Scarborough Borough Council

Core Single Entity

Statement of Accounts

2015 – 2016

Contents 2015/16

INTRODUCTION

The following pages introduce the Borough Council's Statement of Accounts for the year ended 31 March 2016. The published accounts are an important element in demonstrating the Council's stewardship of public money, showing the resources available and how they are used to deliver everyday services to the community.

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

OVERVIEW FROM THE RESPONSIBLE FINANCE OFFICER

As the Council's statutory officer responsible for Finance, I have pleasure in writing this explanatory overview to the Statement of Accounts for 2015/16.

My key priorities are:

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

The Council's External Auditors, Mazars LLP, inspect and assess how the Council manages its resources and its arrangements for financial management. The audit report prepared by Mazars for the year ended 31 March 2015 concluded that the auditors were satisfied that in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

The 2015/16 budget required the Council to make savings of £2.9m, followed by a further £1.8m in 2016/17 and a minimum of £2.3m in 2017/18 (£7.0m over 3 years).

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

It is pleasing to report that despite the requirement to make significant savings in recent years the Council's prudent approach to budget management and control has resulted in a year-end underspend of £765k against this year's revenue budget. In addition to this, the levels of corporate reserves have been maintained within the optimum ranges set out in the Financial Strategy.

Despite the economic conditions the Council continues to deliver an ambitious regeneration programme across the Borough, and the Council continues to provide support to progress the wider aspects of the Sands (including the Waterpark development), Middle Deepdale, Leisure Village, Futurist Redevelopment and the regeneration of Scarborough Indoor Market. These major schemes demonstrate the Borough's commitment to working in partnership, improving economic prospects and encouraging enterprise in the region.

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

Nicholas Edwards

Nick Edwards C.P.F.A.
Director (Section 151 officer)

OUR VISION AND MISSION

Our Vision / mission Statement is '**Towards a prosperous borough, with a high quality of life for all'.**

We will achieve this through our four key aims:

- People
- Place
- Prosperity
- Council

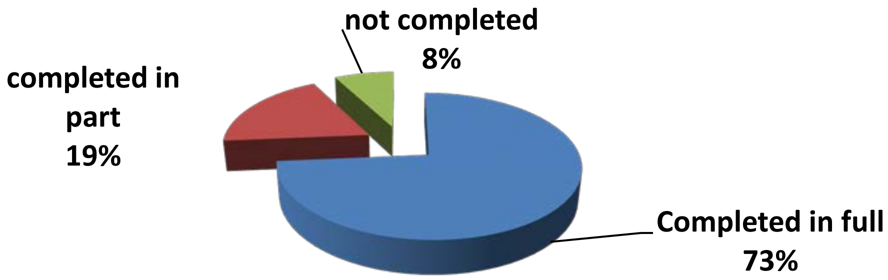
Our aims are linked to and impact on one another in complex ways. Many of the actions we are undertaking link to more than one of our aims and improvement in one area often depends upon success in one or more of the others.

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

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

The following graph shows details of progress against our Critical Success Factors during 2015/16:

CSF Outturns 2015/16:



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

The Annual Report and Improvement Plan (ARIP) for 2016-17 were presented to Cabinet on 13 September 2016.

OUR PERFORMANCE

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

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

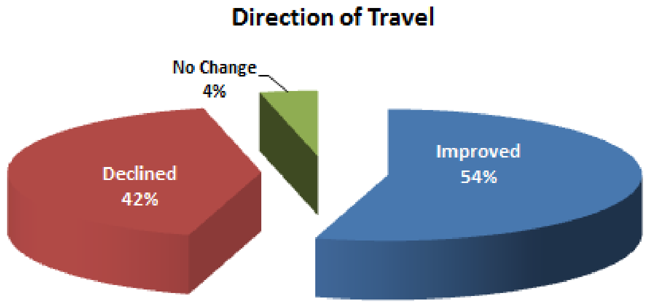
Service Performance Indicators - these PIs are those which directly measure the performance of the Council's services, such as processing times for benefits claims, planning applications, etc. Targets for these indicators are set – these are the indicators which are regularly monitored and results of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

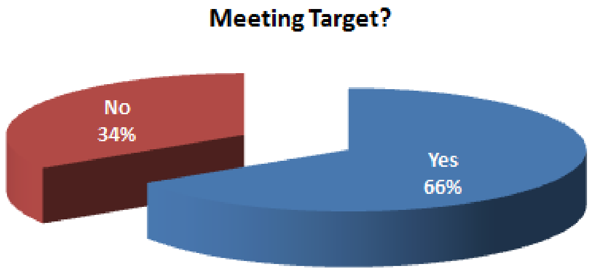
Critical Success Factors – these are measures related to key projects and actions undertaken by the Council's services, which assist in delivering the Corporate Plan. Targets are set and CSFs are monitored, with results being reported to Cabinet on a six-monthly basis.

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

The year-end figures for 2015/16 show that we have improved in 54% of the Priority Indicators where it is possible to make an assessment. In addition the performance of 4% of indicators has remained at the same level. We have met our targets for 66% of our indicators. We want to build on this over the next year, continuing to improve the quality and performance of our services, against a background where we are required to make significant savings in our budgets.

The following graphs show our Direction of Travel against the Priority Performance Indicators for 2015/16, and whether or not we achieved our targets.





THE STATEMENTS

The Statement of Accounts has been prepared in accordance with the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (hereafter referred to as the SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The aim is to ensure consistent treatment and comparability with the accounts of other local authorities. The statements included in the accounts are as follows: -

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

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

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

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The net Increase / Decrease before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from the earmarked reserves undertaken by the council.

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

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

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

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

REVENUE EXPENDITURE AND SERVICES PROVIDED

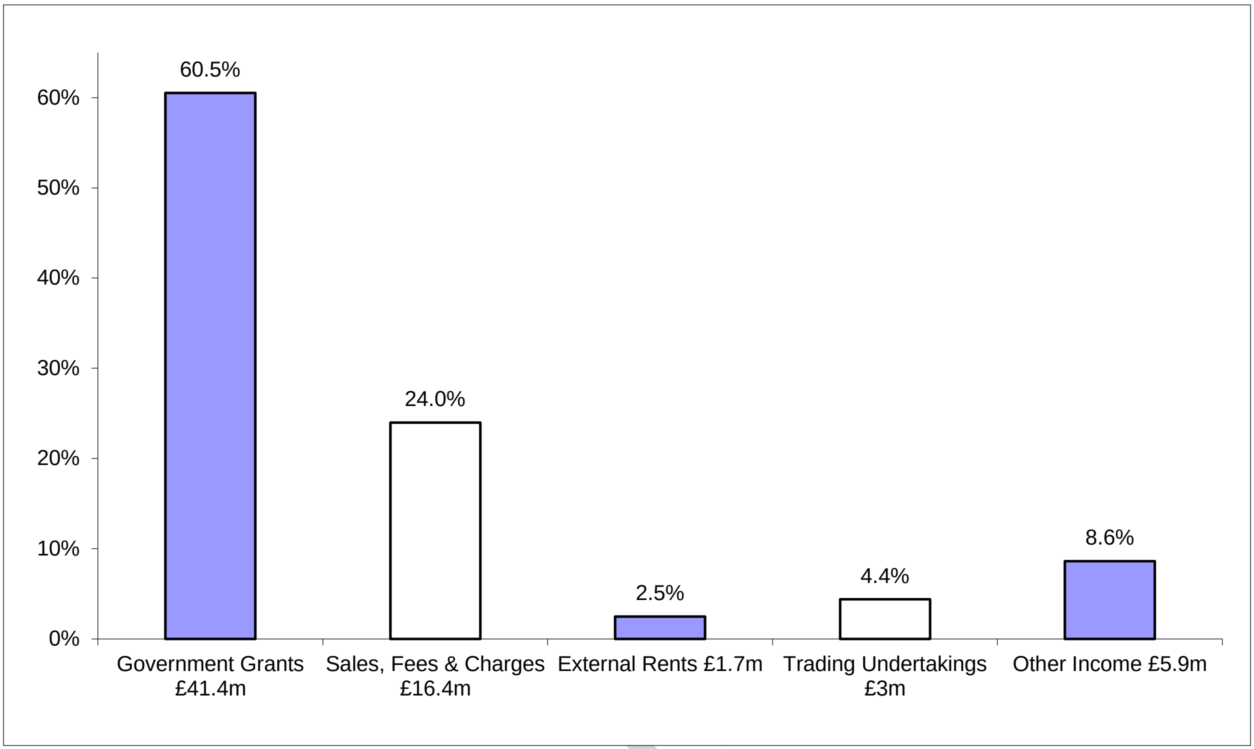
The revenue budget is used to record the day to day running expenses and income of the Council. It includes expenses such as employee costs, heating, lighting, rent, rates, and capital financing, plus income relating to those expenses.

The Council's gross revenue expenditure for the year totalled £89.666 million and its gross income, excluding Taxation and Non Specific Grant Income was £68.407 million, resulting in net operating expenditure of £21.259 million.

