date.
- To ‘recover’ the system, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the 5-year audit appointments for financial years 2023/24 to 2027/28:
  - Year ended 31 March 2024: 31 May 2025
  - Year ended 31 March 2025: 31 March 2026
  - Year ended 31 March 2026: 31 January 2027
  - Year ended 31 March 2027: 30 November 2027
  - Year ended 31 March 2028: 30 November 2028
- CIPFA will consult on temporary changes to the Code of Practice on Local Authority Accounting which include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years.

### NAO proposals

- Changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published.
- Reduced scope for VFM arrangements review for all outstanding years up to and including 2022/23.
- Allow local auditors to provide a single commentary on VFM arrangements for local bodies for all outstanding years up to and including 2022/23.
- Set a requirement that from 2023/24 the Auditors’ Annual Report will be issued in draft to those charged with governance by 30 November each year, irrespective of the position on the audit, to enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way.

We will discuss the outcome of the consultations with the finance team once they are published and report to the next Audit Committee meeting.

## 3. Planning for auditing the year ending 31 March 2024

The Council have indicated that they will publish their draft accounts for 2023/24 by the end of May. We issued our draft audit plan in November 2023 which was on the agenda of the December 2023 audit committee. At this stage there are no matters we need to raise with members.

### Council audit 2023/24

We plan to complete our initial audit work in March 2023 and have provided a list of information needed to support the planning stage of the audit.

We have meetings planned to discuss the IT general controls, asset valuations and mapping how transactions enter the ledger system and financial statements.

Timescales are yet to be agreed but we expect to complete our work on the main audit in September 2024.

### Pension fund audit 2023/24

The Audit Strategy Memorandum for the Pension Fund is on the agenda of this meeting.

Mark Kirkham

Partner

**Mazars**

Leeds

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# Draft Audit Strategy Memorandum North Yorkshire Pension Fund

Year ending 31 March 2024



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Appendix A – Key communication points

Appendix B – Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

This document is to be regarded as confidential to North Yorkshire Pension Fund. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.



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March 2024

Dear Audit Committee Members

## Indicative Audit Strategy Memorandum – Year ending 31 March 2024

We are pleased to present our draft Audit Strategy Memorandum for the NorthYorkshire Pension Fund for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 6 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing NorthYorkshire Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains appendices that outline our key communications with you during the course of the audit and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07747 764529.

Yours faithfully

Mark Kirkham

Mazars LLP

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# 01

Section 01:

**Engagement and  
responsibilities summary**

# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of North Yorkshire Pension Fund (the Pension Fund) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

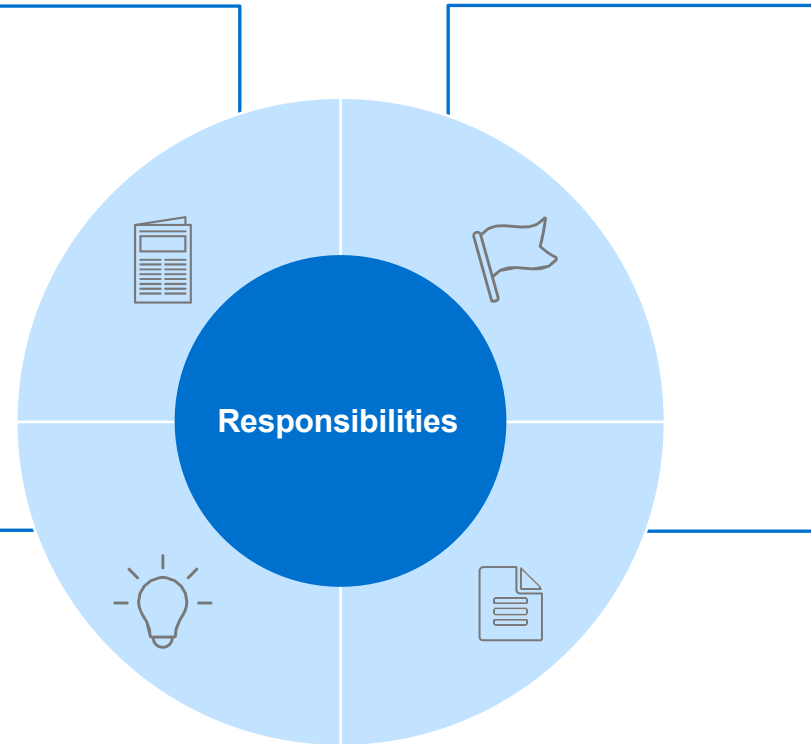
### Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or Governance and Audit Committee, as Those Charged With Governance, of their responsibilities.

The Director of Finance and IT is responsible for the assessment of whether it is appropriate for the Pension Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director of Finance and IT's use of the going concern basis of accounting in the preparation of the financial statements.

### Consistency Statement

We are responsible for forming and expressing an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of North Yorkshire Council.



### Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of Those Charged With Governance, including key management include Internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

### Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.



# 02

Section 02:

**Your audit engagement team**

# 2. Your audit engagement team

Below is your audit engagement team and their contact details.

Who	Role	E-mail
Mark Kirkham	Engagement Lead	<a href="mailto:Mark.Kirkham@mazars.co.uk">Mark Kirkham@mazars.co.uk</a>
Chipo-Grace Tete	Engagement Manager	<a href="mailto:Chipo-Grace.Tete@mazars.co.uk">Chipo-Grace Tete@mazars.co.uk</a>
Jonty Waktins-Rees	Engagement Team Leader	<a href="mailto:Jonty.Watkins-Rees@mazars.co.uk">Jonty.Watkins-Rees@mazars.co.uk</a>



# 03

Section 03:

**Audit scope, approach and timeline**

# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



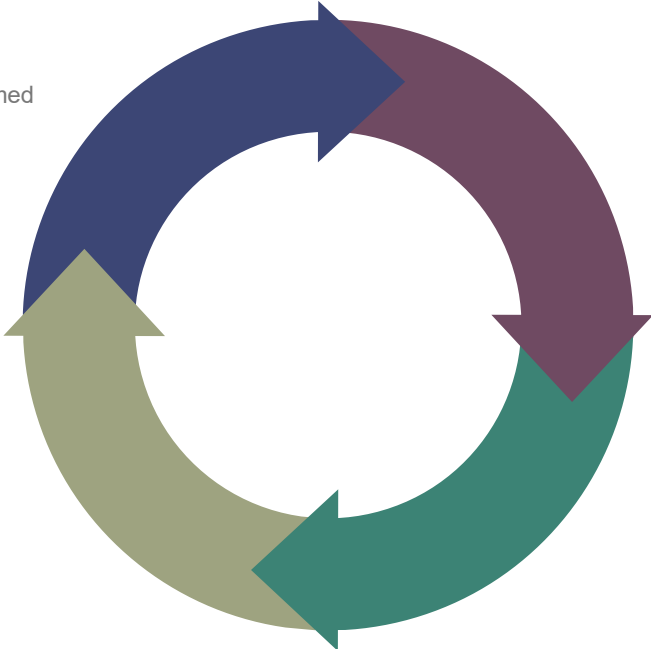
# 3. Audit scope, approach and timeline

## Planning and Risk Assessment March to April

- Planning visit and developing our understanding of the Pension Fund
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

## Interim May-June

- Documenting systems and controls
- Performing walkthroughs
- Reassessment of audit plan and revision if necessary



## Completion August to September

- Final review and disclosure checklist of financial statements
- Final partner and EQR review
- Agreeing content of letter of representation
- Reporting to the Governance and Audit Committee
- Reviewing subsequent events
- Signing the independent auditor's reports

## Fieldwork July to August

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting



# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

## Management’s and our experts

Management makes use of experts in specific areas when preparing the Pension Fund’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits.	Aon Hewitt	NAO consulting actuary PWC
Valuation of investments within level 3 of the fair value hierarchy and related disclosures	Investment managers engaged by the Fund that prepare valuations	At this stage we do not intend to engage our own expert. Should this change we will report this to Committee in our Audit Completion Report.

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
Investment valuations and Income along with all related disclosures.	Custodians and fund managers	We will seek an appropriate Type 1 and Type 2 report in respect of the operation of systems by the services organisation to give us assurance over the operation of key controls . We will consider the findings of this review and the impact on the overall control environment.



# 04

Section 04:

**Significant risks and other key  
judgement areas**

# 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

### Significant risk

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls.

### Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

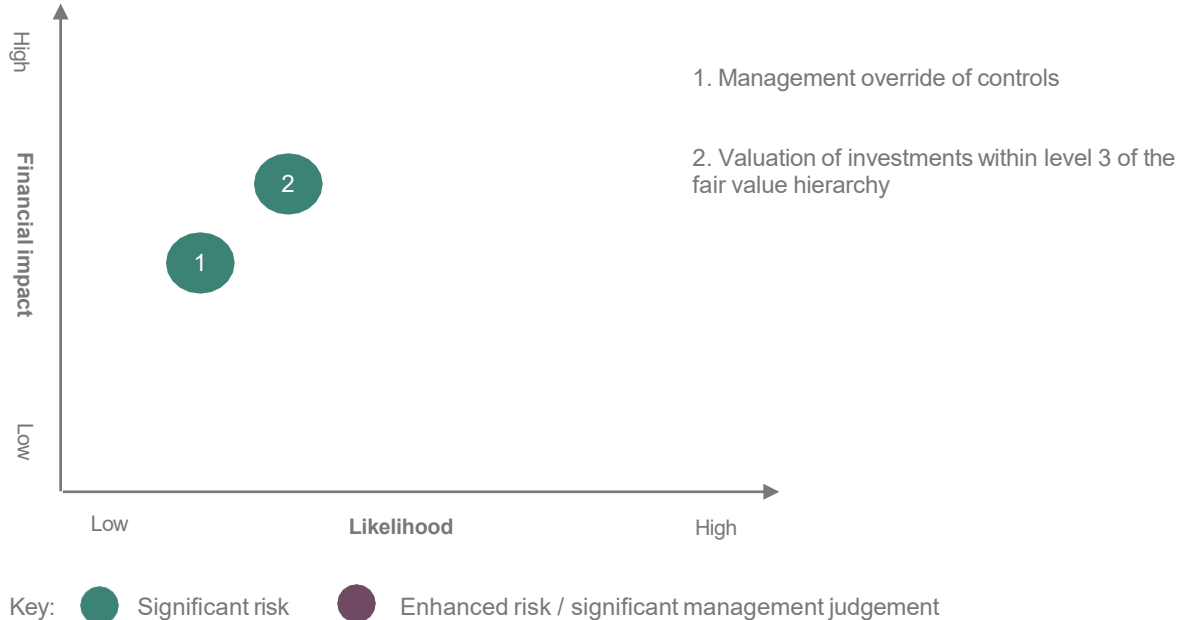
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

### Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

### Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Pension Fund. We have summarised our audit response to these risks on the next page.



# 4. Significant risks and other key judgement areas

## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Governance and Audit Committee.

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We will address the risk by performing audit procedures, covering a range of areas including (but not limited to):</p> <ul style="list-style-type: none"> <li>• accounting estimates included in the financial statements for evidence of management bias;</li> <li>• any significant transactions outside the normal course of business; and</li> <li>• journals and other adjustments recorded in the general ledger in preparing the financial statements.</li> </ul>



# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Valuation of investments within level 3 of the fair value hierarchy</b></p> <p>As at 31 March 2023 the fair value of investments classified within level 3 of the fair value hierarchy was £393.7m, which accounted for 9% of net investment assets. The values included in the accounts are those provided by investment managers updated by the Pension Fund for cash movements, where the most recently available information from fund managers is at a date prior to the year end.</p> <p>Level 3 assets are those assets where values are based on unobservable inputs, and consequently the estimation uncertainty for these assets is more significant than for assets valued at level 1 and 2.</p>	○	●	●	<p>We plan to address this risk by completing the following procedures:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of the skills, experience and qualifications of any external valuers used by the Pension Fund;</li> <li>obtaining an understanding of the basis of valuation applied in the year, and reviewing the valuation methodologies;</li> <li>agreeing a sample of valuations to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;</li> <li>reviewing management’s reconciliation of fund manager reports to the custodian’s report; and</li> <li>agreeing a sample of valuations to audited accounts or other independent supporting documentation, and considering the impact of any modified audit reports on those audited accounts;</li> </ul>



# 05

Section 05:

**Fees for audit and other services**

# 5. Fees for audit and other services

## Fees for work as the Pension Fund’s appointed auditor

Area of work	2023/24 Proposed Fee
<b>Code Audit Work</b>	
PSAA Scale fee	£47,012
Fee variation in respect of additional work required to comply with ISA540	TBC
<b>Audit related fees</b>	
Audit work carried out for employer body <sup>1</sup>	TBC

## Fees for non-PSAA work

We have not been separately engaged by the Pension Fund to carry out additional work.

<sup>1</sup> During the year we will respond to request from employer body auditors to undertake a programme of work in respect of data held by the Fund, which is used by the actuary to calculate pension assets and liabilities for individual employer.



# 06

Section 06:

**Our commitment to independence**

# 6. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham in the first instance.

Prior to the provision of any non-audit services Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



# 07

Section 07:

**Materiality and misstatements**

# 7. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Initial threshold £m
Overall materiality	42.2
Performance materiality	29.6
Specific materiality for the Fund account:	
Fund Account – overall materiality	14.6
Fund Account – performance materiality	10.2
Trivial threshold for errors to be reported to the Governance and Audit Committee	1.3

## Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of net assets of the scheme available to pay benefits. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to Governance and Audit Committee.

We consider that the net assets of the scheme available to pay benefits remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



# 7. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 1% of net assets of the scheme available to pay benefits. Based on the net asset value as at 31 March 2023 reported in the financial statements

Our provisional specific materiality for the fund account is set based on a benchmark of benefits payable. We expect to set a materiality threshold at 10% of benefits payable. Based on the value of benefits payable disclosed in the financial statements for 2022/23, we anticipate the fund account specific materiality to be £11.6m

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, but reflecting the fact that this is a first-year audit for us, meaning that we have applied 70% of overall materiality as performance materiality.

## Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to Governance and Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £1.3m based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Kirkham.

## Reporting to Audit Committee

The following three types of audit differences above the trivial threshold will be presented to Governance and Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





# Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

# Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.
- Our commitment to independence.

- Responsibilities for preventing and detecting errors.
- Materiality and misstatements.
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Significant difficulties, if any, encountered during the audit.
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.

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# Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged With Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> <li>• uncorrected misstatements and their effect on our audit opinion;</li> <li>• the effect of uncorrected misstatements related to prior periods;</li> <li>• a request that any uncorrected misstatement is corrected; and</li> <li>• in writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> <li>• enquiries of Governance and Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• a discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at Governance and Audit Committee Audit planning and clearance meetings



# Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• non-disclosure by management;</li> <li>• inappropriate authorisation and approval of transactions;</li> <li>• disagreement over disclosures;</li> <li>• non-compliance with laws and regulations; and</li> <li>• difficulty in identifying the party that ultimately controls the entity.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> <li>• our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Governance and Audit Committee in the context of fulfilling their responsibilities.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



# Appendix A: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Governance and Audit Committee may be aware of.</p>	<p>Audit Completion Report and Governance and Audit Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• whether the events or conditions constitute a material uncertainty;</li> <li>• whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• the adequacy of related disclosures in the financial statements.</li> </ul>	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>



# Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

## Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Pension Fund's 2023/24 audit.

The most significant aspects relevant to the Pension Fund's audit are outlined below.

### Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on inherent risk factors which include:

- subjectivity;
- complexity;
- uncertainty and change; and
- susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

### Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain an understanding of the IT environment, including IT General Controls (ITGCs).

### Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.

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Materiality and misstatements

Appendices

# Mark Kirkham – Partner and Engagement Lead

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

\*where permitted under applicable country laws.

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# Statement of accounts 2022/23



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# Narrative report

## 1. Introduction

The Narrative Report provides an explanation of the purpose of the primary and supplementary statements, along with key financial information, creating a link between internal financial reporting and the statutory accounts. It also provides information on the Authority, its main objectives and strategies and the principal risks that it faces. This includes commentary on how the Authority has used its resources to achieve its desired outcomes in line with its objectives and strategies.

## 2. Explanation of the Financial Statements

The Council's accounts for the year ended 31 March 2023 are set out on pages 15 to 92. They have been compiled using the *Code of Practice on Local Authority Accounting in the UK 2022/23* (the Code). A summary of the statements in the accounts and an explanation of their purpose is highlighted below:

- the ***Statement of Responsibilities for the Accounts*** - sets out the respective responsibilities of the Authority and the Chief Financial Officer
- the ***Movement in Reserves Statement*** - this 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' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. This 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 Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.
- the ***Comprehensive Income and Expenditure Statement*** - this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. 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 Cost of Services on the face of the Comprehensive Income and Expenditure Statement is analysed on the basis of the organisational structure under which the Authority operates and manages its services.

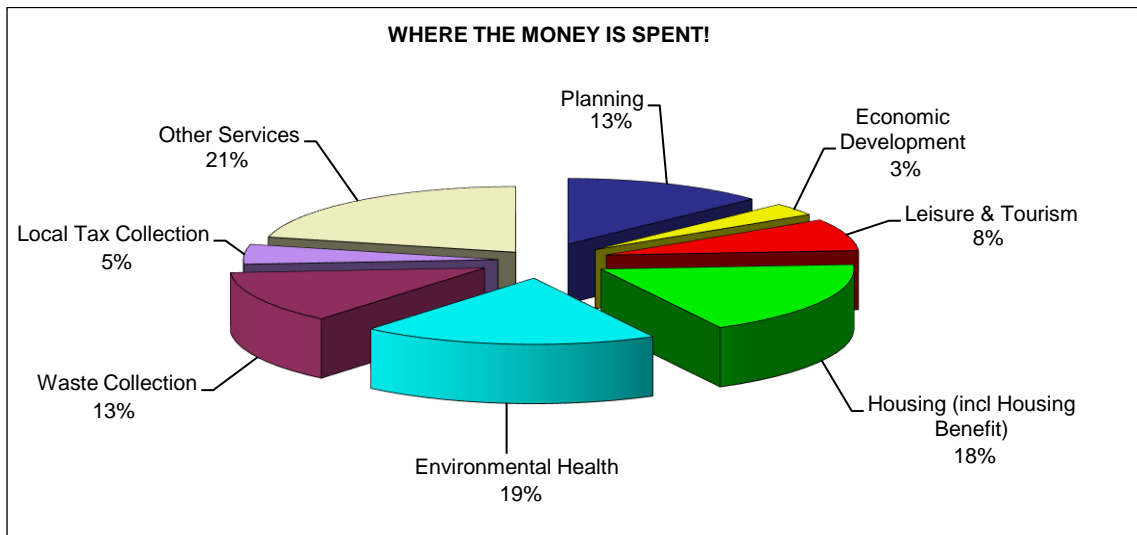
- the **Balance Sheet** - the Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are useable reserves, i.e. those 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 expenditure or repay debt). The second category of reserves is 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 the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- the **Cash Flow Statement** - which 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 (i.e. borrowing) to the Authority.
- the **Expenditure & Funding Analysis** - the objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers how the funding available to the Authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- The **Notes to the Core Financial Statements** – these provide further details and explanation of the figures included in the core financial statements.

**Supplementary statements:**

- the **Collection Fund Statement** - 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.
- the **Annual Governance Statement** - which sets out the internal control framework operated by the Authority and explains how an effective system of internal financial control is maintained.

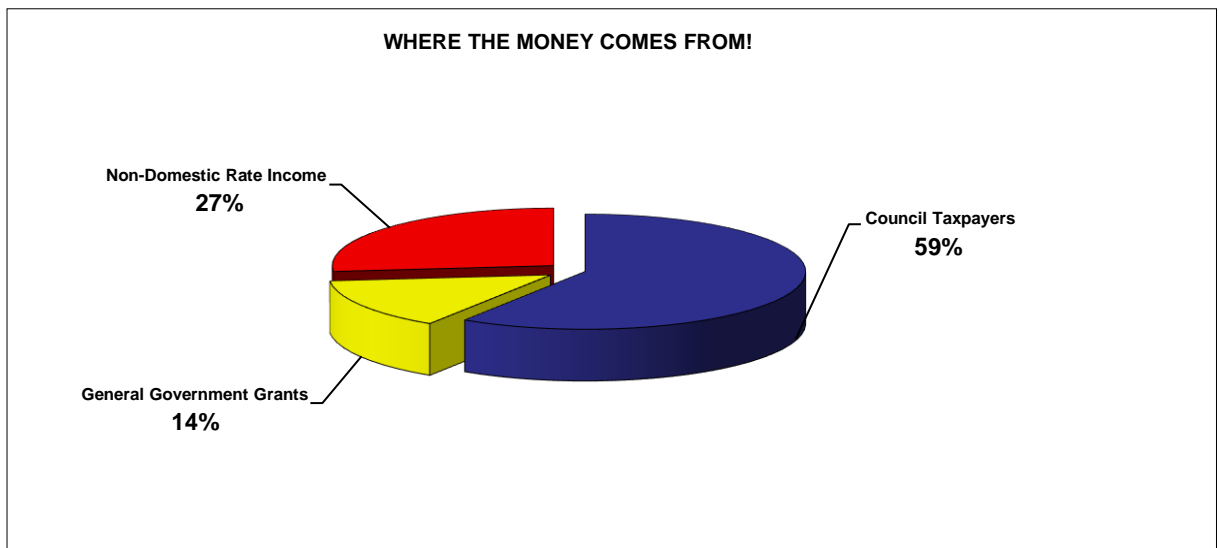
**3. General Fund Revenue Expenditure in 2022/23**

The net cost of the Authority's revenue activities was £14.659m, this being spent on services as summarised in the chart below:



A more detailed analysis of the Net Cost of Services is shown on pages 117 and 118 of this document.

After adjusting for the payment of parish precepts of £1.135m, the receipt of investment income (£0.414m) and the net credit from appropriations (£5.770m) the amount met from Taxation and Non-Specific Grant Income was £9.610m, which is funded as follows:



The above chart shows that, of the funding to meet the Authority's net revenue expenditure, around 59% (£5.683m) was provided by the Council Taxpayers, an additional 27% (£2.560m) from the Authority's share of Non-Domestic Rates from the Business Rates Retention Scheme, some 14% (£1.367m) from non-ringfenced general government grants such as the New Homes Bonus Scheme.

#### 4. Revenue Budget Compared to Actual Income and Expenditure

The main components of the revenue budget for 2022/23 and how these compared with the actual expenditure are set out below:

	Budget £000	Actual £000	Difference £000
<b>Net Cost of Services</b>	<b>10,892</b>	<b>14,659</b>	<b>3,767</b>
<b>Other Operating Expenditure:</b>			
Precepts paid to Parish Councils	1,135	1,135	-
Capital Receipts unattached to non-current assets	-	-	-
(Gains) / Losses on disposal of non-current assets	-	5	5
	<b>1,135</b>	<b>1,140</b>	<b>5</b>
<b>Financing and Investment Income &amp; Expenditure</b>			
Interest Payable	70	72	2
Pensions interest cost & expected return on pension assets	320	268	(52)
Income from Investments	(80)	(414)	(334)
Impairment Losses on Financial Instruments	31	66	35
Income and expenditure in relation to investment properties	31	55	24
	<b>372</b>	<b>47</b>	<b>(325)</b>
<b>Taxation &amp; Non Specific Grant Income</b>			
Council Precept	(5,705)	(5,705)	-
Collection Fund Surplus	(41)	22	63
Retained Business Rates	(2,318)	(2,560)	(242)
Other General Government Grants	(1,324)	(1,367)	(43)
	<b>(9,388)</b>	<b>(9,610)</b>	<b>(222)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>3,011</b>	<b>6,236</b>	<b>3,225</b>
(Surplus) / Deficit on revaluation of property, plant & equipment assets	-	173	173
(Surplus) / Deficit on revaluation of available for sale financial assets	-	-	-
Actuarial (gains) / losses on Pensions assets / liabilities	-	(10,941)	(10,941)
<b>Total Comprehensive Income and Expenditure</b>	<b>3,011</b>	<b>(4,532)</b>	<b>(7,543)</b>
Adjustments between accounting basis and funding basis under regulations - transfers to (+) or from (-) unusable reserves	3,498	7,747	4,249
Contributions to (+) or from (-) earmarked reserves	(6,509)	(3,215)	3,294
<b>Increase/Decrease in General Fund Balance for Year</b>	<b>-</b>	<b>-</b>	<b>-</b>

In overall terms, after taking account of carry forward budgets, the Council achieved a surplus of £111k for the financial year when comparing budgeted (planned) expenditure with actual expenditure. The surplus for the year has been allocated to the Strategic Reserve and is included in 'Contributions to (+) or from (-) earmarked reserves in the table above, to balance the revenue account to zero with no transfer to General Fund Balance.

Supplementary information regarding the actual Net Cost of Services is shown at the end of this document on pages 117 and 118.

There are no material assets acquired or liabilities incurred that warrant specific disclosure and explanation.

## **5. Reserves**

The balance of General Fund Earmarked Reserves during 2022/23 has decreased by £3.215m from £17.311m to £14.096m at 31 March 2023.

During the year, the following major transfers between reserves included:

- Major drawings from reserves included £2.186m from Strategic Reserve, along with £0.237m from Collection Fund Reserve to support the revenue budget. £0.220m was drawn from the Collection Fund Equalisation Reserve in relation to collection fund surplus/deficits released between years. A total of £1.797m was drawn from various reserves to support the capital programme funding, including £1.371m from Capital Reserve, £0.262 from New Homes Bonus Reserve.
- Major contributions to reserves and balances included the transfer of £0.242m into the Collection Fund Reserve to mitigate against the funding risk in relation to Business Rates and £0.373m into the Pensions Reserve to offset the effect of future pension contributions. A net transfer to Carry Forward Reserve of £0.218m was made to fund revenue project slippage into 2023/24, and £0.301m to Strategic Reserve for unspent LGR contingency (£0.19m) and allocation of the year end surplus (£111k).

For further details regarding the purpose and balances of the Authority's reserves see Note 10 to the Accounts.

## **6. Pension Liability**

The Authority participates in the Local Government Pension Scheme, administered by North Yorkshire County Council. The Pension Liability shown in the Balance Sheet decreased from £8.802m as at 31 March 2022 to £0.233m as at 31 March 2023. This decrease of £8.569m is matched by a decrease in the level of the Pension Reserve and does not represent a decrease in the Authority's cash reserves or impact on the council tax.

## **7. Capital Expenditure**

The original capital budget for the financial year 2022/23 totalled £1.753m. The initial plans were revised to incorporate expenditure re-profiled from the previous year of £7.564m, with an additional supplementary estimate of £0.821m. This resulted in a revised total budget of £10.138m.

The total final outturn position against the capital programme was £3.360m, of which the major items relate to £1.105m Provision of Affordable Housing, £0.677m Disabled Facilities Grants, £0.316 Flood Grant Scheme and £0.160m Projects in Ryedale’s rural communities.

The total value of projects re-profiled to progress in the next financial year amount to £6.572m of which the major items relate to, Property Condition Survey (£0.781m), industrial units - new development (£2.260m) Malton and Norton infrastructure (£0.184m), Vehicle replacement programme (£0.979m), Community led housing fund (£0.289m), affordable housing programmes (£1.415m)

Of the £3.360m capital expenditure incurred some, £0.323m was funded from Capital Receipts, with a further £0.460m being financed by section 106 receipts, £0.902 Capital Grants, and the reserve drawdown of £1.633m consists of £1.371m from Capital Fund reserve and £0.262 from New Homes Bonus reserve, and £0.042m Internal Borrowing.

The table below summarises the approved resources allocated for the 2023/24 Capital Programme and the indicative programme to 2024/25. This level of resources ensure that overall planned spending and funding are in balance.*	2023/24 £000	2024/25 £000	2025/26 £000
<i>No revenue consequences</i>			
Grants and Contributions	4,020	496	-
Council Resources	5,419	200	-
<b>Total</b>	<b>9,439</b>	<b>696</b>	<b>-</b>
<i>With revenue consequences</i>			
Prudential Borrowing	752	40	-
<b>Total</b>	<b>1,022</b>	<b>40</b>	<b>-</b>
<b>Total</b>	<b>10,191</b>	<b>736</b>	<b>-</b>

\*Capital budgets agreed under general consent as part of the Local Government reorganisation process were included in the 2023/24 budget for North Yorkshire Council, this included estimated slippage of £6.572m. For projects without firm commitments in place, these may be subject to review by the continuing Authority. The future capital programme, beyond those with prior approval will be developed to take account of the priorities of the continuing Authority as a whole, with combined resources.

## 8. Changes in Accounting Policy

There have been no significant changes in Accounting Policy for the 2022/23 Accounts.

## 9. Sustainability

Sustainable Procurement is a process where organisations procure their need for goods and services in a way that not only achieves value for money based on whole life costs but that also creates benefits, not only to the organisation, but also which takes into account the wider outcomes whether these are social, economic or environmental impacts that these purchases have on people and communities. This generally means improving the efficiency of public procurement, by optimising public market power to bring about major environmental and social benefits locally and globally.

Ryedale District Council is addressing this through:

- Embedding effective sustainability procurement practice within our procurement process, ensuring our procurement activity is outcome focussed with well-defined deliverables that cover environmental, social and economic issues.
- Raising awareness within the authority
- Embedding of the considerations contained within the Public Services (Social Value) Act 2012

“The Public Services (Social Value) Act 2012 places a statutory duty on authorities to consider in their procurement and commissioning processes:

- a) how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and
- b) how, in conducting the process of procurement, it might act with a view to securing that improvement”

Ryedale District Council is committed to ensuring any secured improvement is sustained. Therefore our procurement processes seek not only to maximise Value for Money in terms of taxpayer spending and outcomes for customers, but where possible, also seek to:

- Benefit local people and organisations, including developing the third sector and SMEs in our district
- Encourage innovative approaches to social, environmental and economic issues in our district
- Deliver sustainable solutions, benefiting our communities beyond the length of a contract

Ryedale District Council declared a Climate Emergency on 10 October 2019 and made a commitment to actions to help achieve net zero emissions across Ryedale by 2050. We are doing this by delivering the Climate Change Action Plan. There are four key streams of work:

1. Building and assets: Annual assessment of the Council’s carbon dioxide emissions (scope 1-3), public building decarbonisation, LED street lighting
2. Transport and vehicles: Installation of electric vehicle charge points across Ryedale, electrification of the Council’s fleet and staff travel, local cycling and walking infrastructure projects, public transport improvements
3. Council operations: Home energy efficient measures (BEIS LAD2, LAD3 & HUG1), promotion and implementation of Ryedale Plan sustainability policies in all new development opportunities
4. Council leadership: Installation of electric vehicle charge points in rural locations, eco-tourism, circular economy projects, geothermal energy, active travel behaviour change.

Recycling performance has remained constant year on year achieving an estimated 45.1% in 2022/23 compared to 46% in 2021/22. There has been a 1.3% increase in the garden waste collection service with 12,861 licences sold in 2022/23 compared to 12,692 licences sold in 2021/22, giving a participation rate of 48.4%. During 2022/23 recycling bags were replaced with boxes with lids increasing capacity, reducing rejection of materials due to moisture content. The new boxes were implemented with a recycling awareness campaign and a reminder of what can be recycled at the kerbside. Also during 2022/23 household waste and recycling collection rounds have been optimised resulting in more efficient resource management across waste service operations undertaking less mileage with reduced numbers of vehicles, achieving an improved carbon footprint.

## **10. Ryedale's Financial Strategy for 2022-27**

In preparing the Financial Strategy for 2022/23 to 2026/27, the aim was to align to the objectives set out in the Council Plan, but also ensure that due to Local Government Reorganisation, the final budget for Ryedale District Council meant the financial affairs could be handed over to the new organisation in the best state it could be. The Strategy and detailed budget was approved at Council on 17 February 2022 and it set the framework to enable the Council to determine an appropriate course of action to address the significant financial challenges.

After consultation, the Government announced in July 2021 their decision that the current county, district and borough councils were to be replaced by a new single council for North Yorkshire in April 2023. Considerable work and resources were dedicated to ensuring that the new single council was safe and legal by vesting day on 1 April 2023. It was anticipated there would be additional pressure on resources to deliver in the final year of Ryedale District Council, along with costs associated with resourcing this additional work and £500k was set aside for this in 2022/23. In the reporting period prior to vesting day, the accounts for Ryedale District Council have been constructed on a 'going concern' basis - with any services, assets and liabilities transferring to the successor authority.

Future planning and budgeting from 2023/24 onwards is for the new council and North Yorkshire Council produced its first budget, approved at its Council meeting on 22 February 2023. This budget is essentially a consolidated position of the 8 legacy authorities, including known pressures and savings already included in respective Medium Term Financial plans, along with any additional expected pressures arising in year. This ensured there was a clear picture of the financial challenges faced by the new authority as a whole and to enable meaningful financial planning to start taking shape.

As with previous years, the major influences on the budget going forward into 2023/24 and beyond are the anticipated reductions in Government support, including the outcome of the Fair Funding Review, which has been linked to a likely Business Rates baseline reset and the continued financial impact of the changes announced to the New Homes Bonus. In addition, record levels of inflation have created additional cost pressures, particularly around pay budgets, utilities and fleet fuel, this however has been mitigated by improved investment income as a result of interest rate increases.

## **11. The Impact of Covid-19 Pandemic on the Council**

2022/23 saw the Council returning to a near business as usual state in relation to on-going Covid-19 support measures and adapted working arrangements. Budgets returned to pre-Covid levels, with the exception of 2 small budgets to support health and safety measures for Streetscene staff, along with depressed investment income levels following the crash base rate reductions at the start of the pandemic. Throughout the year, base rate increases started to improve, resulting in a surplus against the investment income budget.

Risks continue to be monitored to ensure the Council is able to react quickly to any issues arising going forward.

## **12. Performance Monitoring Highlights 2022/23**

The quarterly performance report provides an overview of how successful the authority has been in delivering its key performance indicators, and progress towards key activities highlighted to deliver the Council Plan.

At the end on financial year 2022/23, the Council reported 83.33% of KPI's in target, with 8.33% below target within acceptable range, and 8.33% below target, outside acceptable range. Below are some key highlights from the report:

### **Communities: Strong, Inclusive and Attractive**

There are several indicators linked to timely processing of new claims and change events relating to revenues and benefits processes. Overall the performance was positive for the year, with a number of areas exceeding target. In addition, the number of cases with successful outcomes for Housing services homeless prevention work demonstrates a positive outcome for customers who were facing homelessness.

### **Economy: Harnessing Ryedale's Unique Economy to Deliver Growth, Homes and Jobs**

#### Climate Change

Throughout the year a significant and wide-reaching consultation exercise has been undertaken to establish the potential for geothermal heat extraction across the district. RDC secured £80,000 of funding from the Heat Network Distribution Unit and working with Third Energy has been exploring the potential for a number of well sites across the district to provide renewable energy solutions.

Significant preparation and planning has also been undertaken across a number of projects which will commence in the 2023/24 financial year. These initiatives include delivering on projects such as the Net Zero Fund award to install solar panels RDC owned industrial units which will contribute to lowering running costs.

#### Business Support

Throughout the year RDC has been active in hosting job fairs in partnership with the Job Centre Plus. These events have provided a useful link between local employers and prospective employees. Malton, Kirkbymoorside and Pickering have all benefitted from events and given the value and benefit they have delivered a further programme of job fairs is scheduled for the Autumn.

## Tourism, Culture and Leisure

Work has continued over the year to develop the district into a cycling friendly destination, starting with the opening of the Malton to Pickering cycle path. Additional work with the Pickering Community Interest Company to develop Pickering as a cycling destination has been undertaken and further plans to improve facilities and marketing to cyclists will be done throughout the 2023/24 financial year.

There have been several successful cultural projects over the year most notably a successful curriculum engagement project called 'Out of the Box' which has seen museums and local collections linking in with education providers to share artefacts and engage with pupils in on online around the local heritage and culture of the district. These sessions have not only proven to be well attended and valuable learning tools for pupils but also attracted press and journal interest with organisers also invited to speak at national conferences. In terms of the future of the project there is some interest in rolling it out across the wider North Yorkshire region.

Other projects in this area include the ongoing development and support for a sector specific creative workspace and the development of a local culture network and small grants and commissions; whilst wider engagement has successfully been achieved through linking with the University of York to facilitate placements for students within local culture and heritage organisations.

## Place

Improving the facilities across the district has been an area of significant focus over the last year; in particular two major projects have commenced focussing on improving access for people. The first is the delivery of £90,000 worth of improvements to disabled facilities through the Changing Places fund which will create three enhanced public toilet facilities for disabled customers. Two sites are currently in development (Malton and Pickering) with a third to be delivered by the end of 2023/24. The second major scheme is the improvements to the ten RDC owned car parks. Work has begun on a c.£150k improvement plan to improve navigation, remove unsightly vegetation and initiate more effective layouts. Work will again be concluded by the end of the 2023/24 financial year.

## **Environment: A Sustainable, Safe and Clean Space**

Whilst the indicator link to anti-social behaviour cases has shown an increase in activity, in the past few months the 'Operation Community' initiative has helped residents feel reassured that NYC, alongside partners, are doing their best to address the rise in anti-social behaviour. The increase in anti-social behaviour is not just a trend in Ryedale but has increased over the past year in areas across the country. The Community Team will continue working with the NY Police Safer Neighbourhood Team to prioritise community safety in the Ryedale area.

Indicators linked to % of household waste being sent for re-use, recycling and composting fell slightly below target, although this is linked to the amount of material available as a result of long, dry summers. That said, the % of Household waste being recycled has exceeded target for the year.

## **Equalities Updates**

The Equalities Action Plan across Q4 focussed primarily on preparing staff for the journey to the new council and included sessions looking specifically at training, development, attitude and behaviours.

Monthly talks on well-being and professional development were well-attended on the day, with an average of 30 staff per session. In addition to the wellbeing speakers, workshops were organised and delivered by the national careers service to help staff update their CV, apply for jobs (in the new council or elsewhere) and practise interview techniques. NYCC's learning and development team delivered a workshop on opportunities within the new council and how to identify transferrable skills.

Staff also got to vote on awards such as the most helpful team member, the 'above and beyond' award and the most positive member of staff. Awards and certificates were handed out to the winners at the afternoon tea event. Certificates were also produced for staff members who had worked at RDC for 15 years or more by 31 March 2023.

## **13. Further Information**

Further information about the accounts is available from Finance, Ryedale House, Malton. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Authority's website.

# Statement of responsibilities

## **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 responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer (s151);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statements of Accounts

## **The Chief Finance Officer (s151)'s Responsibilities**

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- 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.

### **Certification of the Accounts**

I certify that the Statement of Accounts presents a true and fair view of the financial position of Ryedale District Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Signed:		Dated:	18 March 2024
Gary Fielding CPFA Corporate Director of Resources (s151)			

### **Certification of the Audit Committee**

I confirm that this Statement of Accounts were approved by the Audit Committee on 18 March 2024 following completion of the External Audit.

Signed:		Dated:	18 March 2024
Chair of the Audit Committee (To be signed at the 18 March 2024 Audit Committee)			

## Movement in Reserves Statement for the year ended 31 March 2023

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'Usable Reserves' (Note 26) and other 'Unusable Reserves' (Note 27).

The Movement in Reserves Statement shows how the movements in year of the Council'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. (Further analysed in Note 9).

The net increase / decrease line shows the statutory General Fund balance movement in the year following those adjustments.

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance as at 31 March 2021</b>	<b>19,243</b>	<b>427</b>	<b>349</b>	<b>20,019</b>	<b>1,991</b>	<b>22,010</b>
<b><u>Movement in reserves during 2021/22</u></b>						
Total Comprehensive Income and Expenditure	(2,434)	-	-	(2,434)	6,518	4,084
Adjustments between accounting basis & funding basis under regulations (Note 9)	502	31	195	728	(728)	-
<b>Increase / Decrease in 2021/22</b>	<b>(1,932)</b>	<b>31</b>	<b>195</b>	<b>(1,706)</b>	<b>5,790</b>	<b>4,084</b>
<b>Balance as at 31 March 2022</b>	<b>17,311</b>	<b>458</b>	<b>544</b>	<b>18,313</b>	<b>7,781</b>	<b>26,094</b>
<b><u>Movement in reserves during 2022/23</u></b>						
Total Comprehensive Income and Expenditure	(6,236)	-	-	(6,236)	10,768	4,532
Adjustments between accounting basis & funding basis under regulations (Note 9)	3,021	(71)	(81)	2,869	(2,869)	-
<b>Increase / Decrease in 2022/23</b>	<b>(3,215)</b>	<b>(71)</b>	<b>(81)</b>	<b>(3,367)</b>	<b>7,899</b>	<b>4,532</b>
<b>Balance as at 31 March 2023</b>	<b>14,096</b>	<b>387</b>	<b>463</b>	<b>14,946</b>	<b>15,680</b>	<b>30,626</b>

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

2021/22				2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
			<b>Policy and Resources Committee</b>			
1,973	573	1,400	Central Services to the Public	2,036	609	1,427
1,957	602	1,355	Cultural and Related Services	1,264	110	1,154
6,233	2,434	3,799	Environmental and Regulatory Services	7,235	2,601	4,634
2,833	1,400	1,433	Planning Services	3,307	955	2,352
392	882	(490)	Highways and Transport Services	482	873	(391)
10,617	9,915	702	Housing Services	12,079	9,389	2,690
2,508	36	2,472	Corporate and Democratic Core	2,723	30	2,693
128	1	127	Other Corporate and Non Distributed Costs	104	4	100
<b>26,641</b>	<b>15,843</b>	<b>10,798</b>	<b>COST OF SERVICES</b>	<b>29,230</b>	<b>14,571</b>	<b>14,659</b>
1,074	55	1,019	Other Operating Expenditure (Note 11)	1,380	240	1,140
618	265	353	Financing and Investment Income and Expenditure (Note 12)	715	668	47
-	-	-	(Surplus) or Deficit of Discontinued Operations	-	-	-
6,213	15,949	(9,736)	Taxation and Non-Specific Grant Income (Note 13)	6,307	15,917	(9,610)
		2,434	<b>(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			6,236
		(685)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			173
		-	Impairment Losses on Non Current Assets Charged to the Revaluation Reserve			-
		-	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets			-
		(5,833)	Actuarial (Gains) / Losses on Pension Assets / Liabilities			(10,941)
		(6,518)	<b>OTHER COMPREHENSIVE INCOME &amp; EXPENDITURE</b>			(10,768)
		(4,084)	<b>TOTAL COMPREHENSIVE INCOME &amp; EXPENDITURE</b>			(4,532)

## Balance Sheet as at 31 March 2023

31 March 2022 £000		31 March 2023 £000	Notes Ref.
18,380	Property Plant & Equipment	17,225	<u>14</u>
-	Heritage Assets	-	<u>15</u>
2,224	Investment Property	2,310	<u>16</u>
193	Intangible Assets	260	<u>17</u>
-	Assets Held for Sale	81	<u>23</u>
-	Long Term Investments	-	<u>18</u>
351	Long Term Debtors	366	<u>18</u>
-	Assets Related to Defined Pension Scheme	0	<u>40</u>
21,148	<b>Long Term Assets</b>	20,242	
30,021	Short Term Investments	24,750	<u>18</u>
-	Assets Held for Sale	-	<u>23</u>
179	Inventories	140	<u>19</u>
1,953	Short Term Debtors	3,091	<u>21</u>
4,845	Cash and Cash Equivalents	1,010	<u>22</u>
36,998	<b>Current Assets</b>	28,991	
-	Cash and Cash Equivalents	-	<u>22</u>
(19)	Short Term Borrowing	(4,025)	<u>18</u>
(9,090)	Short Term Creditors	(8,196)	<u>24</u>
(139)	Other Short Term Liabilities	(143)	<u>18</u>
(787)	Provisions	(709)	<u>25</u>
(8,276)	Revenue Grants Receipts in Advance	(673)	<u>34</u>
(18,311)	<b>Current Liabilities</b>	(13,746)	
(3,045)	Long Term Creditors	(2,916)	<u>18</u>
-	Provisions	-	<u>25</u>
(1,474)	Long Term Borrowing	(1,434)	<u>18</u>
(8,802)	Liability Related to Defined Pension Scheme	(233)	<u>40</u>
(420)	Other Long Term Liabilities	(278)	<u>18</u>
(13,741)	<b>Long Term Liabilities</b>	(4,861)	
26,094	<b>Net Assets / (Liabilities)</b>	30,626	
18,313	Usable Reserves	14,946	<u>26</u>
7,781	Unusable Reserves	15,680	<u>27</u>
26,094	<b>Total Reserves</b>	30,626	

**Chief Finance Officers Certificate:**

I certify that the above Balance Sheet, fairly states the financial position of the Authority as at 31 March 2023

Signed:

Gary Fielding CPFA  
Corporate Director of Resources (s151)

Dated: 18 March 2024

## Cash Flow Statement for the year ended 31 March 2023

2021/22 £000		2022/23 £000
(2,434)	Net surplus or (deficit) on the provision of services	(6,236)
8,690	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 28a)	(2,568)
(1,609)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 28b)	(997)
4,647	Net cash flows from Operating Activities	(9,801)
(2,567)	Net cash flows from Investing Activities (Note 29)	5,357
1,874	Net cash flows from Financing Activities (Note 30)	609
3,954	Net increase or (decrease) in cash and cash equivalents	(3,835)
891	Cash and cash equivalents at the beginning of the reporting period	4,845
<b>4,845</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 22)</b>	<b>1,010</b>

# Notes to the Accounts

## 0. Expenditure and Funding Analysis

For the year ended 31 March 2023

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
			<b>Policy and Resources Committee</b>			
1,149	251	1,400	Central Services to the Public	1,111	316	1,427
1,086	269	1,355	Cultural and Related Services	838	316	1,154
2,845	954	3,799	Environmental and Regulatory Services	3,688	946	4,634
1,072	361	1,433	Planning Services	1,885	467	2,352
(543)	53	(490)	Highways and Transport Services	(470)	79	(391)
611	91	702	Housing Services	1,189	1,501	2,690
2,089	383	2,472	Corporate and Democratic Core	2,209	484	2,693
206	(79)	127	Other Corporate and Non Distributed Costs	78	22	100
8,515	2,283	10,798	<b>NET COST OF SERVICES</b>	10,528	4,131	14,659
(6,583)	(1,781)	(8,364)	Other Income and Expenditure	(7,313)	(1,110)	(8,423)
1,932	502	2,434	<b>(SURPLUS) OR DEFICIT</b>	3,215	3,021	6,236
(19,243)			<b>OPENING GENERAL FUND BALANCE</b>	(17,311)		
1,932			(Surplus) or Deficit on General Fund Balance in Year	3,215		
(17,311)			<b>CLOSING GENERAL FUND BALANCE</b>	(14,096)		

## **1. Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts, in accordance with proper accounting practices, by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the Service Reporting Code of Practice 2022/23, supported by International Financial Reporting Standards (IFRS).

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

### **ii. Accruals of Income and Expenditure**

The accounts of the Council are, in general, maintained on an accruals basis in accordance with recognised accounting policies. The Accounts reflect sums due to or incurred by the Council during the year, whether or not the amount has actually been received or paid in the year. Appropriate provision has been made, therefore, for Creditors and Debtors at 31 March 2023.

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest 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.

### **iii. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the cash flow statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

#### **iv. Exceptional Items**

When items of income and 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 financial performance.

#### **v. Prior Period Adjustments, Changes in Accounting Policies 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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

#### **vi. Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following to record the real 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 on the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

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

#### **vii. Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) 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 (i.e. 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 is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement 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.

### **viii. Employee Benefits**

#### ***Benefits Payable during Employment***

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. 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 salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### ***Termination Benefits***

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

#### ***Post Employment Benefits***

Employees of the Authority participate in the Local Government Pension Scheme, administered by North Yorkshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

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

- The liabilities of the North Yorkshire pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the North Yorkshire pension fund 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 pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - net interest cost on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
    - contributions paid to the North Yorkshire 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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are transfers 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 pensioners 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 to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### ***Discretionary Benefits***

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

## **ix. 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; and
- 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 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.

## **x. Financial Instruments**

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

As reflected in the Code, the accounting standard on Financial Instruments, IFRS 9 covers the concepts of recognition, measurement, presentation and disclosure.

A financial asset or liability should be recognised on the Balance Sheet when, and only when, the holder becomes a party to the contractual provision of the instrument.

## ***Financial Liabilities***

The Code requires the fair value of each class of financial liability to be disclosed in the Notes to the Statement of Accounts, where this is different from the carrying amount stated in the Balance Sheet. However, the Code also states that fair value disclosures are not required for short-term trade payables since the carrying amount is a reasonable approximation of fair value.

## ***Financial Assets***

### *Financial Assets Measured at Amortised Cost*

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

The council operates 2 housing loan schemes, Property and Landlord Improvement Loans. Loans made under these schemes are repayable at any point within a period ranging between 5 and 10 years. Additionally the Council has granted 2 loans to local businesses. These loans have not been treated as soft loans on the grounds of materiality.

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

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

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The Council does not currently hold any investments in this category, however, the Council will assess any future investment that falls in to this category on an individual basis and assign an IFRS 9 category (amortised cost, FVPL or Fair Value through other comprehensive income). The assessment will be based on the underlying purpose for holding the financial instrument.

### *Expected Credit Loss Model*

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

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

## **xi. Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment line in the Comprehensive Income and Expenditure Statement. During 2022/23 the Council did not enter into any foreign currency transactions.

## **xii. Government Grants and Contributions**

Whether paid on account, by instalment 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 Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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 Income (non-ringfenced revenue grants) in the Comprehensive Income and Expenditure Statement.

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

### ***Community Infrastructure Levy***

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

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

### **xiii. Heritage Assets**

Heritage assets are recognised and held at valuation rather than at fair value and under certain conditions at historical cost. The treatment of revaluation gains and losses are in accordance with the Authority's accounting policies on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note xix in this summary of significant accounting policies.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts. During 2022/23, the Council did not hold any heritage assets.

### **xiv. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority, e.g. software licences, is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the 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 lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to 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.

### **xv. 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 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 value of works and services received under the contract during the financial year.

## **xvi. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participant's perspective. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain to 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.

## **xvii. Leases**

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

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

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

### ***The Authority as Lessee***

#### ***Finance Leases***

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

Lease payments are apportioned between:

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

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

The 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal, matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted 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 council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## *Operating 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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payment, 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.

## **xviii. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2022/23 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on non-current Assets Held for Sale and Assets under Construction.

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

## **xix. Property, Plant and Equipment**

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

### ***Recognition***

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment 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 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 i.e. 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; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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 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, 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 Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account and in the Movement in Reserves Statement.

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that the carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Any increase in valuations is matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### ***Impairment***

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

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

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

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

### ***Depreciation***

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer; and
- Vehicles, plant furniture and equipment – straight line allocation over the useful life of the asset.

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

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

### ***Disposals and Non-current Assets Held for Sale***

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

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

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

Amounts received for disposal in excess of £10,000 are categorised as capital receipts. Receipts are credited to 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). 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.

## **xx. 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 made), the provision is reversed and credited back to the relevant service.

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

Further information can be found at note 25 to the accounts.

### ***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.

## **xxi. 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 in the Movement in Reserves Statement. 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 for Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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 Council. These reserves are explained in the relevant policies.

## **xxii. 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.

## **xxiii. VAT**

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

## **xxiv. Fair Value Measurement**

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities 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 not yet been adopted**

CIPFA continue to consider the implications of adopting IFRS 16 - Leases. This standard was originally expected to be adopted in the Statements of Accounts for 2020/2021 but this was then deferred and expected to be adopted in 2022/23.

However, as a result of only 9% of local authority accounts in England meeting the audit publication deadline of 30 September 2021 the Department of Levelling-up Housing and Communities asked CIPFA in December 2021 to consider ways in which the Code may ameliorate this crisis position. In response, CIPFA issued an emergency consultation on exploratory proposals for making time-limited changes to the Code and subsequently made the decision to defer the implementation of IFRS 16 until 1 April 2024. As a result, the Council has opted to defer the implementation of IFRS 16 and therefore the implications arising from the new standard will be dealt with and adopted by the new North Yorkshire Council.

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) issued in February 2021
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued 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, but based on our initial assessment we do not expect any of the changes to be material.

### **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:

- That there is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined 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.
- Estimation of the net liability to pay pensions depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by the County Council to provide expert advice about the assumptions to be applied, these assumptions may be adjusted on a yearly basis.
- The Authority will assess the degree of componentisation within its net-current asset portfolio, as part of the five year rolling programme of non-current asset valuations. A review of Authority's current properties concluded that no components could be identified which were of a material value when compared to the entire value of the individual non-current asset or which would materially impact on the useful remaining life of the asset. On an annual basis the Authority will review Capital Expenditure to assess if any new material components have been added to the Authority's non-current asset portfolio.

### **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. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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

Item	Uncertainties	Effect if Actual Results differ from Assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>The net pensions liability was based on the 2022 actuarial valuation. It includes a share of the overall Pension Fund investment assets. The assumptions made to calculate the net liability are affected by a multitude of factors. One such assumption, the discount rate, has seen a significant increase over the year, which has led to an apparent accounting surplus result for the Council as at 31 March 2023. However, further calculations carried out by the Pension Fund's actuary indicated that it is unclear that a surplus can be recognised under IAS 19 (paragraph 8 and 64) in this case. The Council has therefore adopted a prudent approach to limit the asset (asset ceiling) and restrict the surplus recognition to nil.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £1.053m.</p>
Property, Plant and Equipment (land & buildings) and Investment Property Valuations	<p>Assets are depreciated over the useful economic life that the asset (or components of the assets where appropriate) will be operational. The useful economic life of an individual asset is dependent upon maintaining an appropriate level of repair and maintenance expenditure on that asset. Should insufficient expenditure be incurred to properly maintain an asset then it may be the case that the useful economic life of that asset is reduced; this might give rise to an impairment or accelerated depreciation being required. In addition, the Council appointed Valuer undertakes an assessment of assumptions in external market factors when valuing assets and reviewing those assets not due for revaluation.</p>	<p>The effect on land and property valuations due to changes in assumptions around market conditions can be measured. For example, a 5% reduction in value could result in a decrease in values of</p> <p>PPE - Land &amp; Buildings, Surplus Assets - £0.86m</p> <p>Investment Property - £0.12m</p>

## **5. Material items of income and expenses**

There are no material items of income and expenditure in 2022/23 that warrant separate disclosure.

## **6. Events after the reporting period**

Under IAS 10 the Authority is required to disclose the date that the financial statements are authorised for issue. This confirms the date after which events will not have been recognised in the Statement of Accounts. The Statement of Accounts was issued by the responsible financial officer, Gary Fielding - Corporate Director of Resources (s151) on 31 May 2023.

All events between the balance sheet date and the issue date have been considered and there are no Adjusting Post Balance Sheet events to disclose.

As referenced in the Narrative Report (page 9), in July 2021 the Government announced the plan for Local Government Reorganisation in North Yorkshire, which will join the County, District and Borough councils into a single North Yorkshire Council on 1 April 2023. As such all services, assets and liabilities held by Ryedale District Council transferred to the new authority on that date.

## 7. Note to the expenditure and funding analysis

### Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2022/23			
	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Policy and Resources Committee</b>				
Central Services to the Public	33	283	-	316
Cultural and Related Services	250	66	-	316
Environmental and Regulatory Services	578	368	-	946
Planning Services	67	400	-	467
Highways and Transport Services	66	13	-	79
Housing Services	950	551	-	1,501
Corporate and Democratic Core	55	429	-	484
Other Corporate and Non Distributed Costs	-	(17)	39	22
<b>Net Cost of Services</b>	<b>1,999</b>	<b>2,093</b>	<b>39</b>	<b>4,131</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,252)	280	(138)	(1,110)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>747</b>	<b>2,373</b>	<b>(99)</b>	<b>3,021</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2021/22			
	Adjustments for Capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
<b>Policy and Resources Committee</b>				
Central Services to the Public	29	222	-	251
Cultural and Related Services	231	38	-	269
Environmental and Regulatory Services	321	633	-	954
Planning Services	51	310	-	361
Highways and Transport Services	46	7	-	53
Housing Services	(309)	400	-	91
Corporate and Democratic Core	49	334	-	383
Other Corporate and Non Distributed Costs	-	(17)	(62)	(79)
<b>Net Cost of Services</b>	<b>418</b>	<b>1,927</b>	<b>(62)</b>	<b>2,283</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,295)	286	(772)	(1,781)
<b>Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(877)</b>	<b>2,213</b>	<b>(834)</b>	<b>502</b>

## 8. Expenditure and income analysed by nature

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

<b>Expenditure/Income</b>	<b>2022/23 £000</b>	<b>2021/22 £000</b>
<b>Expenditure</b>		
Employee benefits expenses	9,495	8,433
Other service expenses	14,558	14,128
Support service recharges	3,598	3,304
Depreciation, amortisation and impairment	1,579	776
Interest payments	340	341
Precepts and levies	1,135	1,074
Gain or loss on disposal of non-current assets	5	-
Capital receipts unattached to non-current assets	-	(55)
Impairment losses on financial instruments	66	17
<b>Total Expenditure</b>	<b>30,776</b>	<b>28,018</b>
<b>Income</b>		
Contributions, fees, charges and other service income	5,833	5,590
Interest and investment income	359	5
Income from council tax and non-domestic rates	8,243	7,993
Grants	10,105	11,996
<b>Total Income</b>	<b>24,540</b>	<b>25,584</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>6,236</b>	<b>2,434</b>

## **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 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 those purposes at the year end.