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

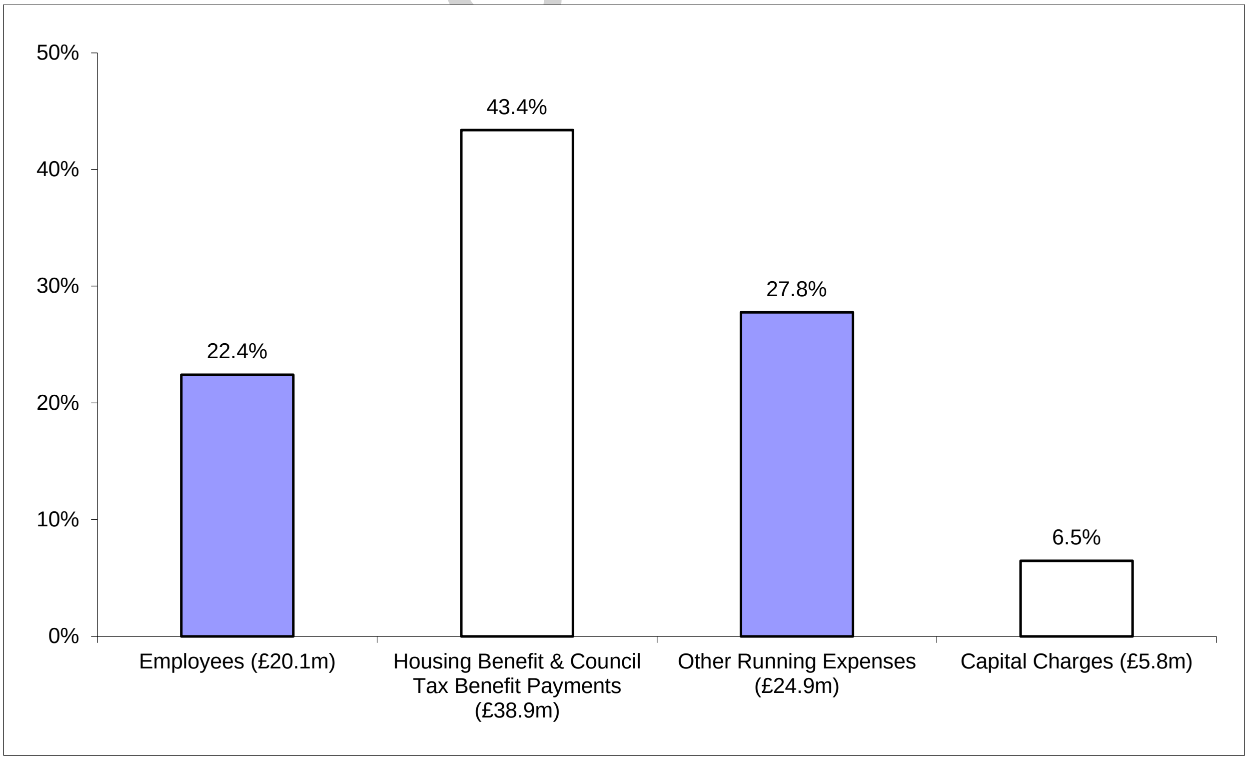
Revenue Funding

This chart shows the Council's various sources of revenue funding excluding Taxation and Non-Specific Grant Income (£68.407m):



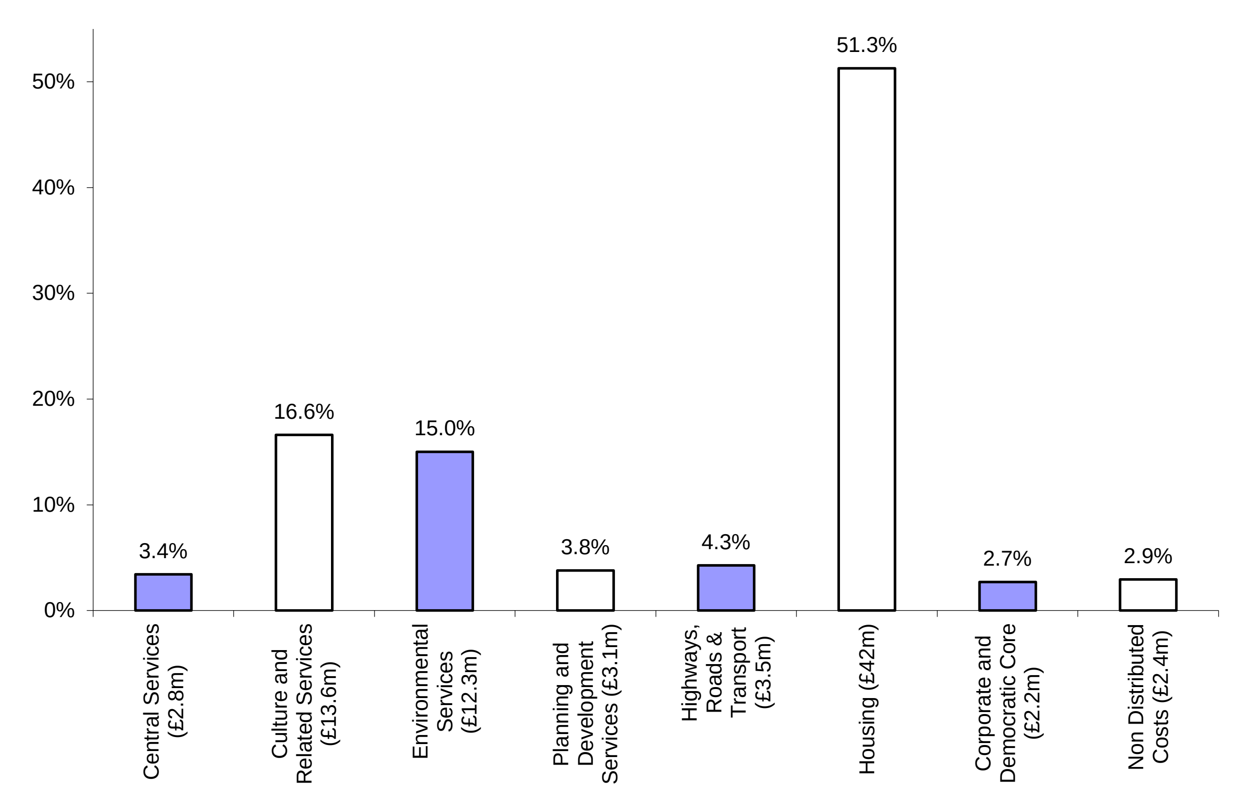
Revenue Expenditure

This chart shows the main categories of Council gross expenditure over all General Fund Services (£89.666m).



Services Provided

This chart shows the Council's gross expenditure within the Cost of Services (£81.934m).



The expenditure on 'Housing' includes Housing Benefit payments made to residents in receipt of benefits. The payments are refunded to the authority by Central Government and the authority does not dictate the terms of these payments or to whom the benefit can be paid.

COMPARISON OF THE BUDGET TO ACTUAL INCOME AND EXPENDITURE

The Council set a balance budget for 2015/16 and therefore a draw from the General Fund was not anticipated to support the revenue activities of the Council.

The actual outturn position for 2015/16 showed a surplus against budget of £765k. In addition the Council had approved during the year that £40k of the anticipated year end underspend be committed towards the 2016 Tour de Yorkshire event and £350k transferred to the Capital Development Reserve as part of the actions to address the overcommitted balance.

Financial Performance on General Fund Balance:

	Budget £000	Actual £000	Variance £000
Net Expenditure	16,987	16,199	788
Financed by:			
Revenue Support Grant	(3,085)	(3,085)	-
Share of Business Rates and Section 31 Grants	(5,062)	(5,057)	(5)
Council Tax Precept	(7,655)	(7,655)	-
Other Core Funding	(1,185)	(1,167)	(18)
Headline Underspend	**-**	**765**	
Underspend utilised to fund priority areas		(139)	
Underspend transferred to Investment Fund		(626)	

General Fund Balance Brought Forward	**2,676**
In year movement of General Fund Balance	-
General Fund Balance Carried Forward	**2,676**

Outturn Position

The summary outturn position by Directorate is outlined below:

Directorate	2015/16 Actual £'000	2015/16 Budget £'000	Surplus / (Deficit) £'000
Chief Executive	2,409	2,516	107
Director (Nick Edwards)	3,162	3,620	458
Director (Lisa Dixon)	2,141	2,246	105
Director (Trevor Watson)	824	1,108	284
Corporate Budget Heads and Core Funding	(9,301)	(9,490)	(189)
Net (Surplus) / Deficit	(765)	-	765

It should be noted that the majority of savings contributing to the year-end underspend were identified as part of the quarterly monitoring process and those that were expected to recur have already been taken into account in the Council's 2016/17 budget.

The following table provides additional details with regards to the year end outturn by Director and Service and compares the outturn position to the forecast provided in the monitoring report for the period ended 31 December 2015.

Service	Actuals	Budget	Outturn Surplus / (Deficit)	Q3 Forecast
Chief Executive				
Benefit Fraud Investigation Unit	75	118	43	23
Capital and Procurement Unit	86	88	2	12
Electoral Services	226	223	(3)	-
HR and Health and Safety	340	374	34	22
Internal Audit	119	116	(3)	-
IT Services	900	937	37	37
Land Drainage and Coast Protection	350	332	(18)	-
Public Relations	45	51	6	-
Senior Management Team and Support	268	277	9	32
	2,409	**2,516**	**107**	**126**
Director (Nick Edwards)				
Accountancy	261	287	26	18
Accounts Receivable and Payable	172	183	11	10
Cash Collection and Administration	82	59	(23)	(20)
Corporate Management	195	189	(6)	18
Decorative Lighting	6	4	(2)	-
Depots and Admin Buildings	325	355	30	-
Emergency Planning	20	22	2	-
Energy Management	121	121	-	-
Environmental Health and Safety	81	91	10	-
Estates and Asset Management	393	395	2	-
Housing Benefits administration	(192)	(192)	-	22
Housing Benefits Subsidy	(605)	(442)	163	120
Industrial Units	(73)	(71)	2	8
Local Taxation	(88)	(137)	(49)	(62)
Parks and Open Spaces	1,745	1,844	99	66
Property Services Operational Unit	23	(38)	(61)	(50)
Public Clocks and Fountains	1	-	(1)	-
Public Conveniences	378	377	(1)	-
Refuse Collection and Street Cleansing	2,525	2,705	180	106
Rental Properties	(1,347)	(1,373)	(26)	11
Scarborough Harbour	(302)	(305)	(3)	6
Senior Management Team and Support	87	122	35	-
Street Seats, Lighting and Name Boards	85	98	13	-
Transport and Vehicles Maintenance	(690)	(632)	58	51
Whitby Harbour	(41)	(42)	(1)	8
	3,162	**3,620**	**458**	**312**