### **Capital Grants Unapplied**

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

## 2022/23 Adjustments

2022/23	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	1,789	-	-	(1,789)
Revaluation losses on Property Plant and Equipment	-	-	-	-
Movements in the fair value of investment properties	(86)	-	-	86
Amortisation of intangible assets	91	-	-	(91)
Capital grants and contributions applied	(757)	-	-	757
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	883	-	-	(883)
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	244	-	-	(244)
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(174)	-	-	174
Capital expenditure charged against the General Fund	(1,003)	-	-	1,003
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(81)	81
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(240)	240	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(324)	-	324
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	13	-	(13)

Capital receipts unattached to non-current assets	-	-	-	-
Repayment of principal on loans	-	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 40)	3,573	-	-	(3,573)
Employers pensions contributions and direct payments to pensioners payable in the year	(1,201)	-	-	1,201
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(139)	-	-	139
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
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	41	-	-	(41)
<b>Total Adjustments</b>	<b>3,021</b>	<b>(71)</b>	<b>(81)</b>	<b>(2,869)</b>

## 2021/22 Comparative Figures

2021/22	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	970	-	-	(970)
Revaluation losses on Property Plant and Equipment	-	-	-	-
Movements in the fair value of investment properties	(36)	-	-	36
Amortisation of intangible assets	67	-	-	(67)
Capital grants and contributions applied	(903)	-	-	903
Income in relation to donated assets	-	-	-	-
Revenue expenditure funded from capital under statute	943	-	-	(943)
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	-	-	-	-
<u>Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(209)	-	-	209
Capital expenditure charged against the General Fund	(1,003)	-	-	1,003
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(651)	-	651	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(456)	456
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(49)	-	49
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	13	-	(13)

Capital receipts unattached to non-current assets	(55)	55	-	-
Repayment of principal on loans	-	12	-	(12)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 40)	3,506	-	-	(3,506)
Employers pensions contributions and direct payments to pensioners payable in the year	(1,293)	-	-	1,293
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(772)	-	-	772
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
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	(62)	-	-	62
<b>Total Adjustments</b>	<b>502</b>	<b>31</b>	<b>195</b>	<b>(728)</b>

## 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 the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	Balance At 31/03/21 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance At 31/03/22 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance At 31/03/23 £000
General Reserve	3,981	(475)	10	3,516	-	-	3,516
Capital Fund	5,405	(1,075)	-	4,330	(1,434)	-	2,896
Collection Fund Equalisation Reserve	3,040	(709)	-	2,331	(220)	-	2,111
Collection Fund Reserve	836	(600)	413	649	(237)	241	653
New Homes Bonus Reserve	3,582	-	-	3,582	(262)	-	3,320
Election Reserve	7	-	30	37	(120)	30	(53)
Pensions Reserve	81	-	225	306	-	373	679
Strategic Reserve	1,764	(233)	-	1,531	(2,186)	301	(354)
Carry Forward Reserve	370	(63)	242	549	(403)	622	768
Council Tax Hardship Fund	78	(29)	-	49	(32)	-	17
Grants Reserve	99	(42)	374	431	(9)	121	543
<b>Total</b>	<b>19,243</b>	<b>(3,226)</b>	<b>1,294</b>	<b>17,311</b>	<b>(4,903)</b>	<b>1,688</b>	<b>14,096</b>

The main purpose of the reserves is as follows:

- (a) The General Reserve receives or contributes to differences in the estimated to actual net expenditure on the Revenue Account. It provides a working balance for the day-to-day revenue costs and income and meets any unforeseen liabilities not provided elsewhere in the accounts.
- (b) The Capital Fund is the reserve that holds the resources from the revenue stream of funding to be applied to the capital programme.
- (c) The Collection Fund Equalisation Reserve evens out the financial impact of the new Business Rates Retention Regulations within the Comprehensive Income and Expenditure Account.
- (d) The Collection Fund Reserve has been established to hold additional funds to mitigate future financial risk in relation to Business Rates.
- (e) New Homes Bonus Reserve was established setting aside New Homes Bonus receipts, to be utilised in line with Member priorities.
- (f) An Election Reserve is used to equalise the effect of the four yearly District Election costs.
- (g) The Pensions Reserve has been established to offset the effect of future pension contributions.
- (h) The Strategic Reserve has been established to support delivery of future Council priorities, by streamlining a number of legacy reserves.
- (i) The Carry Forward Reserve has been created to provide resources to fund commitments or schemes delayed from the prior year or which extend over the financial year end.
- (j) The Council Tax Hardship Fund has been re-established to finance the cost of discretionary council tax relief awarded during the covid pandemic.
- (k) The Grants Reserve has been re-established to hold under-utilised covid related grants in order to offset expenditure in future years.

## 11. Other operating expenditure

2021/22 £000		2022/23 £000
1,074	Parish council precepts	1,135
-	Payments to the Government Housing Capital Receipts Pool	-
-	(Gains)/losses on the disposal of non-current assets	5
(55)	Capital receipts unattached to non-current assets	-
1,019	Total	1,140

## 12. Financing and investment income and expenditure

2021/22 £000		2022/23 £000
59	Interest payable and similar charges	72
282	Pensions net interest on the net defined benefit liability/(asset)	268
(55)	Interest receivable and similar income	(414)
50	Income and expenditure in relation to investment properties and changes in their fair value	55
17	Impairment losses on financial instruments	66
353	Total	47

## 13. Taxation and non-specific grant income

2021/22 £000		2022/23 £000
(5,597)	Council tax income	(5,683)
(2,396)	Non domestic rates income and expenditure	(2,560)
(1,743)	Non-ringfenced government grants	(1,367)
-	Capital grants and contributions	-
(9,736)	Total	(9,610)

## 14. Property, plant and equipment

### Movements on Balance Sheet in 2022/23

	Other Land & Buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community Assets £000	Surplus assets £000	Assets under construction £000	Total property, plant & equipment £000
<b>Cost or Valuation</b>							
At 1 April 2022	16,565	5,444	-	511	1,060	818	24,398
Additions	323	83	-	-	-	728	1,134
Donations	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(368)	-	-	-	(50)	-	(418)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(999)	-	-	-	-	-	(999)
Derecognition – disposals	(245)	-	-	-	-	-	(245)
Derecognition – other	-	(4,012)	-	-	-	-	(4,012)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(81)	(81)
Other movements in cost or valuation	1,410	-	-	-	-	(1,410)	-
<b>At 31 March 2023</b>	<b>16,686</b>	<b>1,515</b>	<b>-</b>	<b>511</b>	<b>1,010</b>	<b>55</b>	<b>19,777</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2022	1,502	4,516	-	-	-	-	6,018
Depreciation charge	503	278	-	-	10	-	791
Depreciation written out to the Revaluation Reserve	-	-	-	-	(10)	-	(10)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(235)	-	-	-	-	-	(235)
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	(4,012)	-	-	-	-	(4,012)
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>1,770</b>	<b>782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,552</b>
<b>Net Book Value</b>							
<b>At 31 March 2023</b>	<b>14,916</b>	<b>733</b>	<b>-</b>	<b>511</b>	<b>1,010</b>	<b>55</b>	<b>17,225</b>
<b>At 31 March 2022</b>	<b>15,063</b>	<b>928</b>	<b>-</b>	<b>511</b>	<b>1,060</b>	<b>818</b>	<b>18,380</b>
Owned asset as at 31 March 2023	14,916	368	-	511	1,010	55	16,860
Asset acquired under finance lease as at 31 March 2023	-	365	-	-	-	-	365
<b>Total</b>	<b>14,916</b>	<b>733</b>	<b>-</b>	<b>511</b>	<b>1,010</b>	<b>55</b>	<b>17,225</b>

## Comparative Movements in 2021/22

	Other Land & Buildings £000	Vehicles, plant, furniture & equipment £000	Infrastructure assets £000	Community Assets £000	Surplus assets £000	Assets under construction £000	Total property, plant & equipment £000
<b>Cost or Valuation</b>							
At 1 April 2021	16,098	4,768	-	511	696	198	22,271
Additions	356	676	-	-	-	620	1,652
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	262	-	-	-	360	-	622
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(151)	-	-	-	4	-	(147)
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>16,565</b>	<b>5,444</b>	<b>-</b>	<b>511</b>	<b>1,060</b>	<b>818</b>	<b>24,398</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2021	1,067	4,191	-	-	-	-	5,258
Depreciation charge	489	325	-	-	9	-	823
Depreciation written out to the Revaluation Reserve	(54)	-	-	-	(9)	-	(63)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition – disposals	-	-	-	-	-	-	-
Derecognition – other	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>1,502</b>	<b>4,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,018</b>
<b>Net Book Value</b>							
<b>At 31 March 2022</b>	<b>15,063</b>	<b>928</b>	<b>-</b>	<b>511</b>	<b>1,060</b>	<b>818</b>	<b>18,380</b>
<b>At 31 March 2021</b>	<b>15,031</b>	<b>577</b>	<b>-</b>	<b>511</b>	<b>696</b>	<b>198</b>	<b>17,013</b>
Owned asset as at 31 March 2022	15,063	417	-	511	1,060	818	17,869
Asset acquired under finance lease as at 31 March 2022	-	511	-	-	-	-	511
<b>Total</b>	<b>15,063</b>	<b>928</b>	<b>-</b>	<b>511</b>	<b>1,060</b>	<b>818</b>	<b>18,380</b>

## Depreciation

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

- Other Land and Buildings – 10-60 years
- Vehicles, Plant, Furniture & Equipment - 5-10 years

## Capital Commitments

At 31 March 2023 the Authority had not entered into any contracts for the construction or enhancement of Property Plant and Equipment.

## Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are normally carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on historic cost.

The valuations and reviews were carried out by N Collins a RICS registered Valuer of City of York Council.

	<b>Land &amp; Buildings</b>	<b>Vehicles, Furniture &amp; Equipment</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Valued at Historic Cost	-	733	511	1,010	55	2,309
Valued at Current Value in:-						
2022/23	1,753					1,753
2021/22	4,279	-	-	-	-	4,279
2020/21	508	-	-	-	-	508
2019/20	3,961	-	-	-	-	3,961
2018/19	4,308	-	-	-	-	4,308
2017/18	107	-	-	-	-	107
<b>Total</b>	<b>14,916</b>	<b>733</b>	<b>511</b>	<b>1,010</b>	<b>55</b>	<b>17,225</b>

## Non-Operational Property Plant and Equipment (Surplus Assets)

The following table summarises the movement in fair value of surplus assets over the year.

	2022/23 £000	2021/22 £000
<b>Balance at start of the year</b>	<b>1,060</b>	<b>696</b>
Additions	-	-
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains / (losses) from fair value adjustments	(50)	364
Transfers:	-	-
To/from inventories	-	-
To/from Property Plant and Equipment	-	-
Other changes	-	-
<b>Balance at end of the year</b>	<b>1,010</b>	<b>1,060</b>

## 15. Heritage assets

In compliance with the 2022/23 Code, the Authority has reviewed its assets and concluded that there is no reclassification of assets to heritage assets to disclose in the accounts (2021/22 Nil).

## 16. Investment properties

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:

	2022/23 £000	2021/22 £000
Income from Investment Property	143	149
Net gain / (loss) from fair value adjustment	86	36
	229	185
Direct operating expenses arising from investment property	(284)	(235)
<b>Net gain / (loss)</b>	<b>(55)</b>	<b>(50)</b>

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.

	2022/23 £000	2021/22 £000
<b>Balance at start of the year</b>	<b>2,224</b>	<b>2,188</b>
Additions	-	-
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains / (losses) from fair value adjustments	86	36
Transfers:	-	-
To/from inventories	-	-
To/from Property Plant and Equipment	-	-
Other changes	-	-
<b>Balance at end of the year</b>	<b>2,310</b>	<b>2,224</b>

### Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 1 Accounting Policy xxiv for an explanation of the fair value levels).

### Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

### Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

### Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2023 by N Collins, a RICS registered Valuer of City of York Council in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 17. Intangible assets

The Authority 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.

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

	Internally Generated Assets	Other Assets
5 Years	None	Revenues and benefits system Electronic document management system Cash receipting system Financial management system Customer Relationship Management System

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £91k charged to revenue in 2022/23 was charged direct to services where appropriate, however, an element was charged to the IT Administration cost centre and then as overhead across the 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.

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

	2022/23			2021/22		
	Internally Generated Assets £000	Other Asset Costs £000	Total £000	Internally Generated Assets £000	Other Asset Costs £000	Total £000
Balance at start of year:						
Gross carrying amounts	-	1,581	1,581	-	1,420	1,420
Accumulated amortisation	-	(1,388)	(1,388)	-	(1,321)	(1,321)
Net carrying amount at start of year	-	193	193	-	99	99
Additions:						
Internal development	-	-	-	-	-	-
Purchases	-	158	158	-	161	161
Acquired through business combinations	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
Other disposals	-	-	-	-	-	-
Revaluation increases or decreases	-	-	-	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised in the surplus/deficit on the Provision of Services	-	-	-	-	-	-
Reversal of amortisation on disposal	-	-	-	-	-	-
Amortisation for the period	-	(91)	(91)	-	(67)	(67)
Other changes	-	-	-	-	-	-
Net carrying amount at year end	-	260	260	-	193	193
Compromising:						
Gross carrying amounts	-	1,739	1,739	-	1,581	1,581
Accumulated amortisation	-	(1,479)	(1,479)	-	(1,388)	(1,388)
	-	260	260	-	193	193

There are no items of capitalised software that are individually material to the financial statements.

The Authority has no capital commitments outstanding for the acquisition of intangible assets.

## 18. Financial instruments

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

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

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

#### Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March
	2023	2022	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000	£000	£000
Fair Value through Profit and Loss	-	-	-	-	-	-	-	-
Amortised Cost								
Investments	-	-	-	-	24,750	30,021	-	-
Loans	-	-	366	351	-	-	-	-
Other	-	-	-	-	-	-	1,058	1,068
	-	-	366	351	24,750	30,021	1,058	1,068
Fair Value through Other Comprehensive Income - designated equity instruments	-	-	-	-	-	-	-	-
Fair Value through Other Comprehensive Income - other	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	-	-	366	351	24,750	30,021	1,058	1,068
Non Financial Assets	-	-	-	-	-	-	2,033	885
<b>Total</b>	-	-	366	351	24,750	30,021	3,091	1,953

Under current financial assets, cash and cash equivalents of £1,010,000 are held in the Balance Sheet at amortised cost (2021/22 £4,845,000).

## Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Fair Value through Profit and Loss	-	-	-	-	-	-	-	-
Amortised Cost								
PWLB Loans	(1,434)	(1,474)	-	-	(25)	(19)	-	-
Finance Leases	(278)	(420)	-	-	(143)	(139)	-	-
Other	-	-	(2,916)	(3,045)	(4,000)	-	(6,706)	(5,318)
<b>Total Financial Liabilities</b>	<b>(1,712)</b>	<b>(1,894)</b>	<b>(2,916)</b>	<b>(3,045)</b>	<b>(4,168)</b>	<b>(158)</b>	<b>(6,706)</b>	<b>(5,318)</b>
Non Financial Liabilities	-	-	-	-	-	-	(1,490)	(3,772)
<b>Total</b>	<b>(1,712)</b>	<b>(1,894)</b>	<b>(2,916)</b>	<b>(3,045)</b>	<b>(4,168)</b>	<b>(158)</b>	<b>(8,196)</b>	<b>(9,090)</b>

## Fair value of Assets and Liabilities

	Fair value		Historic cost	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Borrowings	(5,300)	(1,841)	(5,478)	(1,493)
Loans and receivables	24,750	30,021	24,750	30,021

There is no difference between the carrying value and fair value of the Authority's debtors, creditors and cash deposits. Minimum future lease payments are disclosed in note 37.

The fair value of borrowings is lower than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £1.275m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date.

The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates. However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets.

A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £1.453m would be valued at £1.275m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1.470m.

## 19. Inventories

	Consumable Stores		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
<b>Balance outstanding at start of year</b>	<b>179</b>	<b>114</b>	-	-	-	-	<b>179</b>	<b>114</b>
Purchases	396	343	-	-	-	-	396	343
Recognised as an expense in the year	(435)	(278)	-	-	-	-	(435)	(278)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>140</b>	<b>179</b>	-	-	-	-	<b>140</b>	<b>179</b>

## 20. Construction contracts

As at the 31 March 2023 the Authority had no significant contracts in progress.

## 21. Debtors

	31 March 2023 £000	31 March 2022 £000
Central government bodies	1,597	377
Other local authorities	418	343
NHS Bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,870	1,233
<b>Total</b>	<b>3,885</b>	<b>1,953</b>

## 22. Cash and cash equivalents

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

	31 March 2023 £000	31 March 2022 £000
Cash held by the Council	204	183
Bank current account	806	4,662
Special Interest Bearing Account	-	-
<b>Total Cash and Cash Equivalents</b>	<b>1,010</b>	<b>4,845</b>

## 23. Assets held for sale

	Current		Non Current	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
<b>Balance outstanding at start of year</b>	-	-	-	-
Assets newly classified as held for sale:				
Property, Plant and equipment	-	-	81	-
Intangible Assets	-	-	-	-
Revaluation losses	-	-	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and equipment	-	-	-	-
Intangible Assets	-	-	-	-
Assets sold	-	-	-	-
Transfers from non-current to current	-	-	-	-
<b>Balance outstanding at year end</b>	-	-	<b>81</b>	-

## 24. Creditors

	31 March 2023 £000	31 March 2022 £000
Central government bodies	298	2,765
Other local authorities	2,646	1,158
NHS Bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	5,895	5,167
<b>Total</b>	<b>8,839</b>	<b>9,090</b>

## 25. Provisions

2022/23	Business Rate Retention Appeals £000
Balance at 1 April 2022	787
Additional Provisions made in 2022/23	-
Amounts used in 2022/23	-
Unused amounts reversed in 2022/23	(78)
Total	709

2021/22	Business Rate Retention Appeals £000
Balance at 1 April 2021	661
Additional Provisions made in 2021/22	126
Amounts used in 2021/22	-
Unused amounts reversed in 2021/22	-
Total	787

### Provision for Business Rate Appeals

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.

Ryedale District 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 themselves and are required to make a provision for any refunds that may become payable to ratepayers following successful appeals against the rateable value of their properties on the ratings list.

The Council retains a 40% (40% 2021/22) 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 2023.

There are no other significant events that have taken place that would give the Authority a legal or constructive obligation to provide any material provision for the financial year ending 31 March 2023.

## 26. Usable reserves

31 March 2022 £000		31 March 2023 £000
17,311	Earmarked General Fund Reserves	14,096
458	Capital Receipts Reserve	387
544	Capital Grants Unapplied	463
<b>18,313</b>	<b>Total Usable Reserves</b>	<b>14,946</b>

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

### Earmarked General Fund Reserves

Details of the movements within the individual earmarked reserves are shown in note 10, together with an explanation of the purpose of each reserve.

### Capital Receipts Reserve

2021/22 £000		2022/23 £000
427	<b>Balance at 1 April</b>	458
-	Receipts from disposal of non-current assets and held for sale assets	240
13	Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	13
67	Other receipts	-
507		711
(49)	Receipts used to finance capital expenditure	(324)
458	<b>Balance at 31 March</b>	387

The Capital Receipts Reserve holds cash received from the disposal of non-current assets and held for sale assets, or other money received that can be applied towards financing capital expenditure or repay loan debt.

### Capital Grants Unapplied

2021/22 £000		2022/23 £000
349	<b>Balance at 1 April</b>	544
651	Reversal of grants credited to the Comprehensive Income and Expenditure Statement but expenditure has not been incurred	-
1,000		544
(456)	Grants used to finance capital expenditure	(81)
544	<b>Balance at 31 March</b>	463

This reserve retains the receipts of grants and contributions from central government and other funding organisations available to finance capital expenditure and will be applied to fund relevant projects in future years.

## 27. Unusable reserves

31 March 2022 £000		31 March 2023 £000
6,860	Revaluation Reserve	6,508
-	Financial Instruments Revaluation Reserve	-
11,953	Capital Adjustment Account	11,550
-	Financial Instruments Adjustment Account	-
74	Deferred Capital Receipts Reserve	61
(8,802)	Pensions Reserve	(233)
(2,232)	Collection Fund Adjustment Account	(2,093)
(72)	Accumulated Absences Account	(113)
<b>7,781</b>	<b>Total Unusable Reserves</b>	<b>15,680</b>

### Revaluation Reserve

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

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

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

2021/22 £000		£000	2022/23 £000
6,347	<b>Balance at 1 April</b>		6,860
685	Upward revaluation of assets	-	
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(173)	
685	Surplus or deficit on revaluation of non-current assets and held for sale assets not posted to the Surplus or Deficit on the Provision of Services		(173)
(172)	Difference between fair value depreciation and historical cost depreciation	(179)	
-	Accumulated gains on assets sold or scrapped	-	
(172)	Amount written off to the Capital Adjustment Account		(179)
6,860	<b>Balance at 31 March</b>		6,508

## **Financial Instruments Revaluation Reserve**

The Financial Instruments Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its investments that are measured at fair value through Other Comprehensive Income. The balance, which is nil, is reduced when investments with accumulated gains are:

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

## **Capital Adjustment Account**

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

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

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

2021/22 £000		£000	2022/23 £000
11,117	<b>Balance at 1 April</b>		11,953
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(970)	• Charges for depreciation and impairment of non-current assets	(1,789)	
-	• Revaluation losses on Property, Plant and Equipment	-	
-	• Loss on revaluation of held for sale assets	-	
-	• Reduction in Revaluation Reserve on disposal of held for sale assets	-	
(67)	• Amortisation of Intangible Assets	(91)	
-	• Amounts of non-current assets and held for sale assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(244)	
(943)	• Revenue Expenditure Funded by Capital Under Statute	(883)	
(1,980)			(3,007)
172	Adjusting amounts written out of the Revaluation Reserve		179
9,309	Net written out amount of the cost of non-current assets consumed in the year		9,125
	Capital financing applied in the year:		
49	• Use of the capital receipts reserve to finance new capital expenditure	324	
903	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	757	
456	• Application of grants to capital financing from the Capital Grants Unapplied Account	81	
209	• Statutory provision for the financing of capital investment charged against the General fund	174	
1,003	• Capital expenditure charged against the General Fund	1,003	
2,620			2,339
36	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		86
-	Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
(12)	Movements in Long-term Debtors		-
11,953	<b>Balance at 31 March</b>		11,550

## Financial Instruments Adjustment Accounts

The Financial Instruments Adjustment Account absorbs the timing differences arising from different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The account balance is nil.

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority's accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension fund 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
(12,422)	<b>Balance at 1 April</b>	(8,802)
5,833	Re-measurements of the net defined benefit liability/(asset)	10,941
(3,506)	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	(3,573)
1,293	Employer's pensions contributions and direct payments to pensioners payable in the year	1,201
(8,802)	<b>Balance at 31 March</b>	(233)

### Deferred Capital Receipts Reserve

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

2021/22 £000		2022/23 £000
87	<b>Balance at 1 April</b>	74
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(13)	Transfer to the Capital Receipts Reserve upon receipt of cash	(13)
74	<b>Balance at 31 March</b>	61

### 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
(3,004)	<b>Balance at 1 April</b>	(2,232)
772	Amount by which council tax 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	139
(2,232)	<b>Balance at 31 March</b>	(2,093)

## 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 the year, e.g. 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		£000	2022/23 £000
(134)	<b>Balance at 1 April</b>		(72)
134	Settlement or cancellation of accrual made at the end of the preceding year	72	
(72)	Amount accrued at the end of the current year	(113)	
62	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		(41)
(72)	<b>Balance at 31 March</b>		(113)

## 28. Cash flow statement – operating activities

### a. Adjust net surplus or deficit on the provision of services for non-cash movements

2021/22 £000		2022/23 £000
823	Depreciation	790
147	Impairment and downward valuations	999
67	Amortisation	91
-	Increase / decrease in impairment for bad debts	-
5,734	Increase / decrease in creditors and revenue grants received in advance	(5,573)
(319)	Increase / decrease in debtors	(1,367)
(65)	Increase / decrease in inventories	39
2,213	Movement in pension liability	2,373
-	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	245
126	Contributions to / from provisions	(78)
(36)	Other non-cash items charged to the net surplus or deficit on the provision of services	(87)
8,690		(2,568)

**b. Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**

2021/22 £000		2022/23 £000
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments	-
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(240)
(55)	Capital receipts unattached to non-current assets	-
(1,554)	Capital grants received	(757)
(1,609)		(997)

**c. Interest received, interest paid and dividends received**

2021/22 £000		2022/23 £000
115	Interest received	185
(60)	Interest paid	(66)
-	Dividends received	-

**29. Cash flow statement – investing activities**

2021/22 £000		2022/23 £000
(1,697)	Purchase of property, plant and equipment, investment property and intangible assets	(1,125)
(39,500)	Purchase of short-term and long-term investments	(36,500)
(9)	Other payments for investing activities	(33)
13	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	253
37,000	Proceeds from short-term and long-term investments	42,000
55	Capital receipts unattached to non-current assets	-
1,554	Capital grants received	757
17	Other receipts from investing activities	5
(2,567)	Net cash flows from investing activities	5,357

### 30. Cash flow statement – financing activities

2021/22 £000		2022/23 £000
-	Cash receipts of short and long term borrowing	4,000
-	Other receipts from financing activities	-
(174)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(138)
(39)	Repayments of short and long-term borrowing	(40)
2,087	Movement in council tax and business rates	(3,213)
1,874	Net cash flows from financing activities	609

### 31. Member allowances

The Authority paid the following amounts to members of the Authority during the year:

	2022/23 £000	2021/22 £000
Allowances	114	127
Expenses	-	-
Total	114	127

A summary of payments made to each member is publicised through the Authority's website and is also available for viewing at the reception of the administrative offices.

## 32. Officers' remuneration

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

Job Title	Year	Salary, fees and allowances £	Bonuses £	Expenses allowances £	Compensation for loss of office £	Pension contribution £	Total £	Note
Chief Executive	2022/23	119,347	-	-	90,505	17,455	227,307	A
	2021/22	111,867	-	-	-	21,255	133,122	B
Head of Waste & Environmental Services	2022/23	72,608	-	-	-	11,182	83,790	
	2021/22	62,537	-	-	-	11,882	74,419	
Interim Programme Director - Place & Resources	2022/23	2,755	-	-	-	424	3,179	C
Programme Director - Place & Resources	2022/23	81,893	-	-	-	12,569	94,462	D
	2021/22	74,563	-	-	-	13,905	88,468	
Head of Planning & Regulatory Services	2021/22	47,918	-	-	-	8,751	56,669	E
Monitoring Officer	2022/23	2,447	-	-	-	-	2,447	F
Chief Finance Officer (s151)	2022/23	-	-	-	-	-	-	G
	2021/22	-	-	-	-	-	-	H
Head of Communications, Technologies & Business Transformation	2021/22	38,907	-	-	-	6,833	45,740	I
Programme Director - People & Resources	2022/23	86,118	-	-	-	12,806	98,924	
	2021/22	74,362	-	-	-	13,905	88,267	
Interim Head of Corporate Governance	2022/23	10,130	-	-	-	692	10,822	J
Corporate Governance & Monitoring Officer	2022/23	73,876	-	-	-	11,377	85,253	K
Head of Corporate Governance	2021/22	45,179	-	-	-	8,107	53,286	L

Senior Officers served for the whole of 2022/23 unless stated below.

- A £30,000 was recharged for the Chief Executive to North Yorkshire County Council during 2022/23. The Chief Executive left the Authority on 31st March 2023.
- B £29,000 was recharged for the Chief Executive to North Yorkshire County Council during 2021/22.
- C The Interim Programme Director - Place & Resources assumed their position on 1st February 2023 through to 31st March 2023.
- D The Programme Director - Place & Resources left the Authority on 26th February 2023.
- E The Head of Planning & Regulatory Services left the Authority on 31st December 2021.
- F The Monitoring Officer assumed their position on 9th February 2023.
- G The Chief Finance Officer (S151) is employed by North Yorkshire County Council whose s151 duties are undertaken on a contractual basis through a service level agreement, with £40,000 being recharged to Ryedale District Council during 2022/23.
- H £38,000 was charged to Ryedale District Council by North Yorkshire County Council for the Chief Finance Officer (S151) during 2021/22.
- I The Head of Communications, Technology & Business Transformation left the Authority on 30th September 2021.
- J The Interim Head of Corporate Governance assumed their position on 1st February 2023 through to 31st March 2023.

- K The Corporate Governance & Monitoring Officer left the Authority on 5th March 2023.
- L The Head of Corporate Governance left the Authority on 31st January 2022. The responsibilities of the Monitoring Officer were undertaken by the Corporate Governance & Monitoring Officer, employed by an agency until their appointment on the 26th April 2022.

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) is as follows:

Remuneration Band	2022/23 Number of employees	2021/22 Number of employees
£50,000 - £54,999	6	1
£55,000 - £59,999	1	-
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 to £114,999	-	-

All other employees earning more than £50,000 for the year are included in the table on page 72.

### 33. External audit costs

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

	2022/23 £000	2021/22 £000
* Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	60	60
* Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year	20	13
* Fees payable in respect of other services provided by Grant Thornton UK LLP during the year	-	4
* Refund of fees payable by PSAA Ltd during the year	-	(6)
	80	71

The fees for other services payable in 2021/22 related to the CFO Insights licence fee.

### 34. Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23 £000	2021/22 £000
<b>Credited to Taxation and Non Specific Grant Income:</b>		
Revenue Support Grant	-	-
New Homes Bonus	488	567
Transitional Grant to Rural Local Authorities	600	600
S31 grant Business Rates	2,599	3,589
Covid 19 Support Grants	-	487
Lower Tier Services Grant	75	70
Services Grant	113	-
Other Grants	90	19
<b>Total</b>	<b>3,965</b>	<b>5,332</b>
<b>Credited to Services:</b>		
<b>Government Grants:</b>		
Disabled Facilities Grant (Capital)	662	662
Housing Benefit Subsidy and Rent Rebate	6,893	7,039
Housing Benefit & Council Tax Support Administration	200	203
S31 Council Tax	19	-
Council Tax Rebate Grant	97	-
New Burdens Council Tax Rebate Scheme	114	-
COVID 19 Council Tax and Business Rates Support	-	524
COVID 19 Enforcement and Testing Grants	-	221
Rough Sleeping Initiative & Preventing Homelessness Grant	273	310
European Community Grant (Capital)	95	534
Other Government Grants	130	72
	<b>8,483</b>	<b>9,565</b>
<b>Non Government Grants:</b>	<b>143</b>	<b>688</b>
<b>Total</b>	<b>8,626</b>	<b>10,253</b>
<b>S106 Contributions</b>	<b>512</b>	<b>548</b>

S31 grant Business Rates of £2,599,000 has been disclosed within income from council tax and non domestic rates rather than grants and contributions (31 March 2022 £3,589,000).

As at 31 March 2023 the Authority has one grant with a balance of £9,000 that has yet to be recognised as income as it has conditions attached to it. This is in relation to a DEFRA grant towards the development of a Food Enterprise Zone (31 March 2022 £9,000).

In addition, as at 31 March 2023, the Authority has BEIS grants of £318,000 relating to alternative fuel payments which will be distributed in 2023/24 (31 March 2022 Nil).

The Authority also has two grants with a balance of £154,000 that have yet to be recognised as income. These are in relation to DLUHC grants towards Changing Places and Low Emissions (31 March 2022 Nil).

As at 31 March 2023, the Authority has COVID-19 grants of £150,000 where the Authority was acting as the agent and which will be repaid in 2023/24 (31 March 2022 £5,386,000).

The Authority also has a Council Tax rebate grant of £42,000 which is due to be repaid in 2023/24 (31 March 2022 £2,881,000).

All the above balances have been included within Revenue Grants Receipts in Advance.

## 35. Related parties

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

### Central Government

Central government has effective control 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 Authority has with other parties, e.g. council tax bills, housing benefits. Grants received from government departments are set out in Note 34.

### Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 31.

### Officers

Chief Finance Officer (Section 151), Anton Hodge, of Ryedale District Council is a client officer of Veritau North Yorkshire Ltd and the North Yorkshire Building Control Partnership.

### Other Public Bodies

During the year material transactions with other public bodies arose as follows:

		Receipts £000	Payments £000
The Vale of Pickering Internal Drainage Board	Levy	-	104
Veritau North Yorkshire Ltd	See note below	-	62
North Yorkshire Building Control Partnership	See note below	(21)	28

At the end of the financial year the total amount due to and from these public bodies was £nil.

With effect from 1 April 2012, Veritau North Yorkshire Ltd provided an internal audit service for a number of local authorities in the region. Ryedale District Council was a full shareholder, other local authorities within the Company being Scarborough BC, Selby DC, Hambleton DC and Richmondshire DC. Ryedale District Council's contribution to the Company's share capital is £3,000 as at 31 March 2023.

The North Yorkshire Building Control Partnership provides a building control service on behalf of five councils: Ryedale DC (host authority), Selby DC, Hambleton DC, Scarborough BC and Richmondshire DC. Ryedale District Council's proportion of the Partnership's accumulated reserve is £50,000 as at 31 March 2023.

### 36. Capital expenditure and capital financing

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

	2022/23 £000	2021/22 £000
<i>Opening Capital Financing Requirement</i>	2,213	2,069
Capital investment		
Property plant and equipment	1,052	1,652
Investment properties	-	-
Held for sale assets	81	-
Intangible assets	158	160
Revenue expenditure funded from capital under statute	883	943
Loans	33	9
<i>Sources of finance</i>		
Capital receipts	(323)	(49)
Government grants and other contributions	(838)	(1,359)
Sums set aside from revenue		
Direct revenue contributions	(1,004)	(1,003)
Minimum Revenue Provision	(174)	(209)
<i>Closing Capital Financing Requirement</i>	2,081	2,213
<i>Explanation of movements in year</i>		
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(132)	(75)
Assets acquired under finance leases	-	219
<i>Increase / (decrease) in Capital Financing Requirement</i>	(132)	144

## 37. Leases

### Authority as Lessee – Finance Leases

The Authority has acquired a number of vehicles and some equipment under finance leases.

This Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles and the equipment 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 2023 £000	31 March 2022 £000
Finance lease liabilities (net present value of minimum lease payments)		
Current	143	139
Non-current	278	421
Finance costs payable in future years	24	39
Minimum lease payments	445	599

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
Not later than one year	155	154	143	139
Later than one year and not later than five years	290	445	278	421
Later than five years	-	-	-	-
	445	599	421	560

### Authority as Lessee - Operating Leases

The Authority normally acquires vehicles, plant and equipment using operating leases. The Authority also provides certain employees with lease vehicles under three year contract hire agreements.

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

	31 March 2023 £000	31 March 2022 £000
Not later than one year	219	239
Later than one year and not later than five years	624	819
Later than five years	-	-
	843	1,058

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:

	2022/23 £000	2021/22 £000
Minimum lease payments	287	232
Contingent rents	-	-
Sublease payments receivable	-	-
	287	232

### **Authority as Lessor**

The Authority has not leased out property, vehicles or equipment under either finance lease or operating lease arrangements.

### **38. Impairment losses**

During 2022/23 the Authority has recognised an impairment loss of £999k, which includes £154k in relation to the valuations carried out on public conveniences, £33k identified as Ropery House formerly utilised by the Authority and fully utilised as an investment asset and £812k in relation to properties acquired at market value, which have been revalued upon acquisition by the Valuer based on its current use.

### **39. Termination benefits**

The Authority has agreed to terminate the contract of 1 employee in 2022/23, incurring a liability of £90,505.

The number of exit packages that have been agreed, accrued for and charged to the Authority's Comprehensive Income and Expenditure Statement with total cost per band are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£0 - £20,000	-	-	-	-	-	-	-	-
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	1	-	1	-	£90,505	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

## 40. Defined benefit pension schemes

### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, 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 two post employment schemes:

- The Local Government Pension Scheme, administered by North Yorkshire County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions 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. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

### Transactions Relating to Retirement 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 Movements in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
• Current service cost	3,351	3,258	-	-
• Past service costs / (gains)	-	-	-	-
• (Gain) / Loss from settlements	-	-	-	-
<i>Financing and Investment Income and Expenditure:</i>				
• Net interest expense	215	242	7	6
<i>Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services</i>	3,566	3,500	7	6
<i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
• Return on plan assets (excluding the amount included in the net interest expense)	9,237	104	-	-
• Actuarial (gains) and losses due to changes in financial assumptions	(32,122)	(5,336)	(52)	(8)
• Actuarial (gains) and losses due to changes in demographic assumptions	746	(891)	9	(3)
• Actuarial (gains) and losses due to liability experience	9,655	300	23	1
• Adjustment in respect of paragraph 64	1,563	-	-	-
<i>Total Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	(7,355)	(2,323)	(13)	(4)
<i>Movement in Reserves Statement:</i>				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(3,566)	(3,500)	(7)	(6)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• Employers contributions payable to scheme	1,184	1,276		
• Retirement benefits payable to pensioners			17	17

## Pensions 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 plans is as follows:

	Local Government: Pension Scheme £000		Discretionary Benefits £000	
	2022/23	2021/22	2022/23	2021/22
Present value of the defined benefit obligation	(70,182)	(88,165)	(232)	(262)
Fair value of plan assets	70,181	79,625	-	-
Net liability arising from defined benefit obligation	(1)	(8,540)	(232)	(262)

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

	Local Government: Pension Scheme £000		Discretionary Benefits Arrangements £000	
	2022/23	2021/22	2022/23	2021/22
Opening fair value of scheme assets	79,625	78,637	-	-
Interest income	2,140	1,646	-	-
Remeasurement gain/(loss):				
• The return on plan assets, excluding the amount included in the net interest expense	(9,237)	(104)	-	-
• Adjustment in respect of paragraph 64	(1,563)	-	-	-
The effect of changes in foreign exchange rates	-	-	-	-
Contributions from employer	1,184	1,276	17	17
Contributions from employees into the scheme	508	439	-	-
Benefits paid	(2,476)	(2,269)	(17)	(17)
Closing fair value of scheme assets	70,181	79,625	-	-

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligations)

	Funded liabilities: Local Government Pension Scheme £000		Unfunded liabilities: Discretionary Benefits £000	
	2022/23	2021/22	2022/23	2021/22
Opening balance at 1 April	88,165	90,776	262	283
Current service cost	3,351	3,258	-	-
Interest cost	2,355	1,888	7	6
Contribution from scheme participants	508	439	-	-
Remeasurement (gains) and losses:				
• Financial Assumptions	(32,122)	(5,336)	(52)	(8)
• Demographic Assumptions	746	(891)	9	(3)
• Liability Experience	9,655	300	23	1
Past service costs	-	-	-	-
Losses/(gains) on curtailment	-	-	-	-
Entity combinations	-	-	-	-
Benefits paid	(2,476)	(2,269)	(17)	(17)
Closing balance at 31 March	70,182	88,165	232	262

### Local Government Pension Scheme assets comprised:

	31 March 2023 £000	31 March 2022 £000
Equities	36,564	44,351
Property	4,492	5,892
Government Bonds	7,720	13,377
Corporate Bonds	5,053	6,131
Multi Asset Credit	3,720	-
Cash	982	876
Other	11,650	8,998
Closing fair value of scheme assets at 31 March	70,181	79,625

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Solutions UK Limited, an independent firm of actuaries, estimates for the County Council Fund being based on the full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

	31 March 2023	31 March 2022
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.6 yrs	21.8 yrs
Women	25.0 yrs	23.8 yrs
Longevity at 65 for future pensioners:		
Men	23.5 yrs	23.5 yrs
Women	26.0 yrs	25.7 yrs
Rate of Inflation (CPI)	2.70%	3.00%
Rate of increase in salaries	3.95%	4.25%
Rate of increase in pensions	2.70%	3.00%
Rate of revaluation in pension accounts	2.70%	3.00%
Rate for discounting scheme liabilities	4.70%	2.70%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumptions analysed changes while all the other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

## Impact on the Defined Benefit Obligation in the Scheme

	Base Figure	+0.1% pa -0.1% pa Discount Rate	+0.1% pa -0.1% pa Salary Increase Rate	+0.1% pa -0.1% pa Pension Increase Rate	-1 year +1 year Mortality Assumption
Present Value of Total Obligation (£000)	70,182	69,129 71,235	70,252 70,112	71,165 69,199	72,007 68,287
Change in Present Value of Total Obligation (%)		-1.5 1.5	0.1 -0.1	1.4 -1.4	2.6 -2.7
Projected Service Cost (£000)	1,499	1,436 1,563	1,499 1,499	1,563 1,436	1,553 1,445
Approx Change in Projected Service Cost (%)		-4.2 4.3	0.0 0.0	4.3 -4.2	3.6 -3.6

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

## Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The North Yorkshire Pension Fund 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.

Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2025.

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

The Authority paid £1,201,000 expected contributions to the scheme in the year to 31 March 2023.

The weighted average duration of the defined benefit obligation for scheme members is 15.3 years 2022/23 (18.4 years 2021/22).

## Assets Related to Defined Pension Scheme

IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction is considered to be relevant to Ryedale District Council for the first time in 2022/23 since this is the first year that a net LGPS pension asset has been reported by Aon, the actuary.

The backdrop for the LGPS asset reported for the first time is an increase in the discount rate assumption and a decrease in the rate of pension increase (CPI) assumption. This has led to an increase in the real discount rate and improvement in the LGPS balance sheet position. It should be noted that IAS 19 requires the discount rate assumption to be based on that of holding solely high-quality corporate bonds which is not representative of the asset-mix held in North Yorkshire Pension Fund's asset portfolio. Therefore, the IAS 19 asset position reported may not be a true representation of the underlying funding position, which is understood to be more closely related to the level of future contributions.

The IAS 19 calculations from the actuary indicated a net pension asset of £1.5m prior to the asset ceiling adjustment. The actuary produced an IFRIC14 asset ceiling calculation which indicated an asset of negative £2.2m. In line with IAS19 and IFRIC14 accounting principles, the asset ceiling cannot be negative and has been capped at £nil.

The IFRIC 14 assessment has considered whether any future economic benefits are available from the improved LGPS IAS 19 accounting position and whether these support the recognition of an asset. The negative asset ceiling has arisen due to the calculation indicating that future cash contributions are expected to be greater than the future service cost. Primary contributions (relating to future service) have been assumed to be payable in perpetuity in line with minimum funding requirement principles and based on the Rates and Adjustments Certificate for North Yorkshire Council published alongside the 2022 triennial valuation. Secondary contributions (relating to past service) per the Rates and Adjustments Certificate are expected to be negative for the next 18 years, which indicates that some surplus currently exists. The economic benefit arising from the negative secondary contributions has been considered by the actuary in the calculation of the net pension asset ceiling, however the magnitude of this benefit was not sufficient to produce a positive net pension asset ceiling i.e. greater than zero.

The calculated position, an asset of £nil, is considered appropriate on the grounds that this is the first year that a pension asset has existed and there is a degree of uncertainty as to the sustainability of this position. By adopting a no asset/no liability accounting position, significant fluctuations between an asset and liability can be prevented in coming years until a greater understanding of any economic benefits available from the net pension asset can be obtained. North Yorkshire Council will also observe experience going forward across the local government sector in terms of appropriately accounting for the substance of the LGPS net pension asset and capture relevant experience in future LGPS pension estimates, as appropriate.

## **41. Contingent liabilities**

At 31 March 2023 the Authority had no material contingent liabilities.

## **42. Contingent assets**

At 31 March 2023 the Authority had no material contingent assets to report.

### **43. Nature and extent of risks arising from financial instruments**

The Authority'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 Authority;
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments; and
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates movements.

The Authority's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations, standing orders and constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates; and
  - Its maximum and minimum exposures to the maturity structure of its debt; and
  - Its maximum and annual exposures to investments maturing beyond a year; and
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

#### **Credit Risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings services. The Annual Investment Strategy also considers the maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

This Authority uses the creditworthiness service provided by its treasury advisers. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £3m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. The risk of non recovery applies to all of the authority's deposits but there is no evidence at 31 March 2023 that this was likely to occur.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability in previous financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2023	Historical Experience of Default	Historical Experience adjusted for market conditions at 31 March 2023	Estimated maximum exposure to default and uncollectability at 31 March 2023	Estimated maximum exposure to default and uncollectability at 31 March 2022
	£000	%	%	£000	£000
Deposits with Banks and Financial Institutions	24,750	0%	0%	-	-

### Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available when needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

	31 March 2023	31 March 2022
	£000	£000
Up to 20 years	4,445	479
21 to 50 years	1,014	1,014
	5,459	1,493

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

## **Market Risk**

### ***Interest Rate Risk***

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate borrowings and investments 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 Authority has set an upper limit of 5% of its borrowings in variable rate loans and an upper limit of 50% of its investments in variable rates. However, all investments and borrowings are currently fixed rate, which helps to reduce uncertainty. The authority continues to keep a proportion of its investments short term to allow for flexibility in interest rate movements.

### ***Price Risk***

The Authority does not generally invest in equity shares and is therefore not subject to any price risk, that is, the risk that the authority will suffer loss as a result of adverse movements in the price of financial instruments.

### ***Foreign Exchange Risk***

The Authority has no financial assets or liabilities denominated in foreign currencies, therefore it has no exposure to loss arising as a result of adverse movements in exchange rates.

## Collection Fund Statement for the year ended 31 March 2023

2021/22			2022/23		Note
Council Tax £000	Business Rates £000		Council Tax £000	Business Rates £000	
<b>INCOME</b>					
(44,829)		Council Tax	(47,034)		
(46)		Section 13a Discretionary Reliefs	(53)		
-		Transfers from General Fund - Council Tax Benefits	-		
	(12,465)	Income collectable from business ratepayers		(15,479)	
	(165)	Transitional Protection Payments		(7)	
(44,875)	(12,630)	<b>Total Income</b>	(47,087)	(15,486)	
<b>EXPENDITURE</b>					
Precepts and Demands:					
30,538		North Yorkshire County Council	32,840		(2)
5,866		North Yorkshire Police & Crime Commissioner	6,290		
1,604		North Yorkshire Fire & Rescue	1,693		
5,516		Ryedale District Council	5,746		
54		Street Lighting Expenses	58		
Business Rates:					
	-	Payment to National Pool		-	(3)
	5,342	Central Government		7,417	
	4,307	Ryedale District Council		5,934	
	979	North Yorkshire County Council		1,335	
	107	North Yorkshire Fire & Rescue		148	
	110	Allowance for cost of Business Rate Collection		112	
624	(40)	Allowance for Impairment	(191)	(45)	(4)
	315	Provision for Appeals		(196)	(4)
43	2	Write Off of uncollectable amounts	61	40	(4)
44,245	11,122	<b>Total Expenditure</b>	46,497	14,745	
(630)	(1,508)	(Surplus) / deficit for the year	(590)	(741)	
127	7,498	(Surplus) / deficit at 1 April	(503)	5,990	
(503)	5,990	(Surplus) / deficit at 31 March	(1,093)	5,249	

# Notes on the Collection Fund

## 1. General

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised.

The Collection Fund accounts are consolidated with the other accounts of the Council. Transactions are prescribed by legislation and are prepared on an accruals basis. The costs of administering collection are accounted for in the General Fund.

The surplus or deficit on the Collection Fund at the end of the year is required to be distributed to or made good by contributions from the Council, Central Government, North Yorkshire County Council, North Yorkshire Police & Crime Commissioner and North Yorkshire Fire and Rescue Authority in a subsequent financial year.

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 business rates came into effect on 1 April 2013. Billing authorities act as agents on behalf of the major preceptors (10% 2022/23; 10% 2021/22), central government (50% 2022/23; 50% 2021/22) and themselves (40% 2022/23; 40% 2021/22).

## 2. Council Tax

The Council Tax is a tax levied on all domestic properties, in a proportion, which is determined by the valuation band allocated to a property. The Council Tax base, i.e. the number of chargeable dwellings in each valuation band converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	No of Chargeable Dwellings	Ratio	Band D Equivalent Dwellings
A	1,987	6/9	1,325
B	5,700	7/9	4,433
C	5,632	8/9	5,006
D	4,393	1	4,393
E	3,375	11/9	4,125
F	2,009	13/9	2,902
G	1,110	15/9	1,850
H	108	18/9	216
<b>TOTAL</b>	<b>24,314</b>		<b>24,250</b>
Empty Property Premium			81.06
Cost of LCTS Scheme			(1,650.37)
Less adjustment for Collection Rate			(453.84)
Council Tax Base			22,226.85

Precepts and demands for 2022/23 are analysed as follows:

	Ryedale DC £000	NYCC £000	NYPCC £000	NYFRA £000
2022/23 Precept/Demand	5,705	32,614	6,247	1,681
Payment in respect of 2021/22 surplus	41	226	43	12
	5,746	32,840	6,290	1,693

The balance of Council Tax within the Collection Fund is available for funding the precept requirement for the authorities as follows:

	£000
Ryedale District Council	-
North Yorkshire County Council	(906)
North Yorkshire Police & Crime Commissioner	(147)
North Yorkshire Fire & Rescue Authority	(40)

The balance of Council Tax for Ryedale District Council is nil due to Local Government Reorganisation, with the balance being allocated to North Yorkshire Council based on the 2023/24 precept.

### 3. Income from business rates

The Authority collects business rates for its area, which are based on local rateable values multiplied by a uniform rate.

Additional information is as follows:

Total National Non Domestic Rateable Value in £ at 31 March 2023	49,717,866
NDR Rate in £ for 2022/23	51.2p
Small Business Rate in £ for 2022/23	49.9p
Number of Business Premises (Hereditament) at 31 March 2023	3,257
Number of Local Council Tax Support Claimants at 31 March 2023	3,057

Business Rate Yield for 2022/23 is analysed as follows:

	Ryedale DC £000	NYCC £000	NYFRA £000	Government £000
2022/23 Estimates Yield	5,713	1,285	143	7,140
Payment in respect of 2021/22 surplus	221	50	5	277
	5,934	1,335	148	7,417

The balance of Non domestic rates within the Collection Fund is apportioned as follows:

	£000
Ryedale District Council	2,100
North Yorkshire County Council	472
North Yorkshire Fire & Rescue Authority	53
Central Government	2,624

#### **4. Bad and doubtful debts and provision for appeals**

The figures show any movement on the provision for bad and doubtful debts. Provision has been made for Council Tax payers of £712,000 (2021/22: £903,000) and Business Ratepayers of £179,000 (2021/22: £224,000) and is included within Debtors in the Authority's Balance Sheet. Provision has been made for the cost of successful business rate appeals of £1,772,000 (2021/22: £1,968,000).

# Annual governance statement 2022/23

## Scope of Responsibility

Ryedale District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money allocated to it is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

This statement is prepared with consideration to the CIPFA Application of the Good Governance Framework 2020/21 (CIPFA Bulletin 06). That statement notes that:

“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”. Therefore, a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code”.

Ryedale’s Annual Governance Statement has been prepared alongside consideration of the core principles and sub-principles of good governance as set out in that Framework.

## Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and is accountable to the community it serves. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council’s aims and objectives, but it seeks to provide reasonable rather than absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council’s aims and objectives.

The governance framework will have been in place at Ryedale District Council for the year ended 31 March 2023.

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focused upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Corporate Plan. To improve the effectiveness of this, the Council has built on the Health Checks commissioned in 2018 and 2019 by implementing action plans and strengthening capacity in areas described below. Further reviews - such as by the Society for Innovation, Technology and Modernisation SOCITM - have been undertaken in a spirit of continuous improvement and a Council Plan 2020-24 is in place.

The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This is led by the Chief Executive and Section 151 Officer, both appointed in 2018, in conjunction with the Council's Programme Directors, Monitoring Officer/Head of Governance and the Head of HR. Through their Strategic Management Board meetings, they have commissioned and taken action to address governance related issues, and briefed relevant Committees for consideration. Overview and Scrutiny have also pursued a robust approach to strengthening governance arrangements in key areas such as risk management. A review of capacity in Corporate Governance has also taken place, with additional resources invested to ensure that necessary levels of resourcing are in place.

The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives.

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

- The Council's key priorities during 2022/23 were reflected in its Council Plan 2020-24, which was approved by Full Council in September 2020. This sets out the following key aims:
  - Support strong, inclusive and attractive communities
  - Harness Ryedale's unique economy to deliver growth, homes and jobs
  - Create an environment that is sustainable, safe and clean
  - Develop our organisation as an innovative, enterprising Council
- The Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are lawful, efficient, transparent and accountable to local people. This incorporates the Members' Code of Conduct and a number of other locally agreed codes and protocols.
- The Council's budget and policy framework is set by the full Council. The Policy and Resources Committee has delegated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.
- In addition to the Policy and Resources Committee there are two specific regulatory committees for Licensing and Planning. These have independent powers within their legislative framework. Each of these acts within defined terms of reference agreed by the full Council.

- Throughout 2022/23 Council committee meetings were held physically with officers and other participants (such as External Auditors) able to join through MS Teams. They have been broadcast to be able to be viewed by members of the public.
- The Overview and Scrutiny Committee acting as a Corporate Governance Standards Committee has monitored standards of conduct of Members and advised the Council on probity issues. Entries made in the Register of Members' Interests were reviewed by the Monitoring Officer.
- Council decisions are subject to review by the Council's Scrutiny function, which has the ability to call-in and review decisions and also to contribute to the development of policy.
- The committee management system (modern.gov) enables the recording, tracking and monitoring of committee agenda, minutes, reports and decision records.
- Council meetings are accessible for the public except when exempt or confidential matters are being disclosed.
- A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in the Council's Constitution. The Council also has a specific delegation scheme for Planning which is published on the website.
- The Council has adopted a Local Code of Corporate Governance.
- The Council has a Counter Fraud and Corruption Strategy, covering 2020-24 and a Counter Fraud and Corruption Policy, which are reviewed annually. A revised strategy and policy were approved by Overview and Scrutiny (acting as Audit) Committee in January 2021. The Council also has separate Speak Out and Anti Money Laundering Policies. The Council employs Veritau to provide a counter fraud service.
- The Chief Executive post is also an Assistant Chief Executive at North Yorkshire County Council (NYCC). The two councils are working together to support efficiencies and deliver improved services through effective partnership working and in preparation for Local Government Reorganisation (LGR). Due to the substantive postholder's sickness during the period 6 December - 31 March, the Chief Executive role was filled by the Programme Director - Place & Resources (6 December - 10 February) and subsequently by the Programme Director - People & Resources (10 February - 31 March).
- For 2022/23 the Council has ensured that it has had a designated Monitoring Officer in accordance with Section 5 of the Local Government and Housing Act 1989. This has included the appointment of a temporary postholder to cover the period 6 - 31 March. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer also has responsibilities relating to the Members' Code of Conduct.
- The Chief Finance Officer (s151) (a joint role employed by NYCC where the postholder is an Assistant Director for Strategic Resources) is the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with Section 151 of the Local Government Act 1972. In compliance with CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government", Ryedale is in full compliance as the Chief Finance Officer (s151) is a member of the Strategic Management Board.

- Both the Statutory Officers referred to above have unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution.
- Financial sustainability is a key risk for the Council and a robust financial management framework is fundamental to managing and mitigating that risk. It comprises:
  - Financial and Contract Procedure Rules as part of the Constitution
  - A Financial Strategy which provides the framework for financial planning - projecting high level resources and spending over 10 years, it identifies the short, medium and long term financial issues the Council is dealing with and its approach to managing reserves
  - Medium-term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities. Due to the impact of Covid-19 a revised budget and medium term financial strategy was approved by the Council in September 2020.
  - Service and financial planning integrated within the corporate performance management cycle and linked to the Council's corporate objectives
  - Annual budget process involving scrutiny and challenge
  - Quarterly monitoring by management of revenue and capital budgets - with regular reports to Policy and Resources Committee
  - Production annually of a Statement of Accounts compliant with the requirements of local authority accounting practice
  - Compliance with requirements established by CIPFA
- Corporate programme, which is produced with explicit goals and associated performance targets related to the delivery of the Council Plan 2020-2024 in order to ensure that achievement of performance is measurable.
- The Council's staff performance approach links personal objectives directly to the corporate programme and ultimately to the Council Plan 2020-2024.
- Regular reports to the Overview and Scrutiny Committee on complaints and compliments.
- The Council maintains a professional relationship with Grant Thornton, the body responsible for the external audit of the Council. Regular review meetings are held with the Chief Executive and s151 Officer and reports presented to Overview and Scrutiny in its role as Audit Committee.
- Recruitment and selection procedures are based on recognised good practice and all staff posts have a formal job description and competency-based person specification. Services are delivered and managed by staff with the necessary knowledge and expertise with training needs identified via the formal appraisal process.
- Pay is governed by a Pay Policy considered and approved annually by Council.

- A revised approach to managing risk has been adopted in recent years.
  - This has led to an overhaul of the Corporate Risk Register and the development of Service Risk Registers. Advice and guidance has been provided by Veritau and in some cases by North Yorkshire County Council. This work has been recognised and endorsed by Members who see it as an important part of the Council's improvement strategy. As part of that, an update on Risk Management, including the Corporate Risk Register, is presented to Audit Committee twice a year.
  - A Risk Management guidance document has been developed for key staff along with risk management training
  - The maintenance of the Corporate Risk Register comprising risks for the Council as a whole, assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk
  - As well as presentation of this to Committee, Strategic Management Board also keeps the corporate risk management arrangements under review and examine and challenge this and service risk registers
  - Management and Internal Audit of a risk-based approach in the preparation and delivery of the audit plan
  - Officers of the Council are required to consider risk management issues when submitting reports to Committees and Council for consideration by Members. This includes managing risks around equalities, safeguarding and health and safety.
  
- The Council has established a Corporate Information Governance Group (CIGG) in order to address the requirements of the General Data Protection Regulation (GDPR) which came into effect on 25 May 2018. The Council's Senior Information Risk Owner (SIRO) is the Head of Corporate Governance. The CIGG includes representatives from Veritau, who have been engaged as the Council's Data Protection Officer (DPO), a requirement of the GDPR. Veritau provide regular updates to the Audit Committee.
  
- The maintenance of an adequate and effective system of Internal Audit is a requirement of the Accounts & Audit Regulations. Internal Audit is provided by Veritau North Yorkshire Ltd. (VNY), which is part of the Veritau group. The work of Internal Audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. In accordance with these standards Internal Audit is required to prepare an audit plan on at least an annual basis.
  
- Internal Audit examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control.
  
- The audit plan is informed by the Council's main strategic risks. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the Council's priorities and objectives.
  
- The Council seeks to ensure resources are utilised in the most economic, effective and efficient manner whilst delivering continuous improvement. It aims to achieve this by a variety of means including the following:
  - Service/process transformation and efficiency reviews
  - Working with partners
  - External and Internal Audit feedback

## Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- the Annual Internal Audit Assurance opinion, as provided by Veritau North Yorkshire
- the External Auditor's Annual Report on the Council's VFM arrangements
- other comments made by the external auditors and other review agencies and inspectorates
- the Overview & Scrutiny Committee review that the elements of the governance framework are in place and effective, to ensure compliance with the principles. They also reviewed the system of internal audit and concluded it was effective and remained a key source of assurance for the Council in 2022/23.

The Overview and Scrutiny (O&S) Committee process has provided challenge and has monitored the Council's policies and performance on an ongoing basis. The Members of O&S have worked together, adopting a non-political approach, developing and using their knowledge and expertise, and that of others to the best effect. An evidence-based approach to the O&S work has been instrumental in achieving good results.

The Overview and Scrutiny Committee received reports on:

- External Audit Plan
- Internal Audit and Counter Fraud Annual Report
- Equalities Action Plan
- Customer Complaints and Compliments Quarterly Reports
- Treasury Management Annual Report
- CIPFA Financial Management Code
- Local Government and Social Care Ombudsman Annual Review Letter
- Review of the Council's Procedures for Waste Collection from Holiday Lets
- Report of Everyone Active on the 2021/22 Delivery of the Leisure Contract for Ryedale District Council
- Health and Safety Annual Review 2021/22
- Corporate Risk Register Update
- Delivering the Council Plan Updates
- Standards Complaints Overview and Annual Report
- Update on the use of Regulation of Investigatory Powers Act 2000 (RIPA)

The Council is dedicated to ensuring that its resources are utilised in the most effective and efficient manner whilst delivering continuous improvement. Although LGR has meant that the Council has not had to prepare its own budget for the period after the current financial year, Members continued to receive regular budget monitoring reports which set out the impact of the Council as a going concern on the financial position of the new North Yorkshire Council.

The financial monitoring arrangements introduced part way through 2018/19 have continued to operate, giving outturn estimates to Members on a quarterly basis which can now be seen as being consistent with the final actual outturn position. These include information and projections on costs arising from the pandemic and impact on reserves.