Service	Actuals	Budget	Surplus / (Deficit)	Q3 Forecast
Director (Lisa Dixon)				
Corporate Costs	2	7	5	-
Housing Benefits administration	838	928	90	73
Legal Services	220	222	2	(8)
Licensing	(148)	(177)	(29)	-
Local Land Charges	(3)	1	4	-
Member and Mayoral Expenses	398	401	3	-
Print Plus	206	230	24	12
Procurement Unit	51	24	(27)	(23)
Regulatory, Governance, Performance, Admin	469	511	42	10
Senior Management Team and Support	108	99	(9)	(25)
	2,141	**2,246**	**105**	**39**
Director (Trevor Watson)				
Beaches and Beach Chalets	232	200	(32)	(17)
Cash Collection and Administration	52	62	10	-
CCTV	200	192	(8)	(5)
Cemeteries and Crematorium	(759)	(673)	86	(35)
Choices 4 Energy	(4)	(5)	(1)	-
Community Centres	117	122	5	-
Community Partnerships and Safety	449	452	3	-
Customer Services	304	318	14	8
Decorative Lighting	48	48	-	-
Economic Development	115	122	7	-
Environmental Health and Safety	691	729	38	2
Grants	262	265	3	(8)
Home Improvement Agency	24	64	40	9
Housing and Homelessness	583	699	116	128
Indoor Leisure Sites	268	214	(54)	-
Land Drainage and Coast Protection	(35)	-	35	-
Marketing and Events	271	271	-	-
Markets	(103)	(128)	(25)	(26)
Outdoor Leisure Sites	(101)	(144)	(43)	(30)
Outdoor Playing Fields and Amenities	(1)	(11)	(10)	-
Outsourced services	1,308	1,301	(7)	-
Parking Off Street	(4,101)	(3,821)	280	160
Planning	385	428	43	18
Redevelopment Projects	17	56	39	-
Rental Properties	(48)	(49)	(1)	-
Senior Management Team and Support	125	130	5	-
Sports Development	35	35	-	-
Theatres	403	123	(280)	(256)
Tourist Information Centres	87	108	21	20
	824	**1,108**	**284**	**(32)**

Service	Actuals	Budget	Surplus / (Deficit)	Q3 Forecast
Corporate Budget Headings				
Corporate Costs	466	466	-	-
Corporate	214	214	-	-
Redevelopment Projects	193	193	-	-
Corporate Miscellaneous	1,303	1,288	(15)	10
VAT Mitigation Contingency	-	200	200	200
Transfer to Capital Development Reserve to address overcommitted balance	350	-	(350)	(350)
Non Distributed Costs Other Expenses	2,241	2,188	(53)	(53)
Capital Expenditure Funded from Revenue	669	669	-	-
Insurance	735	717	(18)	-
Treasury Management	126	252	126	60
Property Repairs	533	537	4	-
Hard Standings	543	543	-	-
Telephony – Internal Systems	290	230	(60)	-
Core Funding				
Revenue Support Grant	(3,085)	(3,085)	-	-
Retained Business Rates Income	(5,057)	(5,062)	(5)	-
Council Tax Precept	(7,655)	(7,655)	-	-
New Homes Bonus	(966)	(953)	13	13
Other DCLG Core Funding	(92)	(86)	6	-
Council Tax Freeze Grant	(90)	(90)	-	-
Collection Fund (Surplus) / Deficit and Transfer to SIF	(19)	(56)	(37)	-
	(9,301)	**(9,490)**	**(189)**	**(120)**

Utilisation of the Year End Underspend

The year end underspend of £765k is included within Earmarked Reserves in these Statement of Accounts and, subject to Members approval, will be utilised as follows:

Priority Areas

Senior Management have approved the use of £139k of the year end underspend on the following schemes:

- £65k – Electricity Upgrade for Filey Country Park
- £37k – South Bay underground Car Park repair works
- £12k – Khyber Pass Public Conveniences initial marketing and planning consent budget
- £15k – Contribution to the Local Enterprise Partnership for 2016/17
- £10k – One-off materials budget for Community Environment Team to generate further value from the team.

Investment Fund

Subject to Member approval, the remaining £626k of the year end underspend will be transferred into the Council's Investment Fund.

An Investment Fund of £594k was created as part of the 2016/17 budget proposals to provide one off funding for schemes that will help the Council to deliver revenue savings in 2016/17 and beyond.

The following indicative bids have already been approved from the fund:

- £93k Phase 1 - new Whitby kiosks
- £82k Phase 2 – new Whitby kiosks
- £88k Restructure of TIC provision across the Borough
- £6k software training for Business Analysts

After allowing for these areas of expenditure and the proposed transfer of year end underspend the uncommitted balance of the Investment Fund will stand at £951k. Examples of areas that may require funding from the monies are as follows:

- £81k - The creation of an MOT test centre at Dean Road Depot
- The purchase of equipment for use at the travellers site rather than hiring equipment in annually
- The review of public conveniences
- Investment in transformation initiatives
- One off contribution towards balancing the 2017/18 budgetary shortfall, should savings take longer than expected to be identified / delivered

RESERVES AND BALANCES

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

General Fund Balance -	the balance be maintained within the range of £2.0m to £3.0m.
Capital Contingency Reserve -	the balance to be maintained within the range of £0.5m to £1.5m.
Insurance Reserve -	a minimum balance of £1.350m to be maintained in the medium term
Pension Reserve -	the balance to be maintained within the range of £0.1m to £0.75m

The General Fund Balance at 31 March 2016 was £2.676m which is within the predetermined range. The 2012/13 outturn earmarked £420k to the General Fund to pay for the costs of potential legal proceedings and insurance risks. As the timings for potential payments are uncertain they are drawn down as and when required and are not budgeted in specific financial years. £228k of the amount originally set aside was utilised in 2013/14 and a further £25k in 2014/15. The remaining balance of £167k looks unlikely to be required and therefore this will be released as part of the 2017/18 budget setting process.

The Capital Contingency Reserve balance at 31 March 2016 is £600k; none of which is currently committed. Contributions of £100k are scheduled to be paid into the reserve during the 2015/16 year therefore the balance is considered to be adequate.

The Insurance Reserve balance at 31 March 2016 was £1.428m. This balance is considered to be adequate.

The Pensions Earmarked Reserve balance at 31 March 2016 was £1.152m. This balance includes £1m, which was transferred to the reserve during 2012/13 to fund future costs associated with continuing efficiency reviews. Whilst the balance is currently in excess of the range outlined above, costs in excess of £245k are expected in 2016/17 and further costs will be incurred over the next few years. The reserve balance is considered to be adequate, however it will continue to be reviewed as part of the 2017/18 budget setting process.

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

The balance of the Service Investment Reserve has reduced slightly during the year and now stands at £7.257m. These reserves are intended to be used to support future operational requirements and specifically include funding that has been received towards the end of 2015/16 to support service and activities during 2016/17 (and beyond). A review will be undertaken to determine if any of the reserves are surplus to requirements as part of the 2017/18 budget setting process.

PENSION RESERVE

The Authority participates in the Local Government Pension Scheme, administered by North Yorkshire County Council. This is reflected in the Balance Sheet, which includes a pension liability and a pension reserve in respect of the scheme of £65.769m as at 31 March 2016. Although these pension liabilities decrease the overall level of reserves they do not represent a reduction in the Council's cash reserves or impact on Council Tax levels.

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

TREASURY MANAGMENT

The Council borrows money to fund its capital investment programme and operates within its own prudential limits set in accordance with the CIPFA Prudential Code for Capital Finance. This is seen as best practice in relation to local authorities and their treasury management activities. As at 31 March 2016, the Council's Capital Finance Requirement (or underlying need to borrow) was £14.783m and its external debt was £12.025m (excluding accrued interest and monies loaned to the Council by North Yorkshire County Council (on behalf of the York / North Yorkshire / East Riding Enterprise Partnership (LEP)) for works at Whitby Business Park).

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

In recent years, the Council has utilised cash holdings to fund planned capital expenditure rather than take out long term borrowing. This has been a conscious strategic decision based on the fact that investment rates were much lower than borrowing rates. It also reduced the Council's exposure to credit risk should financial organisations fail by reducing the levels of cash balances invested with external institutions. With the advancement of both the Leisure Village and Waterpark projects however the Council entered into £8m of new borrowings towards the end of 2014/15. Whilst interest costs are therefore higher in 2015/16 than they have been in recent years, the borrowing was planned and the increased costs are in line with the budgets agreed when the projects were approved by Members.

Short Term Investment balances are higher than usual at the end of March 2016. This is due some of the costs that are due to be funded from the £8m of borrowing having not yet been incurred together with large levels of Capital Receipts during the year which, whilst committed, have not yet been expended.

The Council invests its surplus cash balances on the money market in order to match the timing of both revenue and capital receipts to expenditure. These investments generated £196k worth of income to the Council during 2015/16, which assisted the overall revenue budget position.

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

CAPITAL EXPENDITURE AND FUNDING

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

Type of expenditure	Total Spent & donated £000	Met By	
		Grants & Contributions £000	Council Resources £000
Fixed & Intangible Assets	6,303	654	5,649
Grants (e.g. Disabled Facilities)	740	740	-
Capital Resources Set Aside	**7,043**	**1,394**	**5,649**
Revenue Projects	1,564	1,262	302
Total Programme	**8,607**	**2,656**	**5,951**

Unlike the Revenue Budget, the budget for the Capital Programme is set over the medium term and so an annual budget to actual comparison is not as appropriate. Unforeseen costs are covered by the Capital Contingency Reserve and pleasingly no draw from this reserve was required during the year..

The capital expenditure funded from Council resources includes £1,070k which has not been set aside at the balance sheet date, but for which provision will be made in future years. This unsupported borrowing has been used to fund expenditure on the new Leisure Village Development.

The Council operates limits for external borrowing to ensure it is kept within a prudent and affordable limit. Borrowing of £13.050m at year end was within the authorised limit of £24m.

Resources remaining in the Capital Development Reserve and Capital Receipts Reserve amount to £11.660m at 31 March 2016. This balance is fully committed as part of the Council's 10 year capital plan for projects such as the Leisure Village and Futurist redevelopment together with vehicle and equipment replacements.

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

Scheme	£000
Vehicles and Equipment	1,091
Play Areas	156
Whitby Business Park	72
Endeavour Wharf bull Nose Head	79
Leisure Village	3,619
Whitby Fish Quay	253
Market Redevelopment	306
Other	727
Total	**6,303**

COLLECTION FUND

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

The Council set a Band D Council Tax of £211.31 for 2015/16 which was the fifth successive year that the Council had frozen Council Tax. When the County Council, Police and Crime Commissioner and Fire Authority precepts are included, a total Band D Council Tax of £1,588.65 was set for residents within the Borough (an increase of 1.72% on the previous year). Residents within parish council areas also paid a parish precept.

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

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

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

In 2015/16 all Council's within the North Yorkshire Business Rates Pool generated a surplus against their business rates baselines. The levies payable on those surpluses would have been £1.563m had the pool not existed.

The £1.563m surplus derived from the pooling was distributed amongst the pool members in line with the pooling arrangement. This Council's share of this distribution equated to £403k.

FURTHER INFORMATION

Statement of Accounts 2015/16

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

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

Telephone: (01723) 232323

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

- Council Tax leaflet, available from the Council's website
- Financial Strategy 2016 – 2026
- Annual Report
- The Councils website at www.scarborough.gov.uk

Copies of these accounts can be downloaded from the Scarborough Borough Council website.

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

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

Police and Crime Commissioner North Yorkshire
Gary MacDonald, Chief Finance Officer,
Office of the Police and Crime Commissioner
12 Granby Road, Harrogate, North Yorkshire, HG1 4ST
Telephone 0845 6060247
www.northyorkshire-pcc.gov.uk
www.northyorkshire-pcc.gov.uk/taking-action/budgets-and-financial-monitoring

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

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

The Authority's Responsibilities

The Authority is required to:-

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

Councillor David Chance
Chairperson of the Audit Committee
22 September 2016

The Chief Finance Officer's Responsibilities

The Chief Finance Officer (Director and Section 151 officer) 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 of Practice'].

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate by the Chief Finance Officer

I certify that the Statement of Accounts has been prepared in accordance with proper accounting practice and presents a true and fair view of the financial position of the Authority at 31 March 2016, and of its income and expenditure for the year then ended.

Nick Edwards C.P.F.A.
Director (Section 151 officer)
22 September 2016

SCOPE OF RESPONSIBILITY

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

In discharging this responsibility the Council is responsible for ensuring that there is an overall Governance Framework in operation, incorporating a sound system of internal control, including risk management, which facilitates the effective exercise of the Council's functions.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; because it is not possible to eliminate all risk the system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks that threaten the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of the approval of this document.

THE GOVERNANCE FRAMEWORK

The governance framework comprises the policies, procedures and operations taking place within the Council:

a) for establishing and monitoring the achievement of the Council's objectives
b) to identify, assess and manage the risks to achieving the Council's objectives
c) to facilitate policy and decision making
d) to ensure compliance with law, regulation, and established policies
e) for the financial management of the Council, financial reporting, and the economic, efficient, and effective use of resources and assets
f) for performance management and the reporting thereof

The main features of each of these key elements are as follows:

(a) Arrangements for establishing and monitoring the achievement of the Council's objectives:

- The Council's Corporate Plan sets out the long-term objectives of the Council. It is the policy statement within which the Council will deliver its ambitions and improvements and sets out aspirations for the future. The Corporate Plan was reviewed in 2015/2016 and a new Corporate Plan was recommended for adoption by Cabinet to full Council in May 2016. The new Corporate Plan has been streamlined to emphasise the Council's priorities for the Borough and to improve its accessibility. The Corporate Plan is supported by the Council's performance framework and in particular through regular monitoring, and annual updating through an Annual Report and Improvement Plan. The Medium Term Financial Strategy sets out how the Council will finance the achievements of its objectives, and identifies the significant financial issues facing the Council over the future, including the need to achieve significant efficiencies.
- There is an integrated Service Planning and Budget Process in operation. A member/officer Executive Board operates throughout the year to consider corporate planning, financial strategy, and performance improvement. This ensures a completely integrated corporate planning cycle. Following on from a comprehensive review of the role of the Service unit Manager (SUM), SUMs are now required to ensure service improvement through the development and maintenance of comprehensive performance data and business planning.The Performance Management framework continues to be reviewed, and now provides for comprehensive quarterly reporting of financial/performance information. This information is provided to Cabinet, and the new Overview and Scrutiny Board where requested as part of the Council's Scrutiny function.. Work continues to be undertaken to improve the monitoring of Significant Partnerships and Contracts in the Corporate Performance Framework, as well as improvements to the monitoring of complaints and Freedom of Information requests.
- The Code of Corporate Governance encompasses, defines and quality assures the various systems by which the Council directs and controls its functions and relates to the Borough community. The Council aims to ensure good governance runs throughout its work. In particular it aims to ensure that stakeholders can have confidence in the decision-making and management processes of the authority, and in the conduct and professionalism of its Elected Members, officers and agents in delivering services. Supporting the Code of Corporate Governance is an Assurance Statement, and Action Plan, which are reported to the Audit Committee, and which also support the preparation of the AGS. The Governance and Internal Control Officer Group continues to meet regularly.

(b) Arrangements to identify, assess and manage the risks to achieving the Council's objectives:

- The Council's comprehensive approach to risk management is detailed in the Corporate Risk Management Strategy. Application of the Strategy is by Director (s151), the Officer Risk Champion. Risk Registers are prepared and maintained at Corporate, and Directorate levels.

- The Corporate Health and Safety Policy has been written to reflect current requirements and operational arrangements. The present situation with regards to the Corporate and Service action plans is that HR are in the process of working with services to ensure consistency across the Authority.
- Internal audit arrangements are provided by the Council's own internal audit service which operates to professional standards. The annual work programme is set out in an audit plan which is based on an assessment of risk and consultation with senior officers, Members, and other stakeholders including External Audit. The Audit Committee approves (but does not direct) the audit plan and receives regular reports on progress. The Audit Manager expresses an annual opinion on the internal control environment for the Council as a whole in the annual report to the Audit Committee in June.
- A risk-based Service Continuity Planning process has been agreed and resourced by the Management Team. To enable the Council to fully comply with the requirements of the Civil Contingencies Act 2004 this will be linked to specific work that is being done in generic risk areas. One generic area that is currently being targeted is that relating to information and data security.
- The Performance Management Framework has continued to be developed. Risks to the achievement of key objectives are highlighted through Finance and Performance quarterly reports to enable Management and the Cabinet to take action to manage risks.

(c) Arrangements to facilitate policy and decision making in the Council:

- The Constitution sets out how the Council operates, how decisions are made and by whom, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- All Councillors meet together at full Council. Meetings are open to the general public. At its annual meeting in May each year the Council appoints a Mayor. The Leader is appointed at the annual meeting in an election year. The Leader appoints the Cabinet. The Council is responsible for setting the budget and policy framework of the Council.
- The Leader and Cabinet are responsible for making executive decisions that implement the policies of the Council. If the Executive wishes to make a decision outside the policy framework (including the Budget) set by the Council, this must be referred to the Council as a whole to decide. The decision as to which items require referral to the Council rests with the S151 Officer and Monitoring Officer. Each Member of the Cabinet has a portfolio responsibility that relates to a specific area(s) of the Council's services and responsibilities.
- The Council has reviewed its Overview and Scrutiny function in 2015/16 to ensure that it is fit for purpose. As a consequence of this review, the Council has appointed an Overview and Scrutiny Board to replace the existing Committees. Non-executive members are then invited to apply to be part of a pool of Councillors responsible to the Overview and Scrutiny Board for undertaking task group work and reviews. The Overview and Scrutiny Board supports the work of the Council and the Cabinet. The role of the Overview and Scrutiny Board and its responsibilities are detailed in the Constitution. The Audit Committee is established to deal with a range of governance issues, financial statements, risk management, and internal control

within the Council. Statutory Officers/Codes and Protocol − the Council employs Officers to give advice, implement decisions and manage the day-to-day delivery of its services. Certain officers have a specific duty to ensure that the Council acts within the law and uses its resources wisely (see (e) and (f) below). The Protocol on Member / Officer relations, is part of the Constitution and, amongst other documents, governs the relationships between Officers and Members of the Council.

- Pursuant to its powers under Section 101 of the Local Government Act 1999 the Council arranges for certain of its functions to be discharged by officers of the Council as set out in the Officers Delegation Scheme.

(d) Arrangements to ensure compliance with law, regulation, and established policies, and procedures of the Council

- The Director (Monitoring Officer) is responsible for performing the duties imposed by Section 5 of the Local Government and Housing Act 1989. The Monitoring Officer has access to all reports produced for meetings of the Executive prior to publication and is able to require amendments to such reports where necessary to ensure legal compliance.
- The Council has a complaints procedure that is advertised by leaflets and on its website. The procedure includes targets for acknowledging and responding to complaints in full.
- The Council has a Corporate Counter Fraud Policy & Strategy, including specific arrangements to respond to Housing Benefit Fraud and to 'whistleblower' allegations.
- Elected members have a significant role to play in ensuring compliance and propriety, either collectively (e.g. through the work of the Overview and Scrutiny Board), or individually as local representatives, providing feedback from their constituents.
- Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Council has procedures in place to allow the Monitoring Officer to administer and resolve complaints brought against elected members. The Monitoring Officer is supported in this role by the Standards Committee including two Independent Members. The Committee has in place procedures for the investigation and determination of complaints against Members and a procedure for granting dispensations.
- Officers from Democratic Services attend the majority of formal meetings of elected members to advise on the constitutional aspects of processes proposed decisions and actions. Officers from the Legal Services attend, where necessary or where no officer from the Democratic Service is in attendance.
- The Council has approved a Local Code of Corporate Governance, and associated Corporate Governance Policy this defines:
    - the fundamental values and principles of corporate governance
    - the corporate governance framework and arrangements to deliver it within the Council
    - arrangements for annual review and reporting of the framework

(e) Arrangements for the financial management of the Council and its financial reporting:

- As part of its Constitution, the Council has approved Budget and Policy Framework Procedure Rules, Financial Procedure Rules, Contract Procedure Rules and Property Procedure Rules.
- The purpose of these rules is to set out a framework within which the Council conducts its financial affairs, and designed to ensure that proper financial arrangements are in place and operational at all times.
- The statutory duties of the Director (s151) in relation to financial management derive from five principal sources:
  - Section 151 of the Local Government Act 1972
  - Section 114 of the Local Government Financial Act 1988
  - Local Government Act 2000 (in particular decisions contrary to policy or budget)
  - Local Government Act 2003 (prudential limits for borrowing and investment)
  - Accounts and Audit Regulations 2011

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

The S151 is a member of the Directors Team, and reports directly to the Chief Executive.

The CFO has unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively. Set out below are the processes and procedures in place which provide assurance that the role of the CFO (Director s151) in Scarborough Borough Council meets the Statements' expectations.