To improve the Council's effectiveness of this, capacity and additional support is now in place in services such as Health and Safety, Corporate Governance and Finance, IT, Communications, Transformation, Legal and Procurement. Additional support for Strategy and Performance was implemented in 2021/22 and this has enabled greater scrutiny of the Council's Performance with regular reports now coming to Council.

Based on the assurance work undertaken by Internal Audit, the Head of Internal Audit (Veritau) has provided an opinion on the adequacy of the control environment which concluded that this gave reasonable assurance and also recognised that the Council has made good progress in the last few years to improve its governance arrangements.

Key systems were audited in 2022/23 and a number of audit reports and other pieces of work were provided to management and the O&S Committee.

In December 2022 the Council's external auditors (Grant Thornton) provided the Council with an unqualified opinion on the Council's accounts within their Audit Findings (ISA260) Report. The Auditor's Annual Report on the Council's VFM arrangements was presented to O&S Committee in February 2023.

A new Council Plan was adopted in September 2020; the corporate programme to deliver this, and its underpinning performance framework is ongoing. The Council's People and Culture Plan and Council Plan, details key milestones and measures for success relating to organisational development.

## **Coronavirus**

There has continued to be some impact on Council services of the coronavirus pandemic in 2022/23. Despite the challenges, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever appropriate and possible.

Meetings follow government guidance on making these Covid secure and comply with relevant legislation.

Returns to MHCLG/DLUHC and DHSC and a financial tracker were maintained throughout this period and the financial impact has been reported to Members continuously.

## **Key Issues**

No system of governance or internal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance. In concluding this overview of the Council's governance arrangements, a number of issues were identified that need to be addressed to ensure continuous improvement in the Governance Framework. The aim is to address these issues during the 2023/24 financial year, by way of an action plan for improving the governance framework and system of internal control. This will be subject to monitoring by the Overview and Scrutiny Committee.

The most significant issues that the Council highlighted it would need to address during 2022/23 were those resulting from the residual impacts of the pandemic, Local Government Reorganisation (LGR), the invasion of Ukraine and escalating costs of living.

On 21 July 2021, the Government announced that the county, district and borough councils in North Yorkshire would be replaced by a new unitary council. The new North Yorkshire Council will begin to operate on 1 April 2023. As such all services, assets and liabilities held by Ryedale District Council will transfer to the new authority on that date when this Council will cease to exist. This therefore meant that the 2022/23 budget for Ryedale District Council will be its last.

The process of future planning and budgeting is now one for the new council but the pressures facing this Council are relevant to the new single council from 1 April 2023. This clearly has implications for the period covered by the existing Financial Strategy and removed the need for a budget beyond the next financial year. However the Council is obligated to hand over its affairs to the new organisation in the best state it can and this has meant continuing to tackle known budgetary issues, such as those in Streetscene. The risks and pressures being faced in the medium term were identified in the Financial Strategy agreed by Council in February 2022, which covers those issues beyond the termination of Ryedale District Council.

The financial implications of LGR became clearer during 2022/23, including the use of local-agreed protocols on spending and sharing financial information. Considerable work and resources have been dedicated to ensuring that the new single council is safe and legal by vesting day on 1 April 2023. This meant that there has been additional pressure on resources to deliver in the final year of Ryedale District Council. Costs are associated with resourcing this additional work and £500k was set aside for this in 2022/23. In this period prior to vesting day the accounts for Ryedale District Council will continue to be constructed on a 'going concern' basis - with any services, assets and liabilities transferring to the successor authority.

## Key Issues

In the 2021/22 Annual Governance Statement, seven key issues were identified. An update on these is shown below.

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, a number of issues were identified that have been addressed to ensure continuous improvement in the Governance Framework. 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.

### 1. Financial Sustainability

<b>Accountable Officer</b>	s151 Officer.
<b>Challenge</b>	<p>On-going and future changes to the Council's financial framework including several changes to national and local funding regimes will increase the financial pressure on the Council and risk profile.</p> <p>This needs to be matched with effective financial management on the part of members and officers.</p> <p>This Challenge was revised in 2020/21 to include dealing with the ongoing impact of the Coronavirus Pandemic.</p>
<b>Actions</b>	<p>The agreed Medium Term Financial Strategy of the Council highlights the expected need to make future savings. This informs the budget process for future years for the new North Yorkshire Council.</p> <p>The s151 Officer considers the risk as part of the closure of accounts including the need to make appropriate provisions and reserves at the year-end.</p> <p>Ensure effective budget management is in operation across the Council, including accurate data and forecasting and reporting to members. Ensure that members are kept aware of all relevant financial information to assist in budget setting in future years.</p> <p>The MTFS also took into account the ongoing impact of the Coronavirus pandemic and LGR.</p> <p>The financial impact of LGR was a major feature in 2022/23. The LGR decision and other agreements did not affect the requirement on Ryedale District Council to set a legal budget for 2022/23 that addresses the Council's aims and objectives. There will also be a direct cost to the Council related to the implementation of LGR and some funding has been set aside to cover this. Staff were also expected to contribute to the transformation to the new council and therefore this could impact on capacity.</p>

<p><b>Progress Report</b></p>	<p>This is a Key Issue which has formed part of the AGS for a number of years, and it is expected that this will continue to be the case.</p> <p>A revised Financial Strategy was approved by Council in February 2022 and members were consulted during the preparation of the budget through reports and briefings.</p> <p>Financial monitoring is now fully in place and has explicitly included the impact of LGR.</p> <p>Reviews on additional services are undertaken to ensure that required capacity is funded and resources managed effectively.</p> <p>A budget for Local Government Reorganisation was agreed by Full Council so that Ryedale can play its part in shaping the new Council for North Yorkshire. Costs are being monitored and will be reported as part of budgeting processes.</p> <p>The financial impact of Local Government Review has required careful consideration with regard to use of resources and financial impact as will ongoing monitoring of impact of supply chain disruption and inflationary risks.</p> <p>The revised MTFS has been monitored during 2022/23 to ensure that members of RDC and of the new North Yorkshire Council are aware of the existing financial pressures and opportunities in Ryedale.</p> <p>A Financial Protocol is in place to ensure that any decisions taken by Ryedale which impact on the new Council are transparent.</p> <p>Improved procurement support has led to the monitoring of a forward procurement plan and the correct governance around contract management. Again this is being aligned to the future operation of North Yorkshire Council.</p>
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## 2. Waste and Recycling Review

<b>Accountable Officer</b>	Head of Waste and Environmental Services.
<b>Challenge</b>	To ensure that RDC achieves efficient and effective waste and recycling collection.
<b>Actions</b>	<p>Implementation of new optimised household waste and recycling collections linked to new recycling vehicles and waste transfer station.</p> <p>A piece of work on route optimisation will be completed.</p> <p>Delivery programme of new recycling vehicle completed.</p>
<b>Progress Report</b>	<p>This was highlighted as a Key Issue in the 2018/19 AGS and continues to be an area of focus driven by organisational need and national policy change.</p> <p>Significant operational demands were faced during 2020/21 as residents were spending more time at home due to the Covid lockdown periods. This resulted in unprecedented variations in tonnages presented for collection and operational collections were changed to manage the completion of existing rounds with minimal disruption to household waste and recycling services.</p> <p>The new recycling vehicle became operational during 2021/22 following significant vehicle modifications.</p> <p>The implementation of the new optimised household waste and recycling collection rounds has been rescheduled later in 2021/22 (subject to Covid policy directives) now that this new vehicle is in service and given that the country is now emerging from restrictions.</p> <p>In July 2021 DEFRA consulted on a series of proposals on consistency of collections which included a proposal to introduce free garden waste collections by local authorities from 2023/24 and indicated that any increase costs will be covered by new burdens funding.</p> <p>The Environment Act 2021 received Royal Assent on the 9 November 2021 and will require all waste collection authorities in England to arrange for the separate collection of garden waste for recycling or composting. It is expected that the outcome of the DEFRA consultations on the consistency of collections will mandate free garden waste collections from 2023/24.</p> <p>These factors will all be taken into account when moving forward.</p>

<b>Progress Report continued</b>	There has been ring-fenced investment in place to facilitate this including a new vehicle replacement programme, which was approved as part of the capital programme for the period 2021/22 to 2024/25, and a Streetscene transformation capacity funding which was agreed as part of the 2021/22 revenue budget. Therefore all three actions highlighted above have now been completed and the ongoing revenue budget is now back on track.
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### 3. The Local Plan

<b>Accountable Officer</b>	Programme Director for Place and Resources.  Planning Services Manager.
<b>Challenge</b>	The Local Plan requires review and adoption given its age. This Project is ongoing, beginning in 2020/21. The review process has identified that the Local Plan must be subjected to a full review, and this has resulted in a position whereby the review cannot be formally published prior to LGR taking place in April. A full plan review would not be completed until 2026. A new Local Plan for North Yorkshire is to be commenced in spring of 2023, and a decision will be made by North Yorkshire Council as to whether the review of the Ryedale Plan continues as a standalone plan alongside the new Local Plan for North Yorkshire, or it is subsumed into the new Local Plan. A decision on this is due May 2023.
<b>Actions</b>	This will highlight expected levels of development that will take place in the District and will set out the specific types of new development required to meet Ryedale's needs. It will also set out the approach to responding to climate change in terms of policies which will be applied to a range of new developments.
<b>Progress Report</b>	As set out above, a new Local Plan for North Yorkshire is to be commenced in spring of 2023, and a decision will be made by North Yorkshire Council as to whether the review of the Ryedale Plan continues as a standalone plan alongside the new Local Plan for North Yorkshire, or it is subsumed into the new Local Plan. A decision on this is due May 2023.

#### 4. Resilience and Capacity

<b>Accountable Officer</b>	Head of HR.
<b>Challenge</b>	<p>To ensure sufficient capacity to enable the Council to carry out strategic and/or operational objectives.</p> <p>This also includes HR policies and procedures - review and approval, including staffing aspects of Equality and Diversity.</p>
<b>Actions</b>	<p>Continuous review of the new arrangements now in place.</p> <p>HR policies should be fit for purpose. Documents should grow and adapt with an organisation. Policy review and revision is a crucial part of an effective policy and procedure management plan.</p> <p>Action plan towards developing level for the Equality Framework for Local Government with respect to staffing matters.</p>
<b>Progress Report</b>	<p>This was initially highlighted as a Key Issue in the 2018/19 AGS (for action in 2019/20). The Action was that actions from a comprehensive Health Check of HR were followed up and implemented.</p> <p>Capacity and additional support has been put in place in services such as Health and Safety, Enforcement, Planning &amp; Regulatory Services, Corporate Governance, Finance, IT, Communications, Programme Management, Legal, Revenues and Benefits and Procurement. Additional support for Strategy and Performance was planned for implementation in 2020/21, but was delayed by the need to prioritise Covid-19. This is now in place (June 2021).</p> <p>15 HR policies have now been reviewed and either approved by Council or in the process of gaining approval. In its final year, it was agreed that any further reviews and changes would be restricted to any changes required by law.</p> <p>Additional resources were secured during the Covid-19 pandemic to support key areas of the business to function e.g. customer services advisors. However this is constantly under review and pressures in capacity are exacerbated by the work that has been undertaken and is likely to increase on LGR. These capacity pressures have continued to be reviewed during 2022/23 and brought to members' attention where additional capacity was required. This was highlighted in the Financial Strategy presented to Full Council in February 2022 and Council agreed to set aside funding in the budget to assist with this.</p>

## 5. Economic Recovery and Growth

<b>Accountable Officer</b>	<p>Programme Director - Place and Resources.</p> <p>Programme Director - People and Resources.</p>
<b>Challenge</b>	<p>Economic Recovery and Growth.</p>
<b>Actions</b>	<p>Delivering a strong, sustainable economy will need to now take account of the recovery required post-Covid to address the long-term, sustainable economic success of the district. This includes addressing the needs of those who are experiencing poverty and severely reduced income as a consequence of the pandemic.</p> <p>Submission of York/North Yorkshire devolution asks to Government were agreed by Elected Members. Submission has occurred and councils across York and North Yorkshire are continuing to ask for a negotiation process with Government to begin.</p> <p>A plan for leaving the European Union is also critical given the impact this may have on many businesses. Component parts of the proposed devolution deal relating to thriving businesses, strong job opportunities, robust infrastructure, and strong culture, tourism and low carbon sectors, are aiming to be progressed through bids into new Government funding tranches (e.g. Community Renewal Funding, Levelling Up) that are replacing EU funding tranches.</p> <p>Inclusive growth is also key to mitigate the increasing levels of poverty that are arising from the consequences of Covid-19. This includes a focus on partnership initiatives with other key bodies including Town and Parish Councils, NYCC and the voluntary and community sector.</p>
<b>Progress Report</b>	<p>This has been highlighted as a Key Issue since 2018/19 but was revised in 2021 to take account of the recovery required post-Covid.</p> <p>A key focus has been on providing immediate support to businesses. This included handling increased service demands and direct action to enable businesses to trade safely (e.g. environmental health, community officer roles in Covid secure management, increased benefits claims and housing applications). Grants to business and individuals have been made as quickly and effectively as possible to ease distress and protect lives and livelihoods (e.g. self-isolation, a variety of business grants).</p> <p>The Council's actions to support economic recovery are aligned to the Council Plan and have also been progressed as part of the regional Local Resilience Forum arrangements.</p> <p>Ryedale is also playing a key role in the management of poverty across York and North Yorkshire.</p>

<b>Progress Report continued</b>	<p>Examples of Economic Development work carried out in 2022/23 included:</p> <ul style="list-style-type: none"><li>• Secured approval for the provision of new light industrial Starter Units in Pickering.</li><li>• Continued project development work for the relocation of Malton Livestock Market.</li><li>• Completed implementation of Malton - Pickering Cycle route, funded with £628,000 from the Rural Development Programme for England (with funding from the European Agricultural Fund for Rural Development).</li></ul> <p>In addition to the above and all other work undertaken by the team, the Local Government Reorganisation process has latterly become a more significant aspect of work, with Officers regularly participating across two major work streams - Economic Development and Culture, Leisure and Sport.</p> <p>Discussions on devolution have now begun and the AGS will be updated to cover these as appropriate.</p>
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## 6. Climate Change

<b>Accountable Officer</b>	Programme Director - Place and Resources.
<b>Challenge</b>	Delivering the Climate Change Action Plan to ensure that Ryedale District Council can contribute towards the reduction in global temperature rise.
<b>Actions</b>	Progressing Action Plan delivery through numerous projects which include operations, partnerships with public, private, voluntary sectors and Ryedale Environmental sectors and residents, building and assets, transport and vehicles.
<b>Progress Report</b>	<p>This continues to be highlighted as a Key Issue and specifically to review and enact the Action Plan. This has been done and taken into account in the update below.</p> <p>Agreed three-year revenue budget in place to support delivery. Climate Change Officer in place from November 2021. Since the baseline year (2018/19), RDC has achieved a 19.5% reduction in its Carbon Dioxide equivalent emissions. This is 4.5% higher than the 15% reduction target for the financial year 2021/22.</p> <p>RDC holds quarterly climate change working group meetings to ensure the Climate Change Action Plan is kept up-to-date, progress is being achieved against listed actions, and that new opportunities are incorporated. A range of projects have been delivered, including:</p> <ul style="list-style-type: none"> <li>• delivery of LED street lighting across Malton and Norton (364 lamps, equating to a CO<sub>2</sub> saving of 36 tonnes per year).</li> <li>• delivery of 20 fast-charging units (at car parks) and 10 RDC workplace units.</li> <li>• delivery of 11.4 mile Malton - Pickering cycle route enhancements.</li> <li>• secured £80,250 from the UK Government's Heat Network Delivery Unit for feasibility studies into Geothermal energy.</li> <li>• delivery of first round of the community environmental grant to 6 community groups across Ryedale. Energy efficiency projects with a community focus, ranging from roof insulation to an EV charge point.</li> <li>• delivery of BEIS Local Authority Delivery Grant 2 (LAD2) funding, 73 measured ranging from Solar, EWI, ASHA and SMHC.</li> </ul> <p>replacement of vehicle fleet to ensure Euro 6 compliant.</p> <p>Carbon impact assessments are required for all projects. RDC's Procurement Plan 2021 - 2023 "Theme 3" outlines that climate change impacts should be considered within the Council's supply chain.</p> <p>RDC works collaboratively with local authorities across York and North Yorkshire to develop and deliver climate change projects, including through LGR, in developing the new authority's climate strategy.</p>

## 7. Council Plan

<b>Accountable Officer</b>	Chief Executive.
<b>Challenge</b>	A Council Plan is a necessary strategic document for guiding the work programme for the organisation and its employees. The current Council Plan was adopted in September 2020.
<b>Actions</b>	Now the Council Plan is adopted, a corporate programme and underpinning performance framework is being developed. This will be subject to democratic decision-making in due course.
<b>Progress Report</b>	<p>This was highlighted as a Key Issue in the 2018/19 AGS (for action in 2019/20) and specifically noted that there would be a revision of the Plan and its priorities. This was achieved.</p> <p>A series of engagement sessions took place with Elected Members and officers to produce the new Council Plan, which was adopted by Council in September 2020. It highlights four main priorities as below:</p> <ol style="list-style-type: none"> <li>1. Our communities: strong, inclusive and attractive.</li> <li>2. Our economy: harnessing Ryedale’s unique economy to deliver growth, homes and jobs.</li> <li>3. Our environment: a sustainable, safe and clean place to live.</li> <li>4. Our organisation: an innovative, enterprising council.</li> </ol> <p>A corporate programme is being delivered to achieve the objectives set out in the Council Plan; the reporting mechanism for this is Policy and Resources. An annual report of performance for 2020/21 was presented to Policy and Resources in September and to Full Council in October 2021 with quarterly reporting thereafter.</p> <p>Members have also engaged in a prioritisation exercise which gives direction on the key areas of work to be completed. This and the agreement of RDC’s final budget is enabling officers to focus on delivering strategic goals.</p>

## Approval of the Annual Governance Statement

Through the action referred to on the previous page, we propose over the coming year to address the issues that have been identified, with a view to further enhancing our governance arrangements. These steps will identify improvements that are needed and we will monitor their implementation and operation as part of our next annual review.

Signed:	Dated: 18 March 2024
Chair of the Audit Committee	

Signed:	Dated: 18 March 2024
Richard Flinton Chief Executive Officer	

# Independent Auditor's Report 2022/23

Auditors report to follow

Auditors report to follow

Auditors report to follow

Auditors report to follow

Auditors report to follow

## Analysis of the cost of services (unaudited) (Comprehensive income and expenditure statement)

This analysis provides supplementary information to the audited accounting statements. It provides details of the expenditure and income for each individual service for the Cost of Services line in the Comprehensive Income and Expenditure Statement:

2021/22 Net Exp. £000	Service	2022/23 Expenditure £000	2022/23 Income £000	2022/23 Net Exp. £000
	<b>Central Services to the Public</b>			
105	Grants, Bequests & Donations	174	-	174
257	Emergency Planning	99	-	99
634	Local Tax Collection	1,151	441	710
414	Elections	445	2	443
(10)	Local Land Charges	167	166	1
<b>1,400</b>	<b>Net Expenditure Central Services to the Public</b>	<b>2,036</b>	<b>609</b>	<b>1,427</b>
	<b>Cultural &amp; Related Services</b>			
107	Culture & Heritage	153	-	153
227	Open Spaces	220	16	204
940	Recreation & Sport	598	-	598
81	Tourism	293	94	199
<b>1,355</b>	<b>Net Expenditure Cultural &amp; Related Services</b>	<b>1,264</b>	<b>110</b>	<b>1,154</b>
	<b>Environmental &amp; Regulatory Services</b>			
1	Closed Churchyards	8	-	8
-	Community Safety (CCTV)	-	-	-
47	Community Safety (Crime Reduction)	56	4	52
15	Community Safety (Safety Services)	16	-	16
81	Flood Defence & Land Drainage	459	-	459
748	Recycling	2,403	1,425	978
1,128	Regulatory Services	1,876	232	1,644
619	Street Cleansing	598	24	574
160	Trade Waste	865	891	(26)
1,000	Waste Collection	954	25	929
<b>3,799</b>	<b>Net Expenditure Environmental &amp; Regulatory Services</b>	<b>7,235</b>	<b>2,601</b>	<b>4,634</b>

2021/22 Net Exp. £000	Service	2022/23 Expenditure £000	2022/23 Income £000	2022/23 Net Exp. £000
	<b>Planning Services</b>			
71	Building Control	291	215	76
(58)	Business Support	268	50	218
131	Community Development	618	-	618
547	Development Control	1,035	515	520
224	Economic Development	632	175	457
87	Environmental Initiatives	101	-	101
431	Planning Policy	362	-	362
<b>1,433</b>	<b>Net Expenditure Planning Services</b>	<b>3,307</b>	<b>955</b>	<b>2,352</b>
	<b>Highways &amp; Transport Services</b>			
(536)	Parking Services	431	873	(442)
46	Transport Support	51	-	51
<b>(490)</b>	<b>Net Expenditure Highways &amp; Transport Services</b>	<b>482</b>	<b>873</b>	<b>(391)</b>
	<b>Housing Services</b>			
85	Enabling	96	1	95
309	Homelessness	1,216	728	488
128	Housing Advice	152	-	152
140	Housing Benefits Administration	364	150	214
162	Housing Benefits Payments	7,057	6,894	163
(612)	Housing Strategy	576	520	56
295	Other Council Property	1,035	100	935
234	Other Welfare Services	595	251	344
(39)	Private Sector Housing Renewal	988	745	243
<b>702</b>	<b>Net Expenditure Housing Services</b>	<b>12,079</b>	<b>9,389</b>	<b>2,690</b>
	<b>Corporate &amp; Democratic Core</b>			
1,421	Corporate Management	1,648	30	1,618
1,051	Democratic Representation & Management	1,075	-	1,075
<b>2,472</b>	<b>Net Expenditure Corporate &amp; Democratic Core</b>	<b>2,723</b>	<b>30</b>	<b>2,693</b>
	<b>Other Corporate &amp; Non Distributed Costs</b>			
(37)	Other Services	65	4	61
164	Non Distributed Costs	39	-	39
<b>127</b>	<b>Net Expenditure Other Corporate &amp; Non Distributed Costs</b>	<b>104</b>	<b>4</b>	<b>100</b>
<b>10,798</b>	<b>COST OF SERVICES</b>	<b>29,230</b>	<b>14,571</b>	<b>14,659</b>

# Glossary

## **Accounting Concepts**

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

## **Accounting Period**

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

## **Accounting Policies**

Accounting Policies and estimation techniques are the principles, bases, 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 accruals where there is uncertainty over the amount.

## **Accruals**

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

## **Actuarial Gains and Losses**

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

## **Amortisation**

The gradual elimination of a debt by periodic payments over a specified number of years.

## **Asset**

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

## **Assets Under Construction**

This is the value of work on uncompleted tangible fixed assets at the balance sheet date.

## **Balance Sheet**

A statement of the recorded assets, liabilities and other balances of the Authority at the end of the accounting period.

## **Business Rates Retention Scheme**

A new scheme introduced from April 2013 which provides for local authorities sharing any surplus or deficit in Business Rates Income above or below a pre-determined baseline funding level set by Central Government.

## **Capital Adjustment Account**

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

**Capital Charge**

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

**Capital Expenditure**

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

**Capital Expenditure charged to Revenue Account (CERA)**

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

**Capital Financing**

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

**Capital Programme**

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

**Capital Receipts**

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

**Cash Flow Statement**

A statement summarising the inflows and outflows of cash, arising from transactions between the Authority and third parties, for revenue and capital purposes.

**Charging Authority**

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

**Collection Fund**

A fund administered by the Charging Authorities into which is paid council tax and NDR income and outstanding community charge income. Precepts are paid from the fund to Precepting Authorities, including the Charging Authority, and the NDR collected is paid to the Government.

**Community Assets**

Assets that the Authority intends to hold in perpetuity that have no determinable useful life, or that may have restrictions on their disposal. Examples of such items are parks and historic buildings.

**Consistency**

The concept that the accounting treatment of like items, within an accounting period, and from one period to the next, is the same.

**Contingent Asset**

A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

**Contingent Liability**

A possible liability that can be the result of either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**Corporate and Democratic Core**

The corporate and democratic core comprises all activities that the Authority engages in specifically because it is an elected, multi-purpose authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. The code of practice, therefore, does not require these costs to be apportioned to services.

**Council Tax**

A charge on residential property within the Authority's area to finance a proportion of the Authority's expenditure.

**Creditors**

Amounts owed by the Authority for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

**Current Assets**

Assets that can be expected to be consumed or realised (cease to have material value) during the next accounting period.

**Current Liabilities**

Amounts that will become due or could be called upon during the next accounting period.

**Current Service Cost (Pensions)**

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

**Curtailement**

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments can include termination of employees' services earlier than expected (due to ceasing an activity) 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 due to the Authority for goods or services provided within the accounting period but not received at the balance sheet date.

**Deferred Debtors**

Amounts due to the Authority that are not expected to be repaid in full within the next accounting period.

**Deferred Liabilities**

These are liabilities which, by arrangement, are payable beyond the next year, either at some point in the future or by an annual sum over a period of time.

**Defined Contribution Pension Scheme**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Depreciation**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing-out, using up or other reduction in the useful life of a fixed asset. This can arise from use, passing of time or obsolescence through, for example, changes in technology or demand for the goods and services provided by the asset.

**Emoluments**

These are all sums paid to, or receivable by, an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either the employer or the employee are excluded.

**Expected Rate of Return on Pension Assets**

This applies to a funded defined benefit pension scheme and is the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**Financial Reporting Standards (FRSs)**

Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

**Financial Year**

Period of time to which a Statement of Accounts relates. The financial year of the Authority runs from 1 April to 31 March.

**Fixed Assets**

Tangible and intangible assets that can be expected to be of use or benefit to the Authority in providing its services for more than one accounting period.

**General Fund**

The main account of the Authority that records the costs of service provision.

**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**

Payments by central government towards the cost of Local Authority services either specifically (e.g. improvement grants) or generally (e.g. revenue support grant).

**Impairment**

A reduction in the value of a fixed asset below its carrying amount on the Authority's balance sheet.

**Income and Expenditure Account**

The Income and Expenditure Account combines the income and expenditure relating to all the Authority's functions.

**Infrastructure Assets**

These are fixed assets that are inalienable, i.e. expenditure on assets that cannot be sold, but where there is economic benefit over more than one year to the Council. Examples of infrastructure are highways and footpaths.

**Intangible Fixed Asset**

These are assets which do not have a physical substance, e.g. computer software, but which yield benefits to the Council, and the services it provides, for a period of more than one year.

**Interest Cost**

This relates to a defined benefit pension scheme. The expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

**International Financial Reporting Standards (IFRS)**

Accounting standards set by the International Accounting Standards Board. The standards provide guidance and advice for the preparation of financial statements.

**Investment**

An investment is considered to be long term if it is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified as such only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet the above criteria should be classified as current assets.

**Investment Properties**

An interest in land and/or buildings where construction work and development has been completed and which is held for its investment potential, any rental income being negotiated at arms-length.

**Leasing**

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

**Liability**

An account due to an individual or organisation that will be paid at some future date.

**Liquid Resources**

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

**Long-Term Contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

**Minimum Revenue Provision**

The minimum amount which must be charged to the Authority's revenue accounts each year and set aside as a provision to meet the Authority's credit liabilities.

**Monitoring Officer**

Under the provisions of the Local Government and Housing Act 1989 Councils have a duty to appoint a Monitoring Officer to ensure the lawfulness and fairness of Authority decision making. Councils may choose who to designate as Monitoring Officer except that it may not be the Head of Paid Service (Chief Executive).

**National Non-Domestic Rates (NDR)**

An NDR poundage is set annually by central government and collected by Charging Authorities. The proceeds are redistributed by the government between Local Authorities through Top Ups and Tariffs.

**Net Book Value**

Amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Non- Current Assets**

These are assets with a physical substance that yield benefits to the Authority and the services it provides for a period of more than one year.

**Non Distributed Costs**

These are overheads from which no user benefits, and therefore they cannot be allocated to a service area.

**Non-Operational Assets**

These are fixed assets owned by the Council, but not directly occupied, used or consumed in the delivery of Authority services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, awaiting sale or redevelopment.

**Operational Assets**

These are fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Past Service Cost**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Post Balance Sheet Events**

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible finance officer.

**Precept**

The amount that a Precepting Authority requires from a Charging Authority to meet its expenditure requirements.

**Precepting Authority**

Local Authorities, including parish councils and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Authorities.

**Prior Year Adjustments (or Prior Period Adjustments)**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

**Provisions**

Amounts set aside in the accounts for future liabilities that are likely to be incurred, but which cannot accurately be quantified.

**Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

**Prudential Indicators**

The Local Government Act 2003 specifies a number of prudential indicators covering both capital and treasury management activities which local authorities must set as part of their budget process. They are designed to show the affordability of the capital programme and that the local authority borrowing is prudent and sustainable.

**Realisable Value**

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

**Related Party**

Two or more parties are related where one party has control or is able to influence the financial or operational policies of another.

**Reserves**

Amounts set aside in the accounts for the purpose of defraying particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

**Residual Value**

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

**Retirement Benefits**

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

**Revaluation Reserve**

This account contains surpluses and losses arising from the periodic valuation of non-current assets.

**Revenue Account**

An account which records the Authority's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

**Revenue Expenditure Funded from Capital Under Statute**

Expenditure which may be properly capitalised but which does not result in or remain matched with assets controlled by the Authority.