The Director (s151) drafts a Medium Term Financial Strategy and presents it annually to Cabinet and the Council; linked to this Strategy are the detailed Revenue Budget, Capital Plan, Efficiency Plan, Treasury Management arrangements and Prudential Indicators.

The Director (s151) is responsible for determining the accounting procedures, the form of financial records and statements and for maintaining the financial accounts of the Council. The Director (s151) ensures that proper accounting arrangements are established in all service areas.

It is the duty of all Directors and SUMs to plan and manage their budgets to meet the agreed bottom line budget figure for their Service Unit. This includes ensuring that adequate arrangements exist for monitoring budgets throughout the year, and taking action to adjust the budget to ensure that overall control of expenditure is maintained. The Director (s151) is responsible for submitting a quarterly report to Cabinet on the overall revenue budget position.

The Director (s151) prepares and publishes an annual Statement of Final Accounts that conforms to all statutory and professional requirements, codes of practice and timetables.

- The independent auditor is Mazars LLP: they publish an Annual Audit and Inspection Letter following the end of each financial year.
- Under the Accounts and Audit Regulations 2011, the Council has a legal responsibility to provide an adequate and effective internal audit. The Council has delegated this responsibility to the Chief Executive and the internal audit service is provided in-house.

(f) Performance management of the Council and the reporting of performance

- The Council has identified its corporate priorities for improvement in its Corporate Plan and these are linked to the Medium Term Financial Strategy.

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

REVIEW OF EFFECTIVENESS

Under the Accounts and Audit Regulations 2011, the Council has responsibility for formally conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

On behalf of the Audit Committee, and in conjunction with Strategic Directors and senior officers, the Governance and Internal Control Officer Group, (which includes the Monitoring Officer, Section 151 Officer and representatives from Internal Audit) reviews matters relating to the internal control environment of the organisation on a regular basis by referring, amongst others, to the work of:

- Cabinet
- Director Management Team
- Internal Audit
- Asset, Insurance & Risk Management
- Standards Committee
- Audit Committee
- External inspectorates

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

SIGNIFICANT GOVERNANCE ISSUES

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

On the basis of the review work carried out it was considered that, overall, the Governance Framework has been effective. The majority of the internal control arrangements were operating adequately in the financial year 2015/16. The issues of concern for the year continue to be around new and developing events and projects.

Having regard to the published guidance on internal control matters, a number of issues are disclosed in the table below. Whilst a small number of issues have been added to the table, it still includes the latest position on issues identified in previous years statements where these are still relevant to consideration of the governance framework.

Issue identified previously (ongoing)	Action taken & current position
The Council has a strong ambition, and a focus on regeneration and development. The number and range of concurrent major projects is stretching resources and putting strain on the Authority which continues with reduced resources year on year. Schemes include: - - The Sands Development - Middle Deepdale Housing Development - Sea defences/Coastal Protection - The Futurist redevelopment and wider site. - Sports village/Universities - Market Redevelopment - Offshore wind	Major schemes continue to play a large part of this Councils work programme and place significant pressure on resources. Performance is monitored through regular meetings and reports to Overview and Scrutiny Committees to be replaced by the new Overview and Scrutiny Board The Council has strengthened its risk reporting to members through the regular submission of Top Risks to the Audit Committee. The Council has adopted a more corporate approach to identify necessary resources through a cross service approach. Many of these schemes are now moving to delivery stage. Management through officer/board control plays a crucial role in the successful governance and administration of these projects.
The challenging economic climate, coupled with the need to deliver significant efficiency savings may lead to budgetary cuts that could weaken the Council's governance and control framework.	The economic climate remains turbulent and this is therefore an ongoing risk for the Council. The role of audit within the governance of the Council remains critical and valued as the Council faces uncertain times and a challenging capital programme. The Council has therefore put in place new audit arrangements, after a need was identified for a stronger audit resource on site.

Issue identified previously (ongoing)	Action taken & current position
Impact of the current economic situation on Council activities. There is likely to be a greater demand for social support services.	Risks in this area continue to be a concern. The Council continues to monitor and manage its financial circumstances closely through budget monitoring and performance management, to minimise the impact on support services and ensure resources are focused on key priorities for the Council and its communities.
Impact of current and anticipated reductions in funding and the knock on effect on services. Changes continue to be significant and the lack of certainty makes planning difficult.	The Council has improved the way in which it reports performance monitoring to members. The use of exception reporting means focus is placed on those services which are failing to meet targets, and submission of action plans with timescales allows for certainty as to future progress and ongoing improvement / deterioration. This is addressed through regular reporting to the Council's Cabinet and the ability of the Councils Overview and Scrutiny Board to request reporting and investigate where services are failing to meet satisfactory performance targets Further work continues to be undertaken to expand the Performance Management Framework to include Significant Partnerships, Contracts, Freedom of Information requests and complaints.
SBC is developing significant changes in the ways of working and delivering services and activities, including.: - - New service delivery models - Partnerships and Partnership working - Market testing - Private sector involvement - Multi Agency Local Delivery Teams - Income generation This method of service delivery has both advantages and disadvantages. One disadvantage being the potential for Contingent Liabilities in the accounts.	As each option is considered the Council will need to consider carefully the governance arrangements, which includes financial, service delivery, service quality, duration, and efficiency aspects. Contingent Liabilities are closely monitored by the Audit and Governance Group.

- Transformation Board	This new member/officer Board has been created to ensure the Council maximises efficiencies through new ways of working and digital technology.
The establishment of effective checks and balances which recognise that the strong Leader model has the ability to exercise full Executive powers	The requirements of the Localism Act were substantially implemented from April 2012. Standards arrangements are being reviewed in line with the requirements of the Act. The recent review of the Council's Overview and Scrutiny function emphasises the Council's commitment to ensure that effective checks can be carried out on executive decisions.
New 2014/15 Political Changes following the elections in May 2014. Risk of lack of continuity in terms of Council priorities and focus.	Extensive training was undertaken with all new Members. Regular Member briefings and Portfolio Holder roles and responsibilities training. This is now considered to be addressed.
New 2014/15 Director Change – Potential for temporary lack of continuity. Short term gap in local knowledge. A need to fully understand the Councils priorities and focus.	Directors Team Work relationships with senior management, executives and Members.
New 2014/15 Change of responsibility for Senior Managers (Directors) Short term gap in knowledge and experience of new areas.	Directors Team Close working with new Service Managers 1-2-1 mentoring sessions to identify training needs. This is now considered to be addressed. However, the reduction in the size of the Directors' Team necessitates a more flexible approach to assumption of direct line responsibilities by the Directors. However, whilst this can be seen as a risk, this also has the advantage of encouraging closer working across the Council and defends against "silo" working which has been recognised as a risk in the past.

New 2014/15 Single Fraud Investigation Service (SFIS) Loss of fraud investigator expertise following TUPE transfer over to DWP in February 2016. Gaps in investigations skills for remaining tenancy, corporate, employment, procurement frauds and the development of the Fraud Hub	2 year funding won from DCLG to fund a pilot with Yorkshire Coast Homes for tenancy fraud work and the introduction of the Data Sharing Fraud Hub. Training gaps and resourcing issues have been identified and addressed and further training given for existing audit staff to develop fraud knowledge.
New 2014/15 Data Protection/Information Governance/PCIDSS issues. Significant fines from the Information Commissioners Office (ICO) and reputational risk.	Training and awareness initially for key staff and Members. Rolling training out to the whole Authority to ensure full understanding and compliance. Audit reviews as part of all scheduled audits. Cabinet Report Information Governance Group and Information Governance Board set up.
New 2015/16 The result of the European Referendum has potentially significant impacts upon the Council in areas including: - Procurement - Treasury - Management - Project funding - Legal issues - Governance - HR - Planning and the environment	It is too early to assess the full impact of the result of the EU Referendum. Officers will identify issues as they arise and address with Members through Working Groups, including the Governance Working Group, and eventual report to Cabinet/Council as appropriate

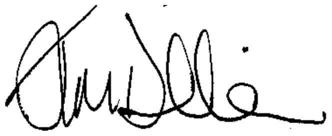
SUMMARY

The governance framework operating during 2015/16 is considered to have provided reasonable and objective assurance that significant risks impacting on the achievement of the Council's principal objectives would be identified and actions taken to avoid or mitigate their impact.

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

SIGNATURES

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



J.Dillon
Chief Executive

Cllr D. Bastiman
Leader of the Council

Comprehensive Income & Expenditure Statement 2015/16

2014 / 15 Gross Expenditure £000	2014 / 15 Gross Income £000	2014 / 15 Net Expenditure £000		Note	2015 / 16 Gross Expenditure £000	2015 / 16 Gross Income £000	2015 / 16 Net Expenditure £000
2,815	(1,952)	863	Central Services to the Public		2,775	(1,870)	905
11,387	(4,710)	6,677	Cultural and Related Services		13,617	(4,316)	9,301
13,090	(5,575)	7,515	Environmental and Regulatory Services		12,325	(5,549)	6,776
3,230	(1,110)	2,120	Planning Services		3,107	(1,636)	1,471
3,500	(6,716)	(3,216)	Highways and Transport Services		3,539	(6,940)	(3,401)
42,185	(41,493)	692	Housing Services		41,997	(40,837)	1,160
2,159	(76)	2,083	Corporate and Democratic Core		2,212	(256)	1,956
2,342	-	2,342	Non Distributed Costs		2,362	-	2,362
80,708	**(61,632)**	**19,076**	**Cost of Services**		**81,934**	**(61,404)**	**20,530**
856	-	856	Other Operating Expenditure	5	798	(3,708)	(2,910)
3,886	(3,171)	715	(Surplus)/Deficit on Trading Undertakings	6	3,945	(3,000)	945
2,659	(177)	2,482	Finance and Investment Income and Expenditure	7	2,989	(295)	2,694
-	(19,428)	(19,428)	Taxation and Non-Specific Grant Incomes	8	-	(22,559)	(22,559)
		3,701	**(Surplus) or Deficit on Provision of Services**				**(1,300)**
			Items that will not be reclassified to the Surplus or Deficit on the Provision of Services				
		(4,019)	(Surplus) or deficit on the revaluation of Property, Plant and Equipment	24a			(10,295)
		12,347	Re-measurements of the defined benefit liability	22			(7,810)
		8,328	**Other Comprehensive Income and Expenditure**				**(18,105)**
		12,029	**Total Comprehensive Income and Expenditure**				**(19,405)**