**Revenue Support Grant (RSG)**

A general central government grant paid to the Income and Expenditure Account in support of the Charging Authority's revenue expenditure.

**Scheme Liabilities**

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

**Section 151 Officer (s151)**

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Authority's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. Furthermore section 25 of the Local Government Act 2003 requires the Section 151 Officer to comment on the robustness of the budget estimates and the adequacy of reserves.

**Statement of Recommended Practice (SORP)**

This is the guidance issued by CIPFA to enable Authority's to ensure that the Accounts published comply with IFRS as it applies to local authority financial matters.

**Stocks (inventories)**

Items of raw materials and stores purchased by the Authority to use on a continuing basis which have not been used. The value of those items not used at the balance sheet date are included as assets of the Council.

**Support Services**

The costs of departments that provide professional and administrative assistance to services e.g. Financial Services, Human Resources.

**Temporary Borrowing/Investment**

Money borrowed or invested for an initial period of less than one year.

**Useful Life**

The period over which the Authority will derive benefits from the use of an asset.

**Work in Progress**

The value of work done on an uncompleted project that has not been recharged to the appropriate account at the balance sheet date.

RYEDALE  
DISTRICT  
COUNCIL



Published:  
March 2024

# The Audit Findings (ISA 260) Report for Ryedale District Council

**Year ended 31 March 2023**

6 March 2024



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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be discussed with the North Yorkshire Council Audit Committee.

### Gareth D Mills

Name: Gareth Mills

For Grant Thornton UK LLP

Date: 6 March 2024

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Ryedale District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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## Financial Statements

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Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We received the Council's draft 2022-23 accounts on 31 May 2023, in line with the statutory deadline for unaudited accounts. The places Ryedale in a minority of c30% local government bodies that managed to achieve the draft accounts date. This represents a good achievement, given all other competing pressures. Our audit work was completed remotely during October 2023 through to February 2024. Our findings are summarised in Section Two of this report.

We have not identified any adjustments impacting on the Council's usable reserves. Three misstatements were identified that impacted classification on the Council's balance sheet, which had no overall impact to the total value of the balance sheet or reserves. A further misstatement was identified in respect of the Comprehensive Statement of Income and Expenditure with income and non-pay expenditure equally overstated, with no overall impact on the outturn position. All four of these misstatements have been adjusted by management and are detailed at Appendix C. A misstatement was also identified in respect of the land & buildings carrying value, following receipt of revised valuations on four high value assets that were not originally selected for revaluation in 2022-23. We understand that this has not been adjusted on the grounds of materiality. This is also detailed at Appendix C. Our work also identified several presentational and disclosure amendments which are detailed at Appendix C. Our follow up of recommendations from the prior year's audit are detailed at Appendix B.

Our work is nearing completion in advance of the target sign off to follow shortly after North Yorkshire Council's Audit Committee in March 2024. We are not anticipating any material changes to the financial statements subject to any matters identified on receipt of the North Yorkshire Pension Fund assurance letter. At present, there are no additional matters of which we are aware that would require modification of our proposed audit opinion detailed at Appendix G, subject to the satisfactory conclusion of the following outstanding matters:

- receipt and review of the Local Government Pension Scheme (LGPS) pension assurance letter and responses to our audit inquiries from the auditor of North Yorkshire Pension Fund
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of land and buildings valuation, pension fund net balance valuation and journal entry testing
- reviewing the final version of the accounts, Narrative Report and Annual Governance Statement to check agreed amendments have been processed
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, up to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited. Some presentational and narrative amendments have been made as detailed at Appendix C.

Our anticipated financial statements audit report opinion will be unmodified, including an Emphasis of Matter paragraph highlighting that the Council demised on 31 March 2023. Our work on the Council's value for money (VFM) arrangements is complete, and the detailed findings from our VFM work have been reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR) published alongside this report. Overall we are satisfied with the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources with no formal recommendations reported given the Council has demised.

# 1. Headlines

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## Value for Money (VFM) arrangements

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Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work and our Auditor's Annual Report has been published alongside this report, and will be presented to members at the North Yorkshire Council Audit Committee meeting on 18 March 2024.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work identified no significant VFM weaknesses in the Authority's arrangements.

Overall we are satisfied with the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources with no formal recommendations reported, given the Council has demised.

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## Statutory duties

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The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

Subject to our review of the Council's Whole of Government Accounts (WGA) submission, we expect to conclude our work in these two areas and be in a position to issue our audit certificate by the end of March 2024.

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## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. We would like to take this opportunity to record our appreciation for the assistance and support provided by the finance team and other staff during our audit, particularly given the re-organisation and new roles taken on by legacy Ryedale officers since 1 April 2023 and managing new commitments alongside dealing with audit queries.

We have continued to note a strong level of engagement from senior officers and the finance team during the 2022-23 audit period and we are grateful to officers for their understanding in terms of the timing and delivery of our year-end audit. The engagement from Council officers has ensured the audit was delivered in a reasonable timescale from start to finish.

# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed with the North Yorkshire Council Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including a high-level review of its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

## Conclusion

Our work is nearing completion in advance of the target sign off to follow shortly after North Yorkshire Council's Audit Committee in March 2024.

Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion with the inclusion of an "emphasis of matter" paragraph highlighting that the Council demised on 31 March 2023.

As at the end of February 2024, the outstanding items include:

- receipt and review of the Local Government Pension Scheme (LGPS) pension assurance letter and responses to our audit inquiries from the auditor of North Yorkshire Pension Fund
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of land and buildings valuation, pension fund net balance valuation and journal entry testing
- reviewing the final version of the accounts, Narrative Report and Annual Governance Statement to check agreed amendments have been processed
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, up to the date of signing the opinion.

# 2. Financial Statements



## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 31 May 2023.

We detail our determination of materiality for the Council in the table.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£533k	We have determined materiality at 2% of gross expenditure on cost of services. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget.  There are no changes to this threshold or benchmark to that set out in our Audit Plan dated 31 May 2023.
Performance materiality	£400k	Assessed to be 75% of financial statement materiality and informed by our past experience of receiving a good set of draft accounts from RDC.
Trivial matters	£26k	This equates to 5% of materiality. This is our reporting threshold to the North Yorkshire Council Audit Committee for any errors identified.
Senior officer remuneration disclosures (including exit packages)	£20k	The senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to their sensitive nature and also based on our expectation of a redundancy settlement being paid to the former Chief Executive of RDC.  There are no changes to this threshold from our Audit Plan dated 31 May 2023.



# 2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

## Risks identified in our Audit Plan

## Commentary

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our work focussed on key estimates and judgements made by management. No entity-specific fraud risks were identified and communicated in our Audit Plan dated 31 May 2023 and none have subsequently been identified from the audit fieldwork procedures performed.

In response to this risk, we have conducted testing on journal entries where there has been the potential to manually input adjustments to the general ledger, with a focus placed on closing journal entries in the final period and during the preparation of the financial statements as instructed by relevant auditing standards.

We have also conducted a review of key accounting judgements and accounting estimates. No estimates or judgements have been identified as a fraud risks and due statutory accounting overrides prescribed by the Code, we have not identified any incentives for management to fraudulently misstate relevant transactions and balances. No indicators of management bias have been identified from our work on judgements and accounting estimates.

### As part of our work, we have:

- evaluated the design effectiveness of management controls over journal entries
- understood the ledger integration with relevant sources and sub-systems to identify how management may be able to intervene in the journals posting process and post fraudulent entries
- analysed the journals listing and determined the criteria to be applied in identifying high risk unusual journals
- challenged management's key judgements and estimates and considering whether these judgements and estimates are individually or cumulatively indicative of management bias
- tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale including the existence of underlying incentives for any changes in accounting policies, estimates or significant unusual transactions.

### Key findings

Our audit work has not identified any issues in respect of management override of controls.

# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

## Commentary

### Risk of fraud in revenue recognition and expenditure

#### Revenue

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including at the Council, mean that all forms of fraud are seen as unacceptable.

#### Expenditure

Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Authority, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:

- there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds
- there is no significant pressures on general fund reserves of the Council.

As part of our final accounts audit process, we have reconsidered our rebuttal of both revenue and expenditure recognition and consider the rebuttal to still remain appropriate. Notwithstanding that we have rebutted these risks, we have undertaken a significant level of work on the Council's revenue streams, as they are material to the financial statements audit.

As part of our audit work, we have:

#### Accounting policies and systems

- Evaluated the Council's accounting policies for recognition of income and expenditure for its material income and expenditure streams and compliance with the CIPFA Code;
- Updated our understanding of the Council's business processes associated with accounting for income and expenditure.

#### Fees, Charges and other service income

- Agreed, on a sample basis, income and year end receivables from other income supporting evidence;
- Carried out sufficient and appropriate audit procedures to ascertain that income was recognised in the correct accounting period using cut off testing.

#### Taxation and non specific grant income

- Income for national non-domestic rates and council tax is predictable and therefore we have conducted substantive analytical procedures;
- For other grants we sample tested items from supporting evidence and checked the appropriateness of the accounting treatment was in line with the CIPFA Code.

#### Expenditure

- Agreed, on a sample basis, non-pay expenditure to supporting evidence to demonstrate occurrence and accuracy of expenditure recorded;
- Undertook a detailed substantive analytical procedure on pay expenditure, including checking that changes in gross pay year on year were supported by underlying data including enacted pay awards and movements in workforce numbers;
- Designed and carried out appropriate audit procedures to ascertain that recognition of expenditure is in the correct accounting period, including using cut off testing, focusing either side of the reporting date of 31 March 2023;
- Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the value of the accrual was consistent with the value invoiced after the year end.

#### Key findings

Our reconciliation procedures prior to sampling identified £2.74m that had been accounted for as expenditure and grant income, in relation to which the Council was acting as agent and therefore, this amount should have been excluded from the transactions presented in the financial statements. This amount related to the 2022-23 support for energy bills - council tax rebate. The £2.74m was the non-discretionary portion of the funding, for which central government stipulated the conditions of eligibility and as such Ryedale was acting as agent on behalf of central government when distributing the grant funding to council tax payers. Management has adjusted the accounts for this error and the adjustment is further detailed on page 30 of this report.

# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan Commentary

### Valuation of land and buildings

The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£15m) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.

We therefore identified the closing valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.

The audited body engaged an external management expert from City of York Council to value its land & buildings estate, as in prior years. As noted below, the key matter in respect of the land & buildings value was a lower percentage of the estate was valued than expected (only 11.5% of the RDC estate by value was valued in 2022-23 against an expectation of 20% or more). This was considered to be of elevated importance in 2022-23 given the Council's demise on 31 March 2023, and the requirement arising to transfer the Council's asset register to North Yorkshire Council in an orderly manner, including ensuring the carrying value of land & buildings assets was fairly stated ahead of vesting day on 1 April 2023. Following dialogue and a challenge process with the audit team, Management commissioned the valuation of a further four high-value land & buildings assets which had a carrying value of £7m.

As part of our audit work, we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out
- evaluated the appropriateness of the basis of the valuation
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
- agreed, on a sample basis, the internal floor areas (GIAs) to electronic floorplan records held by the estates surveyor
- for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations
- challenged management how it had obtained assurance over the carrying value of assets not revalued (which totalled £13.2m), considering that per the draft accounts only 11.5% of the total land & building assets (by value) had been revalued in 2022-23. This resulted in additional valuations being undertaken on the Council's four largest assets which included Ryedale House, Malton Depot, Ryedale Pool and Derwent Pool. Management was able to demonstrate that the net impact of the four additional valuations was a decrease to the carrying value of land & buildings totalling £157k. Management opted not to adjust the financial statements for these valuations on the grounds of materiality. This has been included as an unadjusted misstatement at Appendix C. Detailed audit work and challenge was performed on all assets not revalued in year, including some £4.5m of car parks valued in the prior year, for which we considered whether material changes in car parking income and yields had occurred since 2022.

### Key findings

Our work in respect of the valuation of land & buildings is now complete. Robust audit procedures and challenge of management has taken place throughout our audit fieldwork to ensure that the valuations recorded in Ryedale's fixed asset register remained fairly stated as at vesting day, following which the assets were transferred to North Yorkshire Council. The £1.7m of land & buildings valued in year per the draft accounts combined with the subsequent valuation review of the four highest valuations by a registered valuer has resulted in £7.7m of land & buildings being subject to valuation, and detailed audit work performed thereon. This represents over 50% of the total land & buildings asset base, and combined with the £4.5m of car parks valued in the prior year means that over £12m (or 80%) of land & buildings have been valued in the 13 months prior to the demise of the Council and should offer an appropriate level of assurance over the closing valuation of Ryedale's land & buildings estate.

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

### Valuation of the pension fund net balance

The Council's pension fund net balance, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net balance is considered a significant estimate due to the size of the numbers involved (£8.8m net liability on the Council's 2022 balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated pension fund net balance. In particular the discount and inflation rates, and life expectancy.

Furthermore, for the first time since IFRS has been adopted, the Council has had to consider the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset in respect of its share in the North Yorkshire Pension Fund. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

We therefore identified valuation of the Council's pension fund net balance as a significant risk, which was one of the most significant assessed risks of material misstatement.

## Commentary

### Auditor commentary

We have observed a significant movement in the net LGPS balance year on year of over £10m, improving from an £8.8m net liability in 2022 to a £1.5m net surplus in 2023. The improved position has arisen from a reduction in pension liabilities, driven by an increase in the discount rate being greater than the increase in the CPI inflation assumption and salary increase assumption. This change is consistent with movements observed in the Local Government Pension Scheme net pension balance at other audited bodies in the local government sector during 2022-23.

### As part of our audit work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and we have performed any additional procedures suggested within the report
- obtained assurances from the auditor of the North Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. This currently remains outstanding and we cannot conclude our audit until this is received.
- considered whether asset valuations were based on a 31 March 2023 valuation date.

### Additional commentary and work undertaken in respect of pension surplus position

#### Pension Fund Asset position:

UK economic and market conditions have given rise to circumstances for an IAS19 pension fund surplus to exist for the first time since International Financial Reporting Standards have been adopted in the public sector. These circumstances have arisen from a year-on-year increase in the discount rate on high-quality corporate bonds (assumption stipulated by IAS19 accounting standard) and crucially this increase has been greater than the increase in the inflation assumption. Increasing the inflation assumption increases gross liabilities as opposed to increasing the discount rate which reduces gross liabilities.

Whilst the audited body presented a £nil balance position in the draft accounts by reducing gross pension assets by £1.5m, as shown at Note 40 to the draft accounts, the audited body has further considered relevant IFRIC 14 accounting principles since the publication of the draft accounts. As a net pension surplus has never been a relevant matter for management to consider in prior periods, it is acknowledged that relevant CIPFA guidance was not widely known at the time of preparing the financial statements and the narrative presented in this Audit Findings (ISA260) Report has regard for these circumstances.

# 2. Financial Statements - Significant risks

## Commentary (continued)

### Additional commentary and work undertaken in respect of pension surplus position (continued)

The following paragraphs detail the considerations made by management after the publication of the draft accounts, and we have obtained management's interpretation of the relevant standards and guidance from their responses to the challenge posed by the auditor during the audit fieldwork process. Post draft accounts, management presented an IFRIC14 calculation that satisfies the requirements of the accounting standard. This calculation indicates that the asset ceiling is negative (i.e. less than £0) and per IFRIC14 principles, the asset ceiling has been capped at £nil in the revised financial statements. Since the net pension asset was presented at £nil in the draft accounts, no accounting adjustment is required however disclosures have been enhanced by the audited body to provide greater clarity as to why the net pension asset has been valued at £nil as opposed to the £1.5m shown in the actuary's IAS19 report including a balance sheet line item being added titled 'Asset related to LGPS Pension Scheme'. This audit presentational adjustment has been reported on page 32.

Our audit work indicated that:

- there is a surplus/asset of £1.5m in respect of the local government pension scheme as at 31 March 2023 per the actuary's report. This is a fluctuation of over £10m from the liability position of £8.8m recognised as at 31 March 2022. The primary reason for this decrease is attributable to an increase in the real discount rate from -0.3% [31.03.22] to 2.0% [31.03.23]. The real discount rate is calculated as the discount rate less the pension increase rate (CPI inflation).
- management accounted for the net pension balance in the draft 2022-23 financial statements presented for audit at a value of £nil by reducing the gross pension assets to match the gross pension liability, as shown at Note 40 on the line 'Adjustment in respect of paragraph 64'. We understand from management that this was the favoured accounting treatment at that time based on lack of technical guidance available on this issue at the time of accounts preparation, and management considered such treatment to be prudent since no asset was recognised. Management did approach Grant Thornton for comment during the draft accounts' preparation phase, however, due to the emerging nature of the issue at that time and the requirement for various stakeholder involvement prior to national guidance being issued, both management and we as auditors agreed to work through this issue during audit fieldwork. This included the decision not to report any additional disclosures in respect of the net pension surplus in the draft financial statements. We acknowledge that this is a national issue impacting many public sector bodies for the first time in 2022-23 and should be considered in that context.
- there is an unfunded defined benefit liability of £233k that was presented within Liability Related to Defined Pension Scheme on the the balance sheet in the draft 2022-23 accounts. This relates to termination benefits made on a discretionary basis upon early retirement in respect of some members of the pension scheme. IAS1 states that an entity shall present its assets and liabilities gross and not offset and this is further clarified in IAS32 which permits offsetting only when there exists a legally enforceable right to offset or a clear intention to settle on a net basis. The pension scheme arrangements indicate that funded LGPS assets (in surplus) cannot be used to fund the unfunded LGPS element. Our work indicates that the funded and unfunded schemes cannot be offset and therefore, we are satisfied with how management has accounted for unfunded LGPS liabilities in the draft financial statements.

During audit fieldwork, the application of IAS19 and IFRIC 14 principles was discussed with management when accounting for a pension fund asset. Some of the matters discussed include:

- checking whether there was an assessment of the asset ceiling performed by the actuary and subsequent management actions based on such a calculation. We identified that there was no such calculation done to determine the asset ceiling at the time the draft accounts were presented for audit, although this is understandable given the lack of available guidance on this unusual matter at that time. This was commissioned and subsequently received by management from the actuary. This calculation shows an indicative asset ceiling of -£2.3m.
- challenge of management around the recognition of an LGPS net pension asset in accordance with IAS19 accounting principles and consideration made by management as to prudence/true and fairness of recognising an asset on the face of the balance sheet in line with IAS1 true and fair view accounting principles. This process included a review of the expected future cash contributions to the fund set out in the 2022 rates and adjustment certificate produced alongside the 2022 triennial valuation. It is acknowledged that since total contribution rates are set to decrease over the 3 year period up to and including 2025-26 and negative secondary contributions are present, future cashflow benefits appear to exist as at the balance sheet date. In addition, wider economic benefits are also required to be considered per IFRIC14, including for the potential for future contributions to be lower than future service costs. To this end, it is important to note that the assumptions applied for the purposes of determining the future funding requirements differ from those applied in the IAS19 valuation. Management acknowledges the differing bases of the valuations and has opted to add additional narrative and enhance relevant disclosures to make this clear to readers of the financial statements.

# 2. Financial Statements: Significant risks

## Commentary (continued)

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### Additional commentary and work undertaken in respect of pension surplus position (continued)

During audit fieldwork, the application of IAS19 and IFRIC 14 principles was discussed with management when accounting for a pension fund asset. Some of the matters discussed include:

- discussion and challenge of management as to the nature and magnitude of any minimum funding requirement that exists in respect of LGPS. The -£2.3m asset ceiling referenced above, is capturing some minimum funding requirement using the 2023-24 projected contributions, and total contributions are set to decrease over the next three years per the 2022 rates and adjustments certificate due to the existence of negative secondary (past service) contributions. Management has considered this in selecting an appropriate estimate for the LGPS net pension balance at the year end. The rates and contributions schedule indicates negative secondary contributions for the next three years and beyond. Secondary contributions are made to fund benefits already accrued at the valuation date. Consistent with CIPFA Bulletin 15 published November 2023 and management's interpretation, we are of the view that a minimum funding requirement exists in respect of both past and future service contributions, and therefore including both elements in the IFRIC14 calculation is appropriate.
- challenge of management as to the period over which the net asset ceiling calculation has been performed. The -£2.3m asset ceiling calculated as referenced above is based on an annuity in perpetuity approach which assumes that the remaining life of the pension fund is uncapped. LGPS regulations indicate that the scheme remaining open to new members and not expected to cease to exist in several years' time. Our view as a firm is that the period over which the benefits can be realised is indefinite and therefore the annuity in perpetuity approach applied by the actuary is appropriate.
- appropriately allowing for negative secondary (past service) contributions was also considered as part of the revised calculation. Noting the comments made by PwC as the auditor's actuary expert, we challenged management to demonstrate that negative secondary contributions had been appropriately allowed for in the calculation. We note from the actuary's calculation that the benefit arising from negative secondary contributions has been allowed for over the term of the recovery period of 18 years, which was consistent with the recovery period determined in the 2022 North Yorkshire Pension Fund triennial valuation.
- the length of the 'recovery period' for which secondary (past service) contributions are required to be paid has also been considered, however, it was identified that the length of the actual period over which secondary contributions will be required entails a management judgement. In this case, secondary contributions are expected to be negative for the duration of the 18-year recovery period per the 2022 rates and contributions schedule. It should be recognised that allowing for negative secondary contributions over a period shorter than 18 years would be expected to produce a negative asset ceiling (with a greater negative value in absolute terms) and therefore, this would not change the overall calculated value to positive and give rise to a positive net asset ceiling. We understand, that management considers this to be prudent judgement given future uncertainties and we have not obtained any audit evidence to the contrary.

### Key findings

Detailed audit procedures and challenge of management resulted in an IFRIC14 pension asset ceiling calculation being undertaken, which identified a negative asset ceiling of -£2.3m. As per IFRIC14 and IAS19 accounting principles, the asset ceiling has been capped at £nil. Since no net pension asset was recognised in the draft accounts, no adjustment to the draft accounts was required, however, disclosures have been enhanced by Management to provide additional understanding to readers. The additional narrative added by management is summarised on page 32 of this report. Overall, we are satisfied with the judgements made by management and its recognition of the net pension asset valued at £nil along with the enhanced supporting disclosures that have been made in the updated financial statements.

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# 2. Financial Statements - other issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were previously communicated in the Audit Plan.

Issue	Auditor commentary and view
<p><b>Events after the reporting period (post balance sheet events disclosure) – demise of the Council on 31 March 2023:</b></p> <p>As noted in our Audit Plan dated May 2022, as a result of local government reorganisation within North Yorkshire, the Council will demise as a separate legal entity on 31 March 2023.</p> <p>Following the revision to Practice Note 10, which made clear that continuity of services is the overarching requirement when assessing going concern in the public sector, the demise of the Council was not expected to be a going concern issue – as services are continuing under the remit of the new unitary authority for North Yorkshire.</p> <p>However, it was expected that the Council will need to disclose its demise in the post balance sheet events disclosure in the 2022-23 accounts (and make clear reference to this in the other key year-end statutory publications – the Narrative Report and Annual Governance Statement).</p> <p>Given the significance of the disclosures detailing the end of the Council, we anticipate drawing this out via an ‘emphasis of matter’ paragraph within our 2022-23 audit opinion (as in 2021-22). This does not result in a modification to our opinion, rather it emphasises the importance to the reader of the accounts that the Council ceased to exist on 31 March 2023.</p>	<p>In our review of the prior year’s draft accounts and Annual Governance Statement (AGS), whilst there was appropriate commentary in the Narrative Report, we noted that there was no reference to the demise of the Council and the establishment of the new unitary authority for North Yorkshire on 1 April 2023 within Note 6 ‘events after the reporting period’ and limited reference within the Annual Governance Statement. We raised a recommendation in the prior year, in order for the Council to make a clear narrative statement within Note 6 regarding local government reorganisation and to increase the references within the AGS.</p> <p>We are pleased to report that appropriate references to LGR, the demise of RDC on 31 March 2023 prior to vesting day on 1 April 2023, and the continuation of services by North Yorkshire Council have been made in all of the draft 2023 statutory statements as expected. No audit adjustments have been identified in respect of these disclosures.</p> <p>As previously communicated, this will be drawn out via an ‘emphasis of matter’ paragraph within our 2022-23 audit opinion to highlight that at the time of giving the opinion, the former Ryedale District Council has now demised. Our draft opinion has been appended to this report and is shown on pages 38-40.</p>
<p><b>Recognition and Presentation of Grant Income:</b></p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income.</p> <p>The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p>	<p>Note 34 to the accounts includes a detailed analysis of grant income covering grant income recognised through the Comprehensive Income and Expenditure Statement (CIES) as well as reporting grants and contributions received in advance. The note provides the accounting principles supporting grant income.</p> <p>Our audit procedures identified £2.74m had been accounted for as grant income, in relation to which the Council was acting as agent and therefore, this amount should have been excluded from the transactions presented in the financial statements. This amount related to the 2022-23 support for energy bills - council tax rebate. The £2.74m was the non-discretionary portion of the funding, for which central government stipulated the conditions of eligibility and as such Ryedale was acting as agent on behalf of central government when distributing the grant funding to council tax payers. Management has adjusted the accounts for this error and the adjustment is further detailed on page 30 of this report.</p>

# 2. Financial Statements - other issues and risks

## Issue

## Auditor commentary and view

### Chief Executive's Redundancy Package

As noted in our Audit Plan in May 2023, we understand that the Council's substantive Chief Executive was made redundant by the Council on 30 March 2023 and awarded a total package of £72k, comprising redundancy of £15k and a payment in lieu of notice of £57k. This follows discussions with the Monitoring Officer during 2022-23 advising that this was a course of action that the Council was considering.

The audit team met with the Council's Monitoring Officer and subsequently the Monitoring Officers from all of the district councils, alongside their external legal advisor, to understand the consultations held with North Yorkshire County Council and the draft business case for the Chief Executives' settlements across the region.

We understand that the draft settlement discussed in Autumn 2022 included an element of payment in lieu of notice (PILON) which is within the scope of HM Treasury's guidance on Special Severance Payments.

The Special Severance guidance acknowledges that in some circumstances discretionary settlements may be appropriate, however, it states that it is vital that settlements represent value for money and are fair to the taxpayer who fund them.

Audit procedures have been performed on Note 39 to the accounts, Termination benefits. Our audit work has focussed on the completeness and accuracy of the disclosures, and reviewing the scrutiny and governance arrangements prior to approving payment. The governance has been further considered as part of our value for money work to be reported in our Auditor's Annual Report targeted for March 2024. During the performance of our audit work we considered HM Treasury's Guidance on Public Sector Exits: Approval of Exits and Special Severance Payments last published August 2022.

The audit team obtained a breakdown of the various elements paid as part of the exit payment, to determine whether the elements were contractual per the employee's contract of employment or discretionary payments, with the latter falling within the scope of HM Treasury's special severance payments.

Supporting documentation viewed by the audit team demonstrated that the only discretionary element, payment in lieu of notice in this case, was supported by a clear business rationale. There existed a requirement for the Chief Executives to remain in the statutory position of Head of Paid Service up to 31 March 2023, and making a payment in lieu of notice was therefore considered appropriate.

We also inspected the Section 24 consent for the settlement agreement to be entered into by Ryedale District Council granted by the Assistant Chief Executive (Legal and Democratic Services) at the former North Yorkshire County Council.

### Key findings

Our audit work identified that the value of £55,826 disclosed at Note 39 represented the net value paid to the former Chief Executive and is net of the relevant payroll taxes due on the part of the recipient. On that basis, the value disclosed at this note in the draft accounts did not show the full cost to the Council of making this settlement. Discussions were held with management regarding the true and fairness of this disclosure note, also considering the specific materiality threshold of £20k determined by the auditor for senior officer remuneration disclosures. Following this challenge, management has agreed to update the disclosure at Note 39 to accurately capture the total exit package paid to the employee, including the relevant payroll taxes due from the former officer. The impact of making this change has been to increase the total exit package disclosed to £90,505. This has been reported as an audit adjustment on page 32.

The governance and regularity aspects of the settlement have been further considered as part of our value for money and are reported in our Auditor's Annual Report to be presented to the North Yorkshire Council Audit Committee alongside this report. No findings have arisen from our value for money work and the governance arrangements in respect of the former Chief Executive's settlement agreement were deemed satisfactory.