£000	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Balance at 1 April 2015	2,676	18,138	-	410	**21,224**	107,630	**128,854**
Movement in Reserves during 2015/16							
Surplus or (deficit) on the provision of services	1,300	-	-	-	**1,300**	-	**1,300**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	18,105	**18,105**
Total Comprehensive Income and Expenditure	1,300	-	-	-	**1,300**	18,105	**19,405**
Adjustments between accounting basis and funding basis under regulations (Note 9)	1,459	-	4,925	4,006	**10,390**	(10,390)	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	2,759	-	4,925	4,006	**11,690**	7,715	**19,405**
Transfers to / from Earmarked Reserves (Note 10)	(2,759)	2,759	-	-	**-**	-	**-**
Increase / (Decrease) in Year	-	2,759	4,925	4,006	**11,690**	7,715	**19,405**
Balance at 31 March 2016 carried forward	2,676	20,897	4,925	4,416	**32,914**	115,345	**148,259**

£000	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	Unusable Reserves	**Total Authority Reserves**
Balance at 1 April 2014	2,892	17,074	2	1,754	**21,722**	119,161	**140,883**
Movement in Reserves during 2014/15							
Surplus or (deficit) on the provision of services	(3,701)	-	-	-	**(3,701)**	-	**(3,701)**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	(8,328)	**(8,328)**
Total Comprehensive Income and Expenditure	(3,701)	-	-	-	**(3,701)**	(8,328)	**(12,029)**
Adjustments between accounting basis and funding basis under regulations (Note 9)	4,549	-	(2)	(1,344)	**3,203**	(3,203)	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	848	-	(2)	(1,344)	**(498)**	(11,531)	**(12,029)**
Transfers to / from Earmarked Reserves (Note 10)	(1,064)	1,064	-	-	**-**	-	**-**
Increase / (Decrease) in Year	(216)	1,064	(2)	(1,344)	**(498)**	(11,531)	**(12,029)**
Balance at 31 March 2015 carried forward	2,676	18,138	-	410	**21,224**	107,630	**128,854**

31 March 2015 £000				31 March 2016 £000
187,103	Property, Plant and Equipment	Note 11	188,448	
4,455	Heritage Assets	Note 12	4,461	
600	Investment Property	Note 13	258	
723	Intangible Assets	Note 14	667	
-	Long Term Investments	Note 16	5,966	
1,259	Long Term Debtors	Note 16	3,413	
194,140	**Long Term Assets**			**203,213**
15,047	Short Term Investments	Note 16	23,031	
969	Assets Held for Sale	Note 15	844	
181	Inventories and Work in Progress	Note 17	169	
5,958	Short Term Debtors	Note 18	6,025	
7,990	Cash and Cash Equivalents	Note 19	6,533	
30,145	**Current Assets**			**36,602**
(547)	Short Term Borrowings	Note 16	(88)	
(7,982)	Short Term Creditors	Note 20	(10,729)	
(311)	Provision for Accumulated Absences	Note 24	(310)	
(1,359)	Short Term Provisions	Note 21	(1,551)	
(10,199)	**Current Liabilities**			**(12,678)**
(183)	Long Term Creditors	Note 16	(147)	
(13,016)	Long Term Borrowings	Note 16	(12,962)	
(72,033)	Liability Related to Defined Benefit Pension Scheme	Note 22	(65,769)	
(85,232)	**Long Term Liabilities**			**(78,878)**
128,854	**Net Assets**			**148,259**
21,224	Usable Reserves			32,914
107,630	Unusable Reserves	Note 24		115,345
128,854	**Total Reserves**			**148,259**

We certify that the Balance Sheet and related accounts represents a true and fair view of Scarborough Borough Council as at 31 March 2016 and its income and expenditure for the year ending 31 March 2016.

Nick Edwards C.P.F.A
Director (Section 151 officer)
22 September 2016

Councillor David Chance
Chairperson of the Audit Committee
22 September 2016

Cash Flow Statement 2015/16

2014/15 £000		2015/16 £000
3,701	Net (surplus) or deficit on the provision of services	1,300
(3,683)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(19,278)
1,241	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	10,366
1,259	Net cash flows from Operating Activities (Note 26)	(7,612)
515	Investing Activities (Note 27)	11,189
(6,762)	Financing Activities (Note 28)	(2,120)
(4,988)	Net (increase) or decrease in cash and cash equivalents	1,457
3,002	Cash and cash equivalents at the beginning of the reporting period	7,990
7,990	Cash and cash equivalents at the end of the reporting period (Note 19)	6,533

1 ACCOUNTING POLICIES

a) INTRODUCTION

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position as at the year end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice (SeRCOP) 2015/16, supported by International Reporting Standards (IFRS).

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

b) REVENUE RECOGNITION

The authority accounts for revenue recognition in accordance with IAS 18 Revenue and IPSAS 23 Revenue for Non-Exchange transactions (Taxes and Transfers) except where interpretations or adaptations to fit the public sector are detailed in the Code.

The accounting policy does not apply to revenue arising from lease arrangements (see separate accounting policy on leases).

Revenue, except that for a financial asset, is measured at the fair value of the consideration received or receivable.

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

Sale of Goods

Revenue in relation to the sale of goods is recognised by the authority when the following has been satisfied:

- the authority transfers the significant risks and rewards of ownership of the goods to the purchaser;
- the authority retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the authority can measure the amount of revenue reliably;
- it is possible that the economic benefits or service potential associated with the transaction will flow to the authority; and
- the authority can measure the costs incurred or to be incurred in respect of the transaction.

Provision of Services

When the outcome of a transaction involving the provision of services can be estimated reliably by the authority, revenue associated with the transaction is recognised by reference to the percentage of completion method at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the authority can measure the amount of revenue reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority;
- the percentage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Supplies

Supplies are recorded as expenditure when they are consumed. Where there is gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses

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

In relation to interest receivable and payable, revenue is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority; and
- the authority can measure the amount of the revenue reliably.

Subject to the recognition criteria above being met, interest is recognised 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.

Non-Exchange Transactions

In a non exchange transaction, the authority either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue in relation to non exchange transactions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the authority; and
- the authority can measure the amount of the revenue reliably.

Accruals of Income and Expenditure

In circumstances where the consideration has been received but the revenue does not meet the recognition criteria described above, the authority recognises a creditor (i.e.

receipt in advance) in respect of that inflow of resources. On satisfying the recognition criteria, revenue is recognised equal to the reduction of the carrying amount of the liability.

In circumstances where revenue meets the recognition criteria described above but the consideration has not been received, the authority recognises a debtor in respect of that inflow of resources (see accounting policy on debtors).

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an impairment of financial asset (see accounting policy for financial instruments).

c) ACCRUALS OF INCOME & EXPENDITURE

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

- Revenue from 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 for by employees) are recorded as expenditure when the services are received rather than when payments are made. Specifically; services provided by employees are accounted for in accordance with IAS 19 and accruals are made in relation to short term accumulating compensated absences
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

d) CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty or notice within 24 hours. Cash equivalents are investments that mature overnight or deposits that are held within call accounts.

In the cashflow 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

e) EXCEPTIONAL ITEMS

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

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

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

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

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

g) CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. There is, however, a statutory duty (The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008) to make a prudent annual revenue contribution for capital expenditure financed by borrowing (whether external or internal). The Regulations explain that the aim of prudent provision is to ensure that resources are set aside for debt repayment either over a period commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant, with the period implicit in the determination of grant i.e. 25 years.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

h) EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line 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 making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

The liabilities of the scheme 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 such as mortality rates and employee turnover rates and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices.

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

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

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

Service cost comprising:

- Current Service Cost – the increase in liabilities as a result of service earned this year. This is allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs.

- Net Interest on the Net Defined Benefit Liability – the net interest cost for the authority – the change during the period in the net defined benefit liability that arises from the passage of time. This is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account and changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- The return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

i) EVENTS AFTER THE REPORTING PERIOD

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

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

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

j) FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing (premiums and discounts) are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

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

Financial Assets

Financial assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for Sale Assets – assets that have quoted market price and / or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line of the Comprehensive income and Expenditure Statement for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principle (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge is made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available for Sale Assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance sheet at fair value. Values are based on the following principles.

- instruments with quoted market price – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity share with no quoted market Price – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

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

Instruments entered into before 1 April 2006

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

k) GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions 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 Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

l) HERITAGE ASSETS

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

Art Collections

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

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

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

Monuments, Statues and Sculptures

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

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

Museum Pieces

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

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

Heritage Assets - General

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

m) INTANGIBLE ASSETS

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life (between 3 and 100 years) to the relevant service line(s) 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 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 have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000), the Capital Receipts Reserve.

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

n) INVENTORIES AND LONG TERM CONTRACTS

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

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

o) INVESTMENT PROPERTY

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

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

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

p) LEASES

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the 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 – applied to write down the lease debtor (together with any premiums received); and
- finance charge (debited to the Financing and Investment Income and Expenditure line in the 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 the Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

q) OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost – 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 Assets Held for Sale.

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

r) PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, 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 in the Movement in Reserves Statement.

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Periodic revaluations are carried out as at 1 April each year. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.]

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

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

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 is recognised for the shortfall.

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

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

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

Depreciation

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

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

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

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

s) DEBTORS

The authority accounts for debtors in accordance with IAS 18 Revenue IPSAS 23 Revenue from Non Exchange Transactions (Taxes and Transfers) and IAS 39 Financial Instruments: Recognition and Measurement, except where interpretations or adaptations to fit the public sector are detailed in the Code.

The accounting policy should be read in conjunction with the accounting policies for Revenue Recognition and Financial Instruments.

Debtors are recognised when ordered goods or services have been delivered or rendered by the authority.

Debtors are recognised and measured at the fair value of the consideration receivable (typically in the form of cash and cash equivalents) when revenue has been recognised (see accounting policy on Revenue Recognition) except for a financial asset (see accounting policy on financial instruments).

Financial assets relating to such things as council tax, general rates etc are measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions (see accounting policy for financial instruments.