## 2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Other Land and Buildings valuation: £15m</p>	<p>Other land and buildings (Note 14 to the financial statements) comprises a majority of specialised assets such as swimming pools and public conveniences, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end including offices, residential dwellings and car parks.</p> <p>The Council has engaged an external RICS qualified valuer from a neighbouring authority to complete the valuation of assets on a five yearly cyclical basis as permitted by Code of Practice on Local Authority Accounting. In the draft accounts around 10% of total other land and buildings assets (by net value) were revalued during 2022-23 as disclosed in the revaluations table as shown on page 49 of the draft accounts.</p> <p>Management has also considered the year end carrying value of non-valued properties to determine whether there has been a material change in the total value of these buildings. This assessment of assets not revalued in year has not identified a material change to these assets' current value compared with their carrying value as at 31 March 2023.</p> <p>Following challenge from the auditor on account of the relatively low percentage of assets valued in-year (11.5%), management instructed an external expert to undertake additional valuations as part of the 2022-23 reporting cycle. This additional work captured an additional four assets, considered to be the most financially significant land &amp; buildings assets for the Council. These included Ryedale House, Malton Deport, Ryedale Pool and Derwent Pool, which had a total carrying value of £7m. Management was able to demonstrate that the net impact of the four additional valuations was a decrease to the carrying value of land &amp; buildings totalling £157k. Management opted not to adjust the financial statements for these valuations on the grounds of materiality. This has been included as an unadjusted misstatement at Appendix C.</p> <p>The increased percentage of assets subject to a valuation in year from 11.5% (£1.7m NBV) to 50% (£7.7m) has provided management with an additional level of assurance over the carrying value of land &amp; buildings as at the 31 March 2023. This combined with some £4.5m of car parks valued in the prior year means that over £12m (or 80%) of land &amp; buildings have been valued in the 13 months prior to the demise of the Council, which should offer an appropriate level of assurance over the carrying valuation of Ryedale's land &amp; buildings at the time of its demise.</p>	<p>As part of our audit, we have performed the following procedures to ensure the estimates used and key judgements applied when valuing the land and buildings are prudent and reasonable, including:</p> <ul style="list-style-type: none"> <li>assessed the objectivity, competence and expertise of the Council's external valuers (RICS registered valuers)</li> <li>assessed the appropriateness of the proportion of land &amp; buildings valued in 2022-23 and challenged management accordingly, which resulted in additional valuations being undertaken</li> <li>reviewed the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate</li> <li>reviewed the assumptions used by the expert, including the accuracy of gross internal areas (floor areas)</li> <li>considered the valuation method used to revalue assets, and ensured that the method is suitable for the type of land or building</li> <li>assessed the appropriateness of any changes to the basis of the valuation. There are no significant changes to report</li> <li>considered the consistency of the estimate used</li> <li>reviewed the reasonableness of the movement in the estimate</li> <li>in relation to assets not revalued in the year, we have reviewed the Gerald Eve (valuation specialists) property valuation report and other relevant cost- and market-based indices to assess the appropriateness of management's assessment that the assets' carrying value is not materially different from their current value at the year end.</li> </ul>	<p style="text-align: center;">● <b>Green</b></p> <p style="text-align: center;">We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

# 2. Financial Statements: key judgement and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<p><b>Net pension surplus – £nil (draft accounts)</b> (2022: net pension liability £8.8m)</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.'</p>	<p>The Council's Local Government Pension Scheme net pension surplus at 31 March 2023 is £1.5m (PY £8.8m deficit) comprising the North Yorkshire Pension Fund Local Government Pension Scheme obligations.</p> <p>The Council continues to engage Aon to provide actuarial valuations of the assets and liabilities derived from this scheme. A full actuarial valuation is required every three years which was undertaken as at 31 March 2022 for LGPS. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension balance, small changes in assumptions can result in significant valuation movements. There has been a £22m net actuarial gain for the Council during 2022-23.</p> <p>This improved position is largely a result of an increase in the discount rate in excess of the increase in the CPI inflation assumption.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessed the competence, capability and objectivity of management's expert, Aon.</li> <li>Assessed the actuary's approach taken and deemed it reasonable.</li> <li>Used PwC as an auditor's expert to assess the actuary and the assumptions applied – please see the table below. The PwC report has also indicated that they are comfortable with Aon's methodologies used to establish assumptions and they will produce reasonable assumptions as at 31 March 2023 for all employers.</li> <li>Confirmed the completeness and accuracy of the underlying information used to determine the estimate including performing additional tests in relation to the accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the roll forward calculation.</li> <li>Corroborated the decrease in the gross liability (£22m actuarial gain) to PwC's commentary.</li> <li>Confirmed the adequacy of the disclosures in the financial statements and the consistency of the pension fund disclosures in the notes to the financial statements with the IAS19 report from the actuary.</li> <li>Obtained assurances from the auditor of the North Yorkshire Pension Fund as at the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> <li>Confirmed that asset valuations were based on a 31 March 2023 valuation date.</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value (Aon)</th> <th>PwC comments</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>Assumption appears reasonable.</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>Assumption appears reasonable.</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.55%</td> <td>Assumption appears reasonable.</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>21.5/20.5</td> <td>Assumption appears reasonable.</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.2/23.7</td> <td>Assumption appears reasonable.</td> <td>●</td> </tr> </tbody> </table> <p>Our work has not identified any evidence to conclude that key assumptions are not appropriate, in line with the table shown above. Detailed audit procedures and challenge of management resulted in an IFRIC14 pension asset ceiling calculation being undertaken which indicated a negative asset ceiling of -£2.3m. As per IFRIC14 and IAS19 accounting principles, the asset ceiling has been capped at £nil. Since no net pension asset was recognised in the draft accounts, no adjustment to the draft accounts was required, however, disclosures have been enhanced by Management to provide additional understanding to readers. The additional narrative added by management is highlighted on page 32 of this report. Overall, we are satisfied with the judgements made by management and its recognition of the net pension asset valued at £nil along with the enhanced supporting disclosures that have been made in the updated financial statements.</p>	Assumption	Actuary Value (Aon)	PwC comments	Assessment	Discount rate	4.75%	Assumption appears reasonable.	●	Pension increase rate	2.95%	Assumption appears reasonable.	●	Salary growth	3.55%	Assumption appears reasonable.	●	Life expectancy – Males currently aged 45 / 65	21.5/20.5	Assumption appears reasonable.	●	Life expectancy – Females currently aged 45 / 65	25.2/23.7	Assumption appears reasonable.	●	<p>● <b>Green</b></p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
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## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Grants Income (note 34): £14.9m</p>	<p>Management has taken into account three main considerations in accounting for grants:</p> <ol style="list-style-type: none"> <li>whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements.</li> <li>whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income</li> <li>whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts.</li> </ol> <p>There may be judgements over the accounting treatment. Different conclusions may be reached by councils depending on how they have applied any discretion in administering the schemes and application of Code guidance.</p>	<p>The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p> <p>As part of our audit work, we have performed the following:</p> <ul style="list-style-type: none"> <li>substantively tested a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent</li> <li>for the samples selected, we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income</li> <li>assessed, for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES or not</li> <li>assessed the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing.</li> </ul> <p>Our procedures identified £2.74m had been accounted for as grant income, in relation to which the Council was acting as agent and therefore, this amount should have been excluded from the transactions presented in the financial statements. This amount related to the 2022-23 support for energy bills - council tax rebate. The £2.74m was the non-discretionary portion of the funding, for which central government stipulated the conditions of eligibility and as such Ryedale was acting as agent on behalf of central government when distributing the grant funding to council tax payers. Management has adjusted the accounts for this error and the adjustment is further detailed on page 30 of this report.</p>	<p style="text-align: center;">● <b>Green</b></p> <p style="text-align: center;">(following audit adjustment)</p> <p style="text-align: center;">We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

## 2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Council's O&S (Audit) Committee and the Chief Financial Officer. We have not been made aware of any material incidents in the year and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A standard letter of representation has been requested from the Council with the inclusion of a paragraph in respect of the demise of the Council and the transfer of services, assets and liabilities to the new unitary North Yorkshire Council. The proposed letter of management representation is included at Appendix F.
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's bankers, and entities who were involved with the Council's investments and borrowings. This permission was granted and the requests were sent and responded to with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review has found no material omissions in the financial statements although our work identified a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix C.
Audit evidence and explanations / significant difficulties	As in previous years, we have experienced good, continued co-operation from the legacy Council officers for all information and explanations requested. In order to finalise our audit, we expect to receive continued timely engagement and responses from management. There are no significant difficulties to report in terms of receipt of audit evidence.

# 2. Financial Statements: other communication requirements



## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had regard for the Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities;</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>The Council ceased as a separate legal entity on 31 March 2023 and its services, assets and liabilities were transferred to the new unitary North Yorkshire Council on 1 April 2023. This has provided certainty that the services provided by the Council in 2022-23 will continue to be provided within the Public Sector.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.</p> <p>The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council’s financial reporting framework</li> <li>the Council’s system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul> <p>Our audit opinion will include an ‘emphasis of matter’ to highlight to the reader Note 6 of the Accounts which explains the transfer of services to the new unitary North Yorkshire Council on 1 April 2023. This does not constitute a qualification of our audit opinion.</p>

## 2. Financial Statements: other communication requirements

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. Our work noted some presentational matters in the Narrative Report. These have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported at Appendix G.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters. Our Value for Money work is underway and is expected to be completed and presented to the North Yorkshire Council Audit Committee meeting on 18 March 2023.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As in prior years, only limited work is expected to be required on this, as the Council does not exceed the audit threshold in 2022-23.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2022-23 audit of the Council in the audit report, as detailed at Appendix H, until we have completed our work on the WGA consolidation exercise mentioned above. We aim to certify completion of the audit before the end of March 2024.</p>



# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022-23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term.



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.



## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

# 3. VFM: our procedures and conclusions

We have completed our VFM work and our Auditor's Annual Report has been published alongside this report, and will be presented to members at the North Yorkshire Council Audit Committee meeting on 18 March 2024.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our initial planning work identified no significant VFM weaknesses in the Authority's arrangements.

In completing our 2022-23 VFM work and drafting our Auditor's Annual Report (February & March 2024), the Council had demised as a standalone legal entity and as such our report is addressed to Those Charged with Governance at North Yorkshire Council and summarises the arrangements in place at Ryedale District Council up to 31 March 2023.

Overall we are satisfied with the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources with no formal recommendations reported, given the Council has demised. The governance arrangements in respect of the former Chief Executive's settlement agreement, a key element of our 2022-23 value for money work, were deemed satisfactory.

# 4. Independence and ethics

## Independence and Ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix D.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).



# 4. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Benefit Claim	*20,000	Self-Interest (because this is a recurring fee)  Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is *£20,000 in comparison to the total fee for the audit of £72,807 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

### Note on Housing Benefit fee:

\* The £20,000 is the expected fee for the 2022-23 Housing Benefit Subsidy certification. This is based on re-performance of the discovery testing workbooks only as undertaken in prior years. Should additional work be required during the certification work then additional fees may be levied.

The planned fees reconcile to the financial statements in Note 33 - External Audit costs. However, we are proposing additional fees of £13k to reflect the additional work and adjustments identified. These are shown in the table on page 34.

# 4. Independence and ethics

As part of our assessment of our independence we note the following matters:

<b>Matter</b>	<b>Conclusion</b>
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council, its senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Follow up of prior year recommendations
- C. Audit Adjustments
- D. Fees and non-audit services
- E. Auditing developments
- F. Management Letter of Representation
- G. Audit opinion
- H. Audit letter in respect of delayed VFM work



# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management / those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Views about the qualitative aspects of Ryedale District Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings (ISA260) Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

# B. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2021/22 financial statements, which resulted in two recommendations being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented both of our recommendations. These are now considered closed.

Assessment	Issue and risk previously communicated	Actions taken to address the issue
✓	<p><b>Events after the reporting period (post balance sheet events disclosure) – demise of the Council on 31 March 2023</b></p> <p>As a result of local government reorganisation within North Yorkshire, the Council demised as a separate legal entity on 31 March 2023.</p> <p>Following revision to Practice Note 10, which made clear that continuity of services is the overarching requirement when assessing going concern in the public sector, the demise of the Council is not expected to be a going concern issue – as services are now continuing under the remit of the new unitary authority for North Yorkshire.</p> <p>However, the Council will need to disclose its demise in the post balance sheet events disclosure in the 2022-23 accounts (and make clear reference to this in the other key year-end statutory publications – the Narrative Report and Annual Governance Statement).</p> <p>In the prior year, we indicated that the Council should include a clear narrative statement at Note 6 (post balance sheet events) regarding local government reorganisation and ensure appropriate references to LGR are included within the Annual Governance Statement. In 2022-23, Note 6 should disclose that the Council's has now demised and explain how services have now been transferred and continue to be provided under the remit of the new authority for North Yorkshire.</p>	<p>Management communicated that it considers that clear references to the end of the Council as a separate legal entity on 31 March 2023 and the transfer of its services, assets and liabilities to the new unitary North Yorkshire Council on 1 April 2023 have been made in the AGS, Accounts and Narrative Report.</p> <p>We note that appropriate references to LGR, the demise of RDC on 31 March 2023 prior to vesting day on 1 April 2023 and the continuation of services by North Yorkshire Council have been made in all statutory statements as expected. We are satisfied with actions taken. Matter closed.</p>
✓	<p><b>Vehicles, plant and equipment with a £nil net book value</b></p> <p>Our work in the prior year on Property, Plant and Equipment identified that there was a significant amount of £nil net book value assets under Vehicles, Plant and Equipment (VPE). This has no impact on the overall net book values of VPE, hence the balance is materially stated, however, in gross terms it is significant (£4m) and results in the gross cost of VPE assets and accumulated depreciation figures included in the financial statements presenting an over-inflated picture of the assets controlled by the Council for delivering services.</p> <p>In the prior year, recommended that if these assets are no longer in use or held by the Authority, they should be removed from the fixed asset register and taken out of the gross value and accumulated depreciation balances reported in the accounts.</p>	<p>On receipt of the draft accounts, it was communicated by management that the capital accountant undertook procedures during the year to cleanse the asset register.</p> <p>Our audit work on property, plant and equipment and the fixed asset register indicated that significant work had been completed with the £4m value of assets with a net book value of £nil significantly reducing to under £100k as at 31 March 2023, meaning this now falls below materiality for RDC. We are satisfied with actions taken. Matter closed.</p>

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £	Statement of Financial Position £	Impact on total net expenditure £	Impact on general fund (useable reserves) £
<p><b>Balance Sheet - Short Term Debtors and Short Term Creditors</b></p> <p>Our audit reconciliation and pre-sampling procedures identified £1.5m of debit (debtor) balances accounted for within creditors, thereby offsetting debtors with creditors and reducing the creditors and debtors balances presented on the face of the balance sheet. IAS1 states that an entity shall present its assets and liabilities gross and not offset and this is further clarified in IAS32 which permits offsetting only when there exists a legally enforceable right to offset or a clear intention to settle of a net basis. The £1.5m of debit balances in creditors related to collection fund and housing benefit subsidy and were distinct from other balances in creditors. As a result, no legal right/precedent to settle net could be demonstrated by the audited body. Management has considered this potential adjustment and given its material nature, has opted to adjust the financial statements. The impact of this is to increase both short-term debtor and creditor balances by £1.5m as indicated to the right. The overall impact on the balance sheet is £nil, with no impact on either the CIES or useable reserves.</p> <p>Our substantive audit procedures on short-term debtors and creditors detected a further misstatement, which amounted to an £800k overstatement of both short-term debtor and short-term creditor balances. Due to the transition closedown arrangements implemented, Ryedale billed the 2023-24 trade waste subscription charges in March 2023 and recorded the general ledger accounting entries in the March 2023 accounting period. These accounting entries were to credit (record) £800k of deferred income and debit (record) £800k of trade debtors. Our discussions with management highlighted that these were not commonly observed accounting entries since deferred income is only recorded once the customer makes the payment, which was not the case here. Similarly, we would only expect a debtor to be recorded following recognition of income where the payment from the customer remains outstanding. Similarly, this was not applicable in this scenario. Following these discussions, management opted to adjust the financial statements for this misstatement. The adjustment was a credit to trade debtors (reduction) and a debit to deferred income (reduction), which has removed the impact of these transactions from the financial statements. This is considered appropriate since they relate to 2023-24 and therefore, are transactions that we expect the new North Yorkshire Council to account for in the 2023-24 financial year. There is no impact to income and expenditure arising from this adjustment.</p>	£nil	Debit (increase) Short term debtors £1.5m  Credit (increase) Short term creditors £1.5m  Overall balance sheet impact of £nil	£nil	£nil
<p>Overall impact</p>	£nil	£nil		£nil

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £	Statement of Financial Position £	Impact on total net expenditure £	Impact on general fund (useable reserves) £
<p><b>Short Term and Long Term Section 106 Creditors</b></p> <p>Our audit procedures identified £151k of S106 creditors presented as long term creditors in the draft financial statements, which the supporting documentation indicated should be accounted for as short term creditors. Due to the straightforward nature of the adjustment to correct this misstatement, management has opted to adjust the financial statements. As a result, long term creditors have decreased by £151k and short term creditors have increased by the corresponding amount. This adjustment does not impact the overall value of the balance sheet nor does it have any impact on the income and expenditure outturn.</p>	£nil	Credit (increase) Short term creditors £151k  Debit (decrease) Long term creditors £151k  Overall balance sheet impact of £nil	£nil	£nil
<p><b>Grant Income &amp; Non-pay expenditure</b></p> <p>Our audit procedures identified £2.74m that had been accounted for as expenditure and grant income, in relation to which the Council was acting as agent and therefore, this amount should have been excluded from the transactions presented in the financial statements.</p> <p>This amount related to the 2022-23 support for energy bills - council tax rebate. The £2.74m was the non-discretionary portion of the funding, for which central government stipulated the conditions of eligibility and as such Ryedale was acting as agent on behalf of central government when distributing the grant funding to council tax payers. The treatment of this portion of the funding in the draft accounts was therefore inappropriate and this has been adjusted for by management.</p> <p>The award of the discretionary element (c£100k) was controlled by Ryedale, thus accounting for this c£100k element as principal is appropriate with no adjustment required.</p>	Debit (reduce) Grant Income Credited to Services - £2.74m  Credit (reduce) Other service expenses - £2.74m	£nil	£nil	£nil
<b>Overall impact</b>	£nil	£nil	£nil	£nil

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022-23 audit which have not been made within the final set of financial statements. The PCC is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Impact on Comprehensive Income and Expenditure Statement £000	Impact on Balance Sheet £000	Impact on useable reserves?	Reason for not adjusting
<p><b>Impact of four additional land &amp; buildings valuations in respect of Ryedale House, Malton Depot, Ryedale Pool and Derwent Pool</b></p> <p>Following auditor challenge, management obtained revised valuations for the four high value assets which had a combined carrying value of £7m as at the balance sheet date. Management was able to demonstrate that the net impact of the four additional valuations was a decrease to the carrying value of land &amp; buildings totalling £157k, which we understand that management opted not to adjust for on the grounds of materiality. In line with local government accounting principles in respect of revaluation entries, the proposed accounting entries shown to the right would not impact on the Council's useable reserves.</p>	£nil	Credit (decrease) Property, plant & equipment – land & buildings - £157k  Debit (increase) – Unusable reserves - £157k	£nil	Considered immaterial by management
<b>Overall impact</b>	£nil	£nil	£nil	£nil

# C. Audit Adjustments (continued)

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Account balance / disclosure note	Description and value	Adjusted?
Note 39 Termination benefits	One exit package has been disclosed at Note 39, relating to the settlement paid to the former Ryedale DC Chief Executive. Our audit procedures identified that the value of £55,826 represented the net value paid to the former officer and is net of the relevant payroll taxes due. On that basis, the value disclosed at this note in the draft accounts did not show the full cost to Ryedale DC of making this settlement. Discussions were held with management regarding the true and fairness of this disclosure note, also considering the specific materiality threshold of £15k determined by the auditor for senior officer remuneration disclosures. Following this challenge, management has agreed to update the disclosure at Note 39 to accurately capture the total exit package paid to the Chief Executive, including the relevant payroll taxes due from the former officer. The impact of making this change has been to increase the total exit package disclosed to £90,505.	✓
Notes to the Cash Flow Statement – Note 29	The Purchase and Proceeds of short-term and long-term investments rows have been amended to accurately reflect the values of investments transacted in year where the Council has paid/received cash through its bank account. This has resulted in both line items being increased by £3m with no overall impact on the total of Note 29 - Net cash flows from investing activities. The statement of cash flows has also been revised to reflect the proceeds from asset disposals – proceeds of £240k have been reflected in note 28b and 29.	✓
Note 34 – Grant Income	Our audit testing of grants and contributions income identified some disclosure amendments to enhance understandability for the reader. Note 34 has been updated to indicate that all contributions disclosed in the draft accounts relate to Section 106 agreements. Also, Note 34 has been updated to reflect the audit adjustment to the Council Tax Rebate Grant as highlighted on page 30 of this report.	✓
Note 40 – Defined benefit pension schemes	As indicated at pages 10 to 12, following publication of the draft accounts, Management conducted an assessment based on IFRIC14 principles - IAS 19 - the limit on a defined benefit asset and obtained an asset ceiling calculation from the actuary to assess how much of the asset can be recognised or disclosed. This calculation indicated a negative asset of £1.5m and in line with IFRIC14 principles, a negative asset ceiling is capped at £0. Since no asset was recognised in the draft accounts presented to audit, no adjustment to the balance sheet is considered to be necessary. However, Management has opted to increase disclosures at Note 40 to enable readers to note that an assessment has been performed and to enhance understanding of the net pension asset being reported at £nil. There enhanced disclosures also make reference to how the IAS19 financial statement reporting calculations differ from the triennial valuation funding calculations, to aid with overall understandability of how this net pension asset may impact on future scheme contributions and funding levels. An additional balance sheet line item titled ‘Asset related to LGPS Pension Scheme’ has also been added within Non-current assets at £nil value, which has been referenced through to the additional disclosures. Overall, we are satisfied that the additional disclosures made enable readers to develop a clearer understanding of what the swing from a net pension liability to a net pension asset in 2023 means for the audited body and the LGPS pension fund membership.	✓
Narrative Report	We have proposed some presentational changes to the Narrative Report to improve the clarity and completeness of the information presented to the reader, principally entailing adding some additional narrative and figures to illustrate non-financial performance in 2022-23 including operational service delivery housing, waste management, leisure services etc.	✓
Various notes	Other minor disclosure amendments to improve financial reporting and transparency for the reader of the accounts. This included reflecting the three balance sheet adjustments, as highlighted on pages 29 & 30, in the financial instrument disclosure note and statement of cash flows, as appropriate.	✓

# D. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

<b>Audit fees 2022-23</b>	<b>Fee per Audit Plan £</b>	<b>Final fee £</b>
Council Audit	59,807	72,807
<b>Total audit fees (excluding VAT)</b>	<b>59,807</b>	<b>72,807</b>

<b>Non-audit fees for other services:</b>	<b>Fee per Audit Plan</b>	<b>Final fee</b>
Certification of Housing Benefit Claim	£20,000*	see note below
<b>Total non-audit fees (excluding VAT)</b>	<b>£20,000</b>	<b>£20,000</b>

## Note on Housing Benefit fee:

\* The £20,000 is the base fee for the 2022-23 Housing Benefit Subsidy certification. This is based on re-performance of the discovery testing workbooks only as undertaken in prior years. Should additional work be required during the certification work then additional fees may be levied.

The planned fees reconcile to the financial statements in Note 33 - External Audit costs. However, we are proposing additional fees of £13k to reflect the additional work and adjustments identified. Please see breakdown overleaf.

None of the above services were provided on a contingent fee basis. This covers all services provided by us and our network to the Council, its senior officers and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard [ES 1.69])

# D. Fees and non-audit services

We confirm below our final fees charged for the audit services provided to the Council. Fees charged for audit-related services are detailed on the previous page.

Audit fees	Fee
PSAA Scale fee for 2022-23	£38,457
The revised Value for Money (VfM) approach, introduced under the new NAO Code in 2020-21 (after the 2017 PSAA tender)	£9,000
Increased audit requirements relating to ISA 540 Revised - Auditing Accounting Estimates and Related Disclosures	£2,100
Enhanced audit procedures for journals and grants testing, given the risk of management override of controls and work on the material adjustment to grant income to remove Council tax – energy bills rebate which is an agent grant incorrect accounted for as principal in the draft accounts	£4,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund – Reliefs testing	£750
Increased audit requirements of ISA 315 Revised – Identifying and assessing the Risks of Material Misstatement	£3,000
Accounting for and disclosing the demise of the Council – to reflect the additional work performed on the impact of the increased disclosures and the need for the ‘emphasis of matter’ paragraph within our proposed 2022-23 accounts opinion	£3,000
Additional audit procedures performed on the Termination benefits (exit packages) disclosure note due to the material settlement paid to the former RDC Chief Executive, which included liaison with the Monitoring Officer to assess the governance arrangements and whether relevant approvals were sought and obtained prior to payment. Given the lower materiality on this sensitive disclosure, there was a material change identified to the figure originally presented from £55k to £90k.	£3,000
Additional procedures and challenge of management in respect of the valuation of land and buildings considering only 11.5% of Ryedale’s land & buildings (by value) were valued in year. Our work included assessing potential movement in valuation based on relevant cost- and market-based indices and challenging management to further demonstrate the appropriateness of carrying values. Audit procedures were also performed on the four additional valuations to satisfy ourselves that management’s judgement not to adjust for these in the financial statements was appropriate	£3,000
Enhanced audit procedures in response to local risk factor noted in respect of accounting for Community Infrastructure Levy grant expenditure	£2,000
Additional audit work in respect of the Council’s share of the Pension Fund asset position, the implications of IFRIC14, including reviewing of asset ceiling calculation and communications with management’s actuary expert to assess recognition and valuation of the LGPS net pension asset	£4,000
<b>Total audit fees (excluding VAT)</b>	<b>£72,807</b>

# E. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) ‘Identifying and Assessing the Risks of Material Misstatement’

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) ‘Quality Management for an Audit of Financial Statements’

ISA (UK) 240 (Revised May 2021) ‘The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	<p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

# F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP  
No 1 Whitehall Riverside  
Leeds  
LS1 4BN

XX March 2024

Dear Sirs

**Ryedale District Council**  
**Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Ryedale District Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the valuation of the defined benefit pension net balance. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent

- b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
  - ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
  - x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
  - xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
  - xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
  - xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
  - xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
    - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
    - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
    - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements
  - xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.
  - xvi. In forming our conclusion that that the accounts should be prepared on the going concern basis we have considered the demise of the Council as a separate legal entity on 31 March 2023. In view of the transfer of the Council's services, assets and liabilities to the new unitary North Yorkshire Council that occurred on 1 April 2023, we have made additional disclosures in the accounts explaining the basis of preparation and that we continue to adopt the going concern basis in preparing the accounts. We consider that no further disclosures relating to the management's application of the going concern basis of preparation need to be made in the financial statements.
  - xvii. We confirm that it is appropriate to account for the pension asset ceiling at £nil in line with IFRIC14 accounting principles. We consider it appropriate to base the asset ceiling calculation on the future contributions shown in the Rates and Adjustments Certificate for North Yorkshire Council published alongside the 2022 triennial valuation. There are no factors of which we are aware as at the reporting date that would materially change the contribution rate (as a percentage of pay) in future years.

# F. Management Letter of Representation

## Information Provided

- i. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.
- iii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- iv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- v. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- vi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- vii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- viii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- ix. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Annual Governance Statement

- x. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## Narrative Report

- xi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

## Approval

The approval of this letter of representation was minuted by North Yorkshire Council's Audit Committee at its meeting on 18 March 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of North Yorkshire Council**

# G. Audit opinion (draft)

Our draft audit opinion is included below. We anticipate we will provide the Council with an unmodified audit report including an Emphasis of Matter paragraph highlighting that the Council demised on 31 March 2023.

## Independent auditor's report to the members of North Yorkshire Council regarding the former Ryedale District Council

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements of Ryedale District Council (the 'Authority') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director for Strategic Resources' (s151) use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Corporate Director for Strategic Resources' (s151) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Corporate Director for Strategic Resources' (s151) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Corporate Director for Strategic Resources (s151) with respect to going concern are described in the relevant sections of this report.

#### Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to Note 6 to the financial statements, which indicates that as a result of Local Government Reorganisation in North Yorkshire, the County, District and Borough councils demised as standalone bodies on 31 March 2023 and became a single entity on 1 April 2023. The Council's services, assets and liabilities transferred to North Yorkshire Council on that date.

#### Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Corporate Director for Strategic Resources (s151) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

#### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

# G. Audit opinion

## Responsibilities of the Authority and the Corporate Director for Strategic Resources (s151)

As explained more fully in the Statement of 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 Corporate Director for Strategic Resources (s151). The Corporate Director for Strategic Resources (s151) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director for Strategic Resources (s151) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director for Strategic Resources (s151) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks, including the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

We enquired of senior officers and the former Ryedale District Council Overview and Scrutiny (Audit) Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of senior officers, internal audit and the former Ryedale District Council Overview and Scrutiny (Audit) Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and of the and the potential for fraud to occur in the recognition of revenue and expenditure. We rebutted the risks in respect of revenue and expenditure recognition. We determined that the principal risks were in relation to material areas of management judgement and estimation, material closing journals, and journal posted by senior management. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual and high-risk journals made at the year-end accounts production stage and journals posted by senior management,

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions net balance valuations,
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

## Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

# G. Audit opinion

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)© of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Ryedale District Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

### Use of our report

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

### Signature:

**Gareth Mills, Key Audit Partner**

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

XX March 2024



# Auditor's Annual Report for Ryedale District Council

2022-23 Value for Money Arrangements

**FINAL**

6 March 2024



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

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Executive summary

## Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022-23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We considered the Council's arrangements in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.

Overall, we have not identified any significant weaknesses and related key recommendations – this is a good outcome for the Council. It should be noted that at the time of producing this report (February 2024), the Council had demised as a standalone legal entity and as such this report is addressed to 'those charged with governance' at North Yorkshire Council and summarises the arrangements in place up to 31 March 2023. Considering this context, we have not raised any recommendations for the Council to action, however, members at North Yorkshire Council may wish to consider whether ongoing arrangements in place at NYC, as the continuing authority, are sufficient and appropriate to address the matters raised in this report.