If payment to the authority is on deferred terms (ie beyond normal credit terms), the consideration receivable is recognised initially at the cash price equivalent (that is the discounted amount). The difference between this amount and the total payments received is recognised as interest revenue in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

In the event that consideration has been paid in advance of the receipt of goods or services, the authority recognises a debtor (ie payment in advance)in respect of the outflow of resources.

t) CREDITORS

The authority accounts for creditors in accordance with IAS 18 Revenue, IPSAS 23 Revenue from Non Exchange Transactions (Taxes and Transfers) and IAS39 Financial Instruments: Recognition and Measurement, except where interpretations or adaptations to fit the public sector are detailed in the Code.

The accounting policy should be read in conjunction with the accounting policies for Revenue Recognition and Financial Instruments.

Creditors are recognised when ordered goods or services have been delivered or rendered to the authority.

Creditors are recognised and measured at the fair value of the consideration payable (typically in the form of cash and cash equivalents) except for financial liability (see accounting policy on financial instruments).

Financial liabilities relating to such things as council tax, general rates etc are measured at the full amount payable as they are non contractual, non-exchange transactions (see accounting policy on financial instruments).

If payment by the authority is on deferred terms (ie beyond normal credit terms), the consideration payable is recognised initially at the cash price equivalent (that is the discounted amount). The difference between this amount and the total payments is recognised as interest expense in the surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

In the event that consideration is received but the revenue does not meet the revenue recognition criteria (see accounting policy on revenue recognition) the authority recognises a creditor (ie receipt in advance) in respect of that inflow of resources.

u) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Where the time value of money is deemed to be significant, provisions will be measured at present value.

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.

v) RESERVE

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 of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement of 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, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

w) 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. 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.

x) BORROWING COSTS IN RELATION TO ASSETS

The authority accounts for borrowing costs in accordance with IAS 23 Borrowing Costs except where interpretations or adaptations to fit the public sector are detailed in the Code.

The authority recognises all borrowing costs in respect of qualifying assets as an expense in the period in which they are incurred; they are included in Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

y) VAT

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 code:

IAS 1 Presentation of Financial Statements
This standard provides guidance on the format of the financial statements within the Council's Statement of Accounts. Changes to the IAS 1 will result in changes to the format of the accounts in 2016/17, specifically in relation to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. It will also introduce a new Expenditure and Funding analysis.

The code requires implementation of these changes from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

Infrastructure Assets
The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The code confirms that transport infrastructure assets are to be recognised as a separate class of property, plant and equipment and measured at depreciated replacement cost for the first time in the 2016/17 financial statements.

These changes are not generally expected to affect Borough Councils however this Authority continues to review whether it may be affected. The code confirms that the changes arising from the Infrastructure Code will not require retrospective adjustment.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in the Statement of Accounting Policies, 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:

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

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

Leases

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

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

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

The items in the Authority's Balance Sheet as at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Liability

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

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

- a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2,943k
- a 0.1% per annum assumed increase in salaries would result in an increase in the pension liability of £619k.
- a 1 year increase to members; life expectancy would increase the pension liability by £4,405k

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

Arrears

At 31 March 2016, the Authority had a balance of sundry debtors of £4,156k. £2,291k of bad debt provision has been provided against these balances. In the current economic climate it is not certain that such allowance would be sufficient.

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

Property Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.

The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset fall.

It is estimated that the annual depreciation charge for property, plant and equipment would increase by £237k if the useful lives of each of the assets was reduced by one year.

Business Rates

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

A provision has therefore been recognised for an estimate of the amount that businesses have been overcharged up to 31 March 2016. The estimate has been calculated using the Valuation Office ratings list of appeals and historical analysis of successful appeals in the past (by category).

If the level of successful appeals rose by 1% then the provision for appeals would increase by £330k from £3,767k to £4,097k. The Council's share of this provision is 40%.

5 OTHER OPERATING EXPENDITURE

2014/15 £000		2015/16 £000
703	Parish Council Precepts	772
80	Parish Council Grant	-
24	Levies	24
1	Payments to the Government Housing Capital Receipts Pool	2
48	(Gains) / losses on the disposal of non-current assets	(3,708)
856	**Total**	**(2,910)**

Payments to the Government Housing Capital Receipts Pool; the Government has introduced legislation that requires a proportion of mortgage repayments relating to previous housing disposals to be paid into a Government Housing Pot. The amount is reversed out of the General Fund Balance via the Movement in Reserves Statement to reflect that the amount will be met from capital receipts rather than revenue reserves.

6 TRADING OPERATIONS

The Council has established 2 trading units where service managers are required to operate in a commercial environment and balance their budgets by generating income from other parts of the Authority or other organisations.

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

External Trading Organisations	**2014/15 £000**	**2015/16 £000**
Property Rentals		
Turnover	(1,170)	(1,234)
Expenditure	1,855	2,094
(Surplus) / Deficit	685	860
Property Services		
Turnover	(2,001)	(1,766)
Expenditure	2,031	1,851
(Surplus) / Deficit	30	85
Total External Trading Organisations		
Turnover	(3,171)	(3,000)
Expenditure	3,886	3,945
Total (Surplus) / Deficit	**715**	**945**

7 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £000		**2015/16 £000**
244	Interest payable and similar charges (including interest payable on lessee payments)	416
2,441	Net interest cost on the net defined benefit liability	2,241
(177)	Interest receivable and similar income (including interest receivable on lessee payments)	(295)
(26)	Income and expenditure in relation to investment properties and changes in their fair value	332
2,482	**Total**	**2,694**

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

The Authority received the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

Credited to Taxation and Non Specific Grant Income

2014/15 £000		2015/16 £000
(8,464)	Council tax income	(8,688)
	Non domestic rates;	
(12,999)	Retained Business Rates	(12,939)
8,923	Business Rates Tariff	9,093
669	Business Rates Levy	382
(140)	North Yorkshire Pool Contribution to LEP	140
(1,474)	Section 31 Grants (Business Rates)	(1,653)
	Non-ring fenced government grants;	
(4,359)	Revenue Support Grant	(3,085)
(834)	New Homes Bonus	(966)
(90)	Council Tax Freeze Grant	(90)
-	DCLG Efficiency Support Grant	(78)
(8)	Community Right to Challenge	-
(8)	Assets of Community Value Grant	-
(6)	Transparency Code Grant	(8)
(34)	DCLG NNDR Flood Grant	-
(7)	Improvement and Development Agency Grant	-
-	Repairs and Renewals Admin Scheme	(5)
	Capital grants and contributions;	
(246)	Environment Agency	(369)
(76)	English Heritage	(3)
(209)	Local Trust (Big Lottery Funding)	(98)
-	DCLG	(1,736)
-	North Yorkshire County Council	(2,320)
(66)	Other	(136)
(19,428)	**Total**	**(22,559)**

Credited to Services

2014/15 £000		2015/16 £000
(919)	DWP Benefits Admin Grant	(812)
(39,460)	DWP Rent Allowances and Rebates	(38,952)
(15)	DWP Transitional / New Burdens Funding	(46)
(199)	North Yorkshire County Council	(472)
(73)	Police and Crime Commissioner for North Yorkshire	(63)
14	Homes and Communities Agency (HCA)	-
(1,176)	Department for Communities and Local Government	(1,261)
(1,590)	Environment Agency	(1,227)
(12)	Lottery Fund	(2)
(684)	Other	(653)
(44,114)	**TOTAL**	**(43,488)**

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015 / 2016	Useable Reserves (£000)			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	5,177			5,177
Revaluation losses on Property Plant and Equipment	4,447			4,447
Movements in the market value of Investment Properties	342			342
Amortisation of intangible assets	156			156
Capital grants and contributions applied	(1,373)			(1,373)
Revenue expenditure funded from capital under statute	740			740
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	5,648			5,648
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(569)			(569)
Capital expenditure charged against the General Fund balance	(147)			(147)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(4,027)		4,027	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(21)	(21)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9,357)	9,357		-
Use of the Capital Receipts Reserve to finance new capital expenditure		(4,430)		(4,430)
Use of the Capital Receipts Reserve to repay borrowing	-			-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2	(2)		-

Adjustments primarily involving the Deferred Capital Receipts Reserve Transfer of the sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	161			161
Adjustment primarily involving the Financial Instruments Adjustment Account Amount by which the costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	50			50
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,537			5,537
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,991)			(3,991)
Adjustments primarily involving the Collection Fund Adjustment Account Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(1,336)			(1,336)
Adjustment primarily involving the Accumulated Absences Account Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)			(1)
Total Adjustments	**1,459**	**4,925**	**4,006**	**10,390**

2014 / 2015	Useable Reserves (£000)			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Useable Reserves
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	5,008			5,008
Revaluation losses on Property Plant and Equipment	983			983
Movements in the market value of Investment Properties	(16)			(16)
Amortisation of intangible assets	231			231
Capital grants and contributions applied	(952)			(952)
Revenue expenditure funded from capital under statute	1,456			1,456
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	515			515
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(554)			(554)
Capital expenditure charged against the General Fund balance	(2,886)			(2,886)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(246)		246	-
Application of grants to capital financing transferred to the Capital Adjustment Account			(1,590)	(1,590)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(467)	468		1
Use of the Capital Receipts Reserve to finance new capital expenditure		(469)		(469)
Use of the Capital Receipts Reserve to repay borrowing	-			-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1	(1)		-
Adjustments primarily involving the Deferred Capital Receipts Reserve				

Transfer of the sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	95			95
Adjustment primarily involving the Financial Instruments Adjustment Account Amount by which the costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	49			49
Adjustments primarily involving the Pensions Reserve Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,203			5,203
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,028)			(4,028)
Adjustments primarily involving the Collection Fund Adjustment Account Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	174			174
Adjustment primarily involving the Accumulated Absences Account Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(17)			(17)
Total Adjustments	**4,549**	**(2)**	**(1,344)**	**3,203**

10 TRANSFERS TO / FROM EARMARKED RESERVES

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

Earmarked Reserves	Balance at 1-Apr-15	Transfers (to) / from General Fund	Transfers between Reserves	Balance at 31-Mar-16
	£000	£000	£000	£000
Insurance	1,694	150	(416)	1,428
Capital Contingency	500	100	-	600
Pension	1,180	(28)	-	1,152
Repairs & Renewals	861	231	-	1,092
Capital Development	4,064	1,727	993	6,784
Value for Money	20	(20)	-	-
Service Investment	7,557	54	(354)	7,257
Revenue Development	40	-	(40)	-
Section 106	1,737	553	(147)	2,143
Commuted Sums	149	11	-	160
Other	336	(19)	(36)	281
Total Earmarked Reserves	**18,138**	**2,759**	**-**	**20,897**