Criteria	2022-23 Risk assessment	2021-22 Auditor Judgement on arrangements	2022-23 Auditor Judgement on arrangements	Direction of travel
<b>Financial sustainability</b>	No risks of significant weakness identified.	<b>G</b> No significant weaknesses in arrangements identified. One improvement recommendation made.	<b>G</b> No significant weaknesses in arrangements identified. No improvement recommendations raised, although some risks for North Yorkshire Council to be aware of regarding reducing useable reserves levels over the medium term.	➔
<b>Governance</b>	No risks of significant weakness identified.	<b>A</b> No significant weaknesses in arrangements identified. Two improvement recommendations made.	<b>G</b> No significant weaknesses in arrangements identified, and no improvement recommendations arising.	⬆
<b>Improving economy, efficiency and effectiveness</b>	No risks of significant weakness identified.	<b>G</b> No significant weaknesses in arrangements identified, and no improvement recommendations arising.	<b>G</b> No significant weaknesses in arrangements identified, and no improvement recommendations arising.	➔

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary



## Financial sustainability

We are satisfied the Council had appropriate arrangements in place to manage risks to its financial sustainability up until its demise on 31 March 2023. At the 2023 year end, the Council's useable reserves position remained healthy for a council of its size and useable reserves at the time of demise were some £2m higher than forecast. Nonetheless, at the time of writing, there remains projected reduction in the level of the Council's useable reserves over the medium term and we would expect Council officers to clearly highlight this potential risk to the medium term financial plans of the successor North Yorkshire Council. One matter was identified to be indicative of inadequate cash flow forecasting having been undertaken towards the end of the year, however, no detrimental consequences arose as a result and since the Authority has now demised, we have not raised a recommendation in this regard.



## Governance

The Council continued to have effective Governance arrangements in place to ensure its business was conducted appropriately up until its demise on 31 March 2023. Effective risk management arrangements are appropriately embedded – this is an area where we have noted good progress since our appointment as external auditors in 2018-19.

In the prior year we reported that Members' declarations in some cases did not appear to be up to date and were not routinely reviewed by governance officers to determine the completeness of records held. Whilst we raised an improvement recommendation to collate up-to-date Member's declarations ahead of vesting day, we understand that this action was not completed. North Yorkshire Council should be alert to the potential existence of conflicts of interest in the decisions made by Members prior to Ryedale's demise when reviewing Section 24 consents and other ongoing Council business, for which initial decisions were made, or business initiated by former Members of Ryedale District Council.

The three statutory positions of Chief Executive, s151 Officer, and the Monitoring Officer continued to be occupied and the respective duties performed by senior officers up to 31 March 2023. As such, we consider the prior year recommendation highlighting the need for officers to continue to perform the statutory roles to have been satisfactorily addressed by the former Council. Our work reviewed the governance arrangements in relation to the former Chief Executive's redundancy settlement, which were deemed satisfactory.



## Improving economy, efficiency and effectiveness

The Authority continued to demonstrate a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources up until its demise on 31 March 2023. Performance assessments continued to be conducted and reported during the year, with no areas of sustained underperformance highlighted from our review. Former RDC officers contributed to the local government reorganisation workstreams and wider objectives of vesting in the enlarged continuing authority (North Yorkshire Council) from April 2023.

Whilst no formal improvement recommendations have been identified due to the Council having now demised, it may be worthwhile for North Yorkshire Council to conduct an effectiveness review of Ryedale's Council Plan delivery up to 2023 to identify learnings and refinements that can be implemented to increase effectiveness when delivering the new North Yorkshire Council Plan from 2024 onwards. Such an assessment may also aid in delivering on accountability to local residents and rate payers and support the effective use of the continuing Council's resources.

# 2. Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We expect to conclude our audit of Ryedale DC's 2022-23 financial statements shortly and we envisage issuing an unqualified (clean) audit opinion by 31 March 2024, subject to satisfactory resolution of the outstanding matters and following the North Yorkshire Council Audit Committee meeting on 18 March 2024. Our findings are set out in further detail on page 16.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public interest report under Schedule 7 of the Local Audit and Accountability Act 2014.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the court under Schedule 28 of the Local Audit and Accountability Act 2014.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

# 3. Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out at Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

**In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:**

- Review of Council and Policy & Resources committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Overview & Scrutiny (Audit) Committee
- Considering the work of internal audit
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 14. Further detail on how we approached our work is included at Appendix B.

# 4. Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Identification of significant financial pressures and building these into Council plans

For its final year of existence, the Council set a net revenue budget of £10.5m and projected a budget deficit of £2.1m. This assumed support of £220k from the business rates equalisation reserve, £1.9m from general fund reserves and included savings of £82k. This planned usage of general reserves was subsequently increased by £258k to £2,165k as a result of freezing council tax (impact £108k) and allocating of £150k to fund community grants. The amount of reserves support was additionally increased in-year to £2.5m following the allocation of £350k to cover the unplanned cost of the local government national pay award.

### Revenue Budget Outturn

**The council delivered a small underspend (or surplus) against budget of £111k**, which represents a good outcome given the backdrop of an inflationary environment during the year. The additional £350k drawdown from general fund reserves was not required since the pay award pressure was absorbed into the existing budget envelope.

**Some additional budgetary pressures were experienced during the year, which have been offset by additional income.**

The include fuel and utility costs (£155k) and buildings repair and maintenance costs (£200k). These were offset by increased investment income (£330k) and kerbside recycling income (£170k). Additional investment income was generated as a result of rising interest rates and the trade prices received for materials to be recycled have remained higher during the 2022-23 year.

**The Council delivered all budgeted savings of £82k** as part of the overall outturn position of a small underspend. 2022-23 continues a good track record of identifying realistic savings and then delivering those savings identified.

Of the £500k set aside to deal with the additional costs arising from local government reorganisation in 2022-23, £190k remained unspent at the time of the Council's demise, which has been credited to a Strategic Reserve along with the year end surplus of £111k. In addition, a transfer to Carry Forward Reserve of £218k has been created to fund revenue project slippage into 2023-24.

The Council took a £4m loan from the former North Yorkshire County Council in late March 2023 to aid with short-term cash flow, following a request to repay unspent covid grants to BEIS. Considering the significant value of deposits held with counterparties, RDC indicated that it could have borrowed from the market on a short-term basis, however, communicated that on this occasion it was more appropriate to borrow from NYCC, since balances would be amalgamated on vesting day.

**The level of general usable reserves bequeathed to North Yorkshire Council was ahead of forecast.** The final usable reserves balances are higher than those forecasted in the budget, as illustrated on page 8 overleaf, and the expected level reported in our prior year report. This a good outcome for local ratepayers, and demonstrates an appropriate level of financial stewardship during the Council's final year.

### Capital Outturn

**2023 continued a trend of significant slippage in capital spend.** The final capital programme outturn was £3.36m, against a total budget of £10m, which included £7.5m that had been re-profiled from the previous year. £6.57m of projects have been re-profiled into the next financial year and it is understood that these approved projects will continue to be progressed by North Yorkshire Council as the continuing Authority.

# Financial sustainability

## Analysis of General Fund Usable Reserves

Reserve	Actual balance at 31 March 2022	Forecast balance at 31 March 2023	Actual balance at 31 March 2023	Actual vs forecast
General Reserve	3,516	3,516	3,516	-
Capital Fund	4,330	2,305	2,896	591
Collection Fund Reserve	649	412	653	241
New Homes Bonus Reserve	3,582	3,582	3,320	(262)
Strategic Reserve	1,531	(1,005)	(354)	651
Election Reserve	37	(53)	(53)	-
Carry Forward Reserve	549	-	768	768
Council Tax Hardship Fund	49	49	17	(32)
Pensions Reserve	306	679	679	-
Grants Reserve	431	451	543	112
<b>Overall</b>	<b>14,980</b>	<b>9,936</b>	<b>11,985</b>	<b>2,049 favourable</b>

## Sustainability of Usable Reserves Balances

In our prior year report, we highlighted concerns over the sustainability of useable reserves over the medium term. The potential exhaustion of usable reserves over 3-5 years remains a risk, albeit the draw on usable reserves in 2023 was £2m lower than forecast.

As illustrated above, useable reserves have fallen from £15m to £12m over the year, however they are £2m higher than the forecast. The balances shown above exclude the Collection Fund Equalisation Reserve (£2,111k), since this has been internally ringfenced to deal with expected fluctuations in collection fund income recognised and as such is already earmarked. Adding this back totals the £14,096k shown in the 2022-23 accounts as the total Earmarked General Fund Reserves as at 31 March 2023. Over the remainder of the current Medium Term Resource Strategy to April 2025, useable reserves are set to fall to 2.8m. This is based on the expected revenue draw of £1.8m in 2024 and £1.8m in 2025 combined with the planned capital programme expenditure of £5.6m. The appropriateness of Ryedale's legacy budget and any revenue savings requirement and/or ongoing capital project viability will be a key matter for North Yorkshire Council to consider during its annual budget setting process.

# 5. Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/ O&S (Audit) Committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Monitoring and assessing risk

The Council's strategic risk management arrangements have remained in place up to the demise of the Council. A key element of arrangements was the Corporate Risk Register, which comprised risks for the Council as a whole, assigned to designated officers, with appropriate counter-measures and an action plan was established for each key risk. This was presented to the final Overview & Scrutiny (Audit) Committee on 16 February 2023. No key changes or emerging risks were identified within this update.

The Council's Internal Audit and Counter Fraud functions continued to be provided by Veritau. Internal Audit examines and evaluates the adequacy of the Council's system of internal controls on a risk-assessed basis. The Counter Fraud service aims to take action against any fraud and to provide a deterrent to those seeking to defraud the Council. To accomplish this, the steps taken include raising awareness of the issues internally and making sure that the latest compliance standards are adhered to at the Council. No material frauds were identified and/or reported during the year.

Our observations though attending Overview & Scrutiny (Audit) Committee meetings and review of Council's AGS indicates that there were adequate arrangements in place to monitor and assess risks from the Internal Audit and Counter Fraud functions at the Council. The Head of Internal Audit Report for 2022-23 was presented to Overview & Scrutiny (Audit) Committee on 16 February 2023 with a *reasonable assurance* conclusion awarded.

## Annual budget setting process

The Council followed due process in setting its final budget. Preparatory work comprised the identification of inflationary/demand pressures to be built into the baseline, identifying savings and building in funding for growth priorities. Public consultation took place from December 2021 and the budget was approved by Council in February 2022. As noted on page 7, members voted to freeze council tax and award additional community grants at the Council meeting, which resulted in an increased draw on useable reserves to support the 2022-23 revenue budget.

## Budgetary control arrangements

Quarterly financial monitoring reports for Quarters 1 to 3 were presented to full Council, Policy & Resources and Overview & Scrutiny during the year with the Outturn report (Quarter 4) presented to North Yorkshire Council.

These reports summarised the actual performance against budget and highlight any risk areas and mitigating actions and also provide an update on capital spend, the treasury position and the achievement of budgeted savings. Accompanying narrative was presented alongside variance analysis to enable readers to understand the reasons behind variances from budget. Ryedale had a good track record in recent years of highlighting and dealing with budgetary pressures early, for example, the £1,925 per person pay award, which was approximately 6% in total and 3% ahead of the budgeted 3%. This was identified and reported in September 2022 as part of Q1 monitoring.

# Governance

## Evidence-based decision making and supporting scrutiny and challenge during the process

All key decisions were taken at Council and/or Policy and Resources Committee level. The Policy and Resources Committee has the responsibility for the establishment of corporate policy and budgets. Each committee requires a report to accompany the decision being proposed. These reports follow a set format to ensure that all relevant information is included within the report for the decision makers to make an informed judgement and decision. The standard report format covers purpose, recommendations and their justification, any risks associated and linkage of the proposal to the Council's Plan. Reports are reviewed by finance, HR, legal, procurement and the Senior Management Board prior to presentation to the Council or P&R Committee.

In our prior year report, we raised a recommendation highlighting that members have a fiduciary duty to safeguard local ratepayers financial resources up the demise of the Council, and therefore demonstrating that this duty has been properly exercised has been a key focus of our work, and is reported on page 11 overleaf.

**From our review of the proposal to dispose of a land asset, we concluded that an evidence-based decision making process appears to have been followed.** We inspected the supporting documents behind the motion put forward to dispose of Wentworth Street Car Park at the Council meeting in October 2022. We note that some questions for Members were submitted by a local resident following the initial meeting and from the evidence reviewed, the challenge points raised by the member of the public and a report by the Programme Director for Place and Resources appear to have been considered by Members prior to the decision being made. The motion was not carried and we are satisfied that due process was followed in this case.

**In relation to the award of Community Infrastructure Levy (CIL) funding, the evidence to demonstrate challenge and scrutiny on the part of Members is less robust.** Some £2.88m of CIL funding was awarded during the Extraordinary Council meeting on 16 March 2023. RDC had initially requested that interested parties submit expressions of interest and the funding award process comprised two stages to ensure checks and balances were undertaken prior to funding being awarded.

During stage one, CIL funding application forms were received from counterparties with responses to a list of questions set by Ryedale which included evidencing project need, projected scheme costs, expected benefits realisation and the timetable for delivery. Each application was then appraised by an RDC development officer using a set template to ensure the responses were satisfactory. From our review, stage one appears to have comprised a high-level review and sense check of applications in contrast with stage two, during which a more detailed and critical analysis of each application and business case took place.

At stage two, applicants submitted a detailed return addressing several questions set by RDC. An appraisal was then conducted by an RDC economic development officer, which assessed various criteria including whether the funding requests meets CIL criteria (delivers infrastructure required), how the project would deliver value for money, whether the proposal is consistent with Council/Local plan and whether cross-cutting benefits appeared to exist (for example, delivery of climate benefits). Subsequent to the economic development officer's appraisal, a finance officer undertook a similar exercise with regards to assessing financial viability of the project and controls in place at the organisation to appropriately manage finances to successfully deliver the project.

Of the 22 CIL applications received at stage one, 12 were approved at the Extraordinary Council meeting on 16 March 2023. The 12 approved were identified by RDC economic development officers as fulfilling the relevant CIL criteria. From the evidence reviewed, Members appear to have noted officers judgements regarding the legality and eligibility for CIL, however, evidence of consideration and challenge on the part of members as to the overall benefit of each scheme appears limited.

The documents inspected do not demonstrate how Policy SP22 of the Local Development Plan has been considered as being satisfied prior to the awards. This policy sets out how the CIL is to be expended based on development in the District and identifies the necessary improvements to social, physical or utility infrastructure, required as a result of new development. We also noted that all funding awards were linked with sports and recreational facilities and no evidence has been received that demonstrates whether consideration has been given as to the appropriateness of the funding mix with regards to local needs. For example, according to SP22 other permitted schemes may include transport infrastructure, education facilities, health care, community buildings and environmental improvements and no schemes of these types appear to have been considered.

# Governance

## Evidence-based decision making and supporting scrutiny and challenge during the process (continued)

Considering the vast majority of the CIL funding was awarded for leisure & recreational projects, additional consideration as to the appropriateness of the scheme mix may have been warranted. However, we understand that additional consideration has been given by North Yorkshire Council as part of the Section 24 consent process, and ultimately none of the 12 schemes have been approved at this time. We understand that there is a potential for a new school to be built in the coming years to serve the Norton Lodge development and CIL funding has been earmarked to support this development along with the planned refurbishment of an educational needs and disabilities (SEND) school in the Wombledon area.

## Monitoring and ensuring appropriate standards are achieved

The statutory positions of Head of Paid Service (Chief Executive), Section 151 Officer and Monitoring Officer have continued to be occupied until the demise. Due to the substantive postholder's sickness, the Chief Executive role was covered by the Programme Director – Place & Resources between 6 December 2022 and 10 February 2023 and subsequently by the Programme Director – People & Resources from 10 February 2023 until the 31 March. An Interim Monitoring Officer appointed by Council covered the Monitoring Officer role for the period from 6 March 2023 to 31 March 2023. No changes to the S151 postholder occurred during the year. The fact that officers have continued to fill these roles and carry out the relevant duties satisfies the recommendation raised in our prior year report.

Up-to date declarations of interest were not obtained from Members prior to the demise of the Council. Our prior year report highlighted that not holding recent declarations from members, gives rise to the risks that conflicts of interest may not be identified. This potentially hinders transparency and risks reputational damage. By not implementing the recommendation, there is a risk that decisions may have been made by members that potentially encompass a previously unidentified conflict of interest. From our review of committee meetings, there are Members who regularly declare interests at the beginning of each meeting, however, in the absence of written declarations being obtained from all members, evidence has not been obtained to demonstrate that all relevant declarations have been identified.

## Chief Executive's Redundancy Settlement Agreement

Ryedale's former Chief Executive was made redundant and compensated with a financial settlement in late March 2023. The only discretionary element of the settlement was a payment in lieu of notice, a total of £57k out of the full payment of £90k, which the former Monitoring Officer described as being supported by a clear business rationale.

Whilst this element of redundancy pay was not provided for in their contract of employment, there existed a requirement for the Chief Executives to remain in the statutory position of Head of Paid Service up to 31 March 2023. Since there was no business requirement for the Chief Executives to perform a role at North Yorkshire Council from April 2024, making a payment in lieu of notice was therefore considered to be appropriate.

This decision was reaching following consultation between the former Monitoring Officer, their counterpart Monitoring Officers at the other legacy districts and external legal advisors. Section 24 consent was obtained for the settlement agreement to be entered into by Ryedale District Council from the Assistant Chief Executive (Legal and Democratic Services) at the former North Yorkshire County Council.

The Redundancy Settlement Agreement was presented to Full Council on 1 December 2022 and approved by members during that meeting. The settlement presented to members included an element of payment in lieu of notice and statutory redundancy pay which totalled £72k. The final settlement paid totalling £90k included a correction to the calculated statutory redundancy pay (increase of £1k) and £17k of untaken leave and TOIL. We have obtained a letter sent to the former Chief Executive on 28 March 2023 on behalf of the Chair of Policy and Resources Committee approving the additional £18k. Overall we are satisfied that appropriate procedures were followed and that the total payment of £90k was appropriately scrutinised and approved in line with RDC's governance framework.

# 6. Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance review, monitoring and assessment

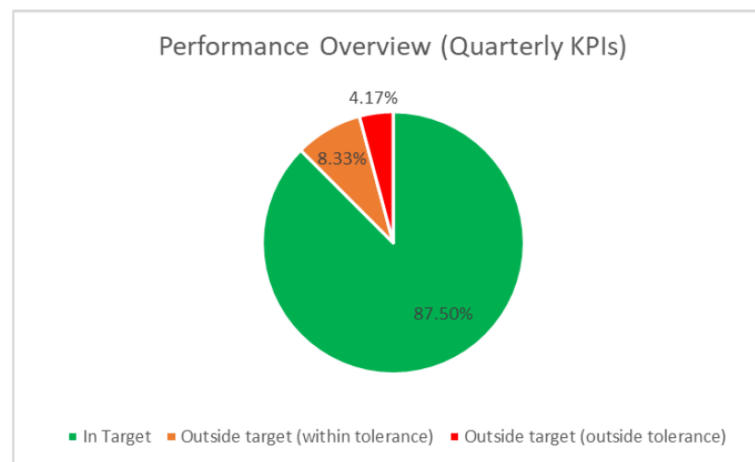
There was reporting to Policy and Resources Committee on performance, and including an assessment of the Council's performance against key performance indicators (KPIs) for the the financial year. These performance reports provide a narrative on progress made in priority areas and against KPI targets. KPIs which miss target for two or more quarters running are referred to Overview and Scrutiny Committee for review.

**Performance reporting (including non-financial performance) has been undertaken for the full 2022-23 financial year.** Formal reporting of performance fed into RDC's Policy and Resources Committee during H1 (Quarters 1 & 2). The Quarter 3 performance report was presented to Strategic Management Board on 23 February 2023, however, there was not another Policy and Resources Committee scheduled for this to be reported formally. Quarter 4 was incorporated into a summary report covering all eight legacy councils, and reported into the North Yorkshire Council Executive on 30 May 2023.

The reporting is clear on areas of strong performance and also areas where improvement is required. These included areas of continued good performance including maintaining business as usual in core service areas such as housing benefits, council tax support, processing planning applications and continuing to invest in the environment and economic development. The Council enjoyed success in awarding community grants, with over £200k awarded at the end of Q3. There continued to be a strong focus on environmental actions and delivering climate sustainability with some of the progress and achievements highlighted overleaf.

We noted as at Quarter 3 (December 2022), recycling rates at a headline level were broadly on target, however, the percentage of household waste composted - recycling rates was behind target (23.2% vs 30% target) which was reported to be due to increased volumes of non-garden waste (see red portion below) The percentage of household waste sent for reuse, recycling and composting and residual household waste (in Kgs) were also behind target but within tolerance (see orange portion below).

**Other than composting/recycling described above, no KPIs were identified that are behind target at Q3.**



## QUARTERLY PERFORMANCE REPORT OCTOBER - DECEMBER 2022

# Improving economy, efficiency and effectiveness

## Performance evaluation and identifying areas for improvement

A Council plan was in place covering the period from 2022 to 2024 with a corporate programme and performance framework in place to support with delivery. Regular performance reporting indicates that the Council's 2020-24 plan had been at least partially delivered at the end of March 2023.

This set out the former RDC's strategic priorities and vision, combined with a list of challenges and opportunities and how the Council intended to realise its long term goals. The four priorities were strengthening resident communities, supporting the rural local economy, protecting the environment and adopting innovative practices to transform Council services.

In the quarterly performance reports, KPIs are reported under the four Council Plan priorities demonstrating appropriate linkage back to the plan. These priorities were: 1. Communities: strong, inclusive and attractive, 2. Economy: harnessing Ryedale's unique economy to deliver growth, homes and jobs, 3. Environment: a sustainable, safe and clean place to live and 4. Organisation: an innovative, enterprising council.

At the end of the 2023 financial year, there is evidence to demonstrate that some of the Council Plan goals have at least been partially realised, such as the development of affordable flats at Bay House or some of the sustainability achievements including LED street light upgrades and 10 electric vehicle charging point installations. A total of 100 affordable homes have also been delivered up to the end of Q3 against an annual target of 75 and 89 in the prior year.

However, as a result of Local Government Reorganisation, the Council Plan was not subject to a formal assessment of progress made to 2023. Without such an assessment of achievements & areas for further development, the overall delivery of the plan cannot be robustly assessed and this may be something the new North Yorkshire Council considers performing.

Since Ryedale has now demised, it will be up to North Yorkshire Council to determine how much detailed consideration be given to assessing the delivery of Ryedale's plan up to the point of its demise, but it may be beneficial for NYC to consider RDC's arrangements in place in this area.

Similarly, it may also be worthwhile to assess delivery against Ryedale's Commercial Strategy and the Ryedale Homelessness and Rough Sleeping Strategy 2020-2025 to understand whether implementation of these strategies has been successful and expected benefits realised.



# Improving economy, efficiency and effectiveness

## Partnership working

The Council continued to collaborate and work with partners in 2023, principally to delivery LGR and ensure appropriate arrangements were in place for 'day one' of the new North Yorkshire Council. Ryedale's s151 led on the transfer of corporate interests to the new council, including transferring the shareholdings of the legacy councils to North Yorkshire Council. Due to the former RDC Chief Executive's period of sickness, the organisational development workstream was re-allocated to officers at another legacy council during the final months up to vesting day.

Departmental managers at RDC also played leading roles in ensuring that 'day one' arrangements were sufficient, some examples include the Revenue & Benefits manager working to harmonise/unify the revenue & benefits systems, and the value of council tax levied. The RDC Senior Accountant also took on responsibilities to deliver the 2022-23 legacy final accounts work across all of the district councils. An additional example was the Head of Waste and Environment contributing to the transition and integration arrangements for Waste and Streetscene in addition to holding Ryedale officer engagement sessions. Finally, the acting Chief Executive (also the substantive postholder as Director for People and Place) played a role in delivering the locality workstream which included the community network framework, the vision for localities, area committees' governance arrangements and the interaction strategy for town and parish councils. This officer also played a role in delivering the customer workstream and implementing the 'one front door' approach, to be in place from vesting day.

## Stakeholder Engagement

During the 2023 financial year, the Council continued to engage with internal and external stakeholders. Work was undertaken to monitor and deal with complaints from stakeholders and service users. As at Quarter 3 (December 2022) the number of complaints (6) had fallen compared to Qs 1 & 2 (total of 31). Overall, the level of complaints was up on the prior year (37 complaints in 2022-23 formally reported to the end of Q3, compared to 36 in the whole of 2021-22) however, a number are linked with an issue identified in the renewal of garden waste collection subscriptions, which we understand was resolved by the end of Q2. Compliments were also received from a range of service users and overall, the Council shows a good level of engagement with service users.

One of the potential concerns highlighted in our prior year report, was the ability of Council officers to balance delivering business as usual (the day job) whilst also undertaking the required LGR workstreams. In the prior year we noted that it would be important that the Council maintains its focus on staff engagement and empowerment and measures to support health and well-being. It is pleasing to note that the potential risks in this area failed to materialise; staff turnover reduced from 3.9% at Q2 to 2.6% at Q3. Whilst staff absence due to sickness did increase, the additional 0.22 days of sickness in Q3 is not considered to be a significant deterioration on Q2. This a positive outcome given the adverse impact that any increase could have had on service delivery and LGR preparation.

## Procurement arrangements

Procurement activity during 2022-23 was limited given local government reorganisation, however, transitional planning arrangements were implemented to manage contracts that were coming up for renewal in the run up to and shortly after vesting day. The procurement service was provided by the former North Yorkshire County Council during 2022-23 and was regulated by a service level agreement, which has been in place for several years. We understand that no formal re-procurement was conducted in the run up to the Council's demise, however, support continued to be provided by NYCC procurement specialists to ensure continued compliance with Ryedale's procurement plan in addition to legal and statutory frameworks.

Part of the work undertaken in 2022-23 centred around identifying existing contracts and arrangements where re-procurement was due imminently, drafting a timetable, termed the Foreword Procurement Plan, in conjunction with former NYCC colleagues to plan for these to take place in the months following vesting day. We identified a total of three key contracts that had each been extended by one year, with total extensions valued at less than £300k. Contracts included Microsoft Office licenses, security provision at Derwent Lodge and the cleaning of public conveniences operated by the Council.

# 7. Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress per management	Addressed?
<p>1 We recommend the Council ensures that the duties allocated to the three statutory positions (Chief Executive, Monitoring Officer and Section 151 Officer) continue to be appropriately carried out up to the point that the Council demises on 31 March 2023. Clear succession and delegation plans should be in place should any of the three statutory post holders be unavailable.</p>	Improvement	February 2023	<p><i>All statutory positions remained filled up until Ryedale District Council's demise with officers in these posts carrying out the relevant duties. As such, we consider this recommendation to have been appropriately addressed.</i></p>	Yes
<p>2 The Council should obtain declarations of interest from <b>all Members</b> as a matter of urgency and ensure that these collated centrally to enable them to be retained electronically following the demise of the Council on 31 March 2023. Full disclosure of any related party transactions between the Council and Members' interests should be included in the 2022-23 statement of accounts.</p>	Improvement	February 2023	<p><i>This recommendation was not implemented prior to the demise due to time and capacity constraints in Q4 of the year and immediately prior to the demise of the Council.</i></p>	No

# 8. Opinion on the financial statements



## Audit opinion on the financial statements

Our work is nearing completion in advance of the target sign off to follow shortly after North Yorkshire Council's Audit Committee in March 2024.

Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion with the inclusion of an "emphasis of matter" paragraph highlighting that the Council demised on 31 March 2023.

## Audit Findings (ISA260) Report

More detailed findings can be found in our Audit Findings (ISA260) report, which will be reported to the North Yorkshire Council's Audit Committee on 18 March 2024.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council.

This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We expect that the audit work required on the Council's 2022-23 WGA submission should be minimal, and we anticipate that this work will be complete and the Audit Certificate issued by 30 April 2024.

## Preparation of the accounts

The Council provided a good quality set of draft accounts in line with the national deadline. The accounts were accompanied by a good set of supporting working papers.

We have experienced a high level of engagement from the Council's finance team and other supporting colleagues. This helped to ensure the audit process was completed in a smooth and efficient manner.

We would like to record our appreciation to Council officers for their engagement in the 2022-23 accounts and audit process, particularly given the re-organisation and new roles taken on by legacy Ryedale officers since 1 April 2023, and managing new commitments alongside dealing with audit queries.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# Appendices

# Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



# Appendix B – Sources of evidence



## Staff involved

- Anton Hodge, Chief Finance Officer (S151 Officer)
- Michelle Oates, Senior Financial Accountant
- Bernice Elgot, Monitoring Officer
- Jane Graham, Corporate Governance Support Officer
- Beckie Bennett, Head of Waste and Environment
- Elizabeth Heath, former Monitoring Officer



## Meetings Observed

- Overview and Scrutiny (Audit Committee) (in attendance)
- Policy and Resources Committee (review of minutes)
- Council (review of minutes)



## Documents Reviewed

- Medium Term Financial Strategy - February 2022
- 2022-23 Budget - February 2022
- Q1 22/23 Financial Monitoring
- Q2 22/23 Financial Monitoring
- Q3 22/23 Financial Monitoring
- Q4 22/23 Financial Outturn report
- 2022-23 Statement of Accounts including Annual Governance Statement and Narrative Report.
- Declarations of interest (Ryedale.gov.uk)
- Ryedale Council Plan 2020-2024
- Delivering the Council Plan: Quarterly Performance Report April – June 2022
- Delivering the Council Plan: Quarterly Performance Report July – September 2022
- Delivering the Council Plan: Quarterly Performance Report September – December 2022
- Budget Consultation 2022/23
- Corporate Risk Register
- Constitution - January 2021
- Internal Audit and Counter Fraud Annual Report 2022/23 (Head of Internal Audit report)
- Q1 22/23 Performance Report
- Q2 22/23 Performance Report
- Q3 22/23 Performance Report
- Forward Procurement Plan 2023
- CIL Grants Working Party minutes
- Letter from Policy & Resources Committee Chair to former Chief Executive dated 28 March 2023

# Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No Statutory recommendations have been raised in 2022-23.	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No key recommendations have been raised in 2022-23.	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	No improvement recommendations have been raised in 2022-23. We have followed up our two improvement recommendations we raised in the prior year on the governance theme.	Page 15