Earmarked Reserves	Balance at 1-Apr-14	Transfers (to) / from General Fund	Transfers between Reserves	Balance at 31-Mar-15
	£000	£000	£000	£000
Insurance	1,593	101	-	1,694
Capital Contingency	500	150	(150)	500
Pension	1,233	(53)	-	1,180
Repairs & Renewals	611	250	-	861
Capital Development	3,080	47	937	4,064
Value for Money	1	30	(11)	20
Service Investment	7,539	255	(237)	7,557
Revenue Development	40	-	-	40
Homes & Communities	42	10	(52)	-
Section 106	2,013	211	(487)	1,737
Commuted Sums	134	15	-	149
Other	288	48	-	336
Total Earmarked Reserves	**17,074**	**1,064**	**-**	**18,138**

The purposes of the main reserves are:

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

- **The Capital Contingency Reserve** provides funding support to mitigate the potential risks in relation to unforeseen costs that the Council may incur during the implementation of projects and also provides funds for small-scale projects and feasibility studies.
- **The Pensions Reserve** is used to meet the costs associated with the added year's element of employees' pensions and redundancy costs upon the termination of employees contracts of employment.
- **The Repairs and Renewals Reserve** represents earmarked amounts for the repair and renewal of specific items of harbour equipment in future years.
- **The Capital Development Reserve** consolidates capital resources with the intention of investing monies into priority areas in a planned and phased approach. In addition to this Reserve, Usable Capital Receipts, which are required to be brought to account as a separate item, are also available for capital investment.
- **The Value for Money Reserve** provides a resource to support the efficiency agenda, improve performance and creates opportunities to lever in external funding.
- **The Service Investment Reserve** primarily relates to accumulated under spending that has been carried over to support known future operational requirements.
- **The Revenue Development Reserve** was established to provide a flexible resource to fund new, small, one off items. This allows the Council to adopt a proactive approach to areas requiring immediate action, without the need to find compensating revenue savings.
- **The Section 106 Reserve** collects receipts that the Borough Council has received from developers as a result of the granting of planning permission. These monies relate to maintenance costs, or new facilities that need to be provided, as a result of the granting of that permission (eg requiring the developer to provide funding to create a play area or open space). The agreements specify that the funds are to be used within a specific period or else will be returned.

11 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Movement in 2015 / 2016	**Land & Buildings £000**	**Vehicles, Plant & Equipment £000**	**Infra-structure Assets £000**	**Assets Under Construction £000**	**Total £000**
Cost or Valuation					
At 1 April 2015	117,463	19,112	92,854	3,999	233,428
Additions	87	1,163	410	4,581	6,241
Revaluation increases / (decreases) recognised in Revaluation Reserve	8,067				8,067
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(4,451)	4			(4,447)
Category Transfers	1,246	(241)	254	(1,259)	-
Derecognition - disposals	(4,748)	(4,498)			(9,246)
Assets classified (to)/from Held for Sale	(794)				(794)
Other movements in cost or valuation	(854)	14		(84)	(924)
At 31 March 2016	**116,016**	**15,554**	**93,518**	**7,237**	**232,325**
Accumulated Depreciation and Impairment					
At 1 April 2015	(6,132)	(13,365)	(26,744)	(84)	(46,325)
Depreciation Charge	(1,693)	(1,083)	(2,351)		(5,127)
Depreciation and impairments written out to the Revaluation Reserve	2,184				2,184
Accumulated depreciation on assets reclassified as Held for Sale	13				13
Impairment losses / (reversals) recognised in the Surplus / Deficit on Provision of Services	(50)				(50)
Derecognition – disposals	16	4,488			4,504
Other movements in cost or valuation	854	(14)		84	924
At 31 March 2016	**(4,808)**	**(9,974)**	**(29,095)**	**-**	**(43,877)**

Net Book Value					
At 31 March 2016	111,208	5,580	64,423	7,237	188,448
At 31 March 2015	111,331	5,747	66,110	3,915	187,103

Movement in 2014 / 2015	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra-structure Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation					
At 1 April 2014	115,024	17,926	92,393	1,820	227,163
Additions	501	1,306	461	2,179	4,447
Revaluation increases / (decreases) recognised in Revaluation Reserve	3,021				3,021
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(962)				(962)
Category Transfers	627				627
Derecognition - disposals	(852)	(120)			(972)
Assets classified (to)/from Held for Sale	104				104
At 31 March 2015	**117,463**	**19,112**	**92,854**	**3,999**	**233,428**
Accumulated Depreciation and Impairment					
At 1 April 2014	(5,597)	(12,373)	(24,406)	(69)	(42,445)
Depreciation Charge	(1,574)	(1,080)	(2,338)		(4,992)
Depreciation and impairments written out to the Revaluation Reserve	653				653
Impairment (losses)/reversals recognised in the Revaluation Reserve	331				331
Accumulated depreciation on assets reclassified as Held for Sale	-				-
Impairment losses / (reversals) recognised in the Surplus / Deficit on Provision of Services	(1)			(15)	(16)
Derecognition – disposals	56	88			144
At 31 March 2015	**(6,132)**	**(13,365)**	**(26,744)**	**(84)**	**(46,325)**

Net Book Value					
At 31 March 2015	111,331	5,747	66,110	3,915	187,103
At 31 March 2014	109,427	5,553	67,987	1,751	184,718

Capital Commitments

At 31 March 2016, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years. The budgeted value of the works to be completed under the most significant of these contracts is £15,149k. Similar commitments at 31 March 2015 were £802k. The major commitments are:

	£000
Pathfinder Works	162
Middle Deepdale Infrastructure	3,235
Spa Coastal Protection Works	259
Leisure Village	11,493
Total	**15,149**

Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Carried at historical cost	-	15,464	15,464
Values at fair value as at:			
31 March 2016	39,919	-	39,919
31 March 2015	23,671	-	23,671
31 March 2014	20,503	-	20,503
31 March 2013	8,277	-	8,277
31 March 2012	23,646	90	23,736
Total Cost or Valuation	**116,016**	**15,554**	**131,570**

12 HERITAGE ASSETS

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

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

	Art Collections £000	Monuments, Statues and Sculptures £000	Museum Pieces £000	Other £000	Total £000
Cost or Valuation					
As at 1 April 2014	**3,220**	**251**	**270**	**619**	**4,360**
Additions	-	95	-	-	95
As at 1 April 2015	**3,220**	**346**	**270**	**619**	**4,455**
Additions	-	6	-	-	6
At 31 March 2016	**3,220**	**352**	**270**	**619**	**4,461**
Accumulated Depreciation and Impairment					
As at 1 April 2014					
Depreciation Charge	-	-	-	-	-
As at 1 April 2015					
Depreciation Charge	-	-	-	-	-
At 31 March 2016	**-**	**-**	**-**	**-**	**-**

Net Book Value					
31 March 2016					
Assets measured at cost	-	352	-	62	414
Assets measured at valuation	3,220	-	270	557	4,047
	3,220	**352**	**270**	**619**	**4,461**
31 March 2015					
Assets measured at cost	-	346	-	62	408
Assets measured at valuation	3,220	-	270	557	4,047
	3,220	**346**	**270**	**619**	**4,455**

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

Where assets are held at valuation, the valuations were carried out by an independent specialist valuer external to the organisation. The valuations were carried out during April 2010 when it became necessary to recognise heritage assets within the Statement of Accounts. Insurance valuations undertaken during the year confirm that these values are still appropriate.

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

Heritage assets not reported in the balance sheet include:

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

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

13 INVESTMENT PROPERTY

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

	2014/15 £000	2015/16 £000
Rental Income from investment property	10	12
Direct operating expenses arising from investment property	-	(1)
Net gain/(loss)	10	11

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.

	2014/15 £000	2015/16 £000
Balance at start of year	1,257	600
Disposals	-	-
Net gains / (losses) from fair value adjustments	16	(342)
Category Transfers	(673)	-
Assets classified (to) / from Available for Sale	-	-
Balance at end of the year	600	258

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

14 INTANGIBLE ASSETS

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

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

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

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

- Way Leaves / Rights up to indefinite

The carrying amount of intangible assets is amortised on a straight line basis over the life of the asset, (with the exception of those assets with an indefinite useful life which are not amortised). Amortisation of £82k charged to revenue in 2015/16 was charged to the IT Administration cost centre and then absorbed as an overhead across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. £74k was charged to the Property Trading Unit within Trading Undertakings and relates to way leaves and licences / rights for which the trading account receives the income.

	2014/15 £000	2015/16 £000
Balance at start of year		
Gross Carrying Amounts	2,389	2,470
Accumulated Amortisation	(1,530)	(1,747)
Net Carrying Amount at start of year	859	723
Additions	36	56
Revaluation increases/(decreases) recognised in Revaluation Reserve	14	44
Impairment losses recognised in the Surplus/Deficit on Provision of Services	-	-
Amortisation for the period	(231)	(156)
Category Transfers	45	-
Net carrying Amount at end of year	723	667
Comprising:		
Gross carrying amounts	2,470	2,570
Accumulated Amortisation	(1,747)	(1,903)
	723	667

Intangible assets are recognised which the Authority assess as having indefinite useful lives.

	2014/15 £000	2015/16 £000
Access Rights	7	7
Concessions	158	158
Grazing Rights	13	13
Other	3	3
	181	181

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

15 ASSETS HELD FOR SALE

	2014/15 £000	2015/16 £000
Balance outstanding at start of year	1,464	969
Assets newly classified as held for sale		
Property, Plant and Equipment	-	1,520
Revaluation losses	(21)	-
Assets declassified as held for sale		
Property, Plant and Equipment	(104)	(740)
Assets Sold	(370)	(905)
Balance Outstanding at end of year	969	844

16 FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31-Mar-15 £000	31-Mar-16 £000	31-Mar-15 £000	31-Mar-16 £000
Investments				
Loans and Receivables				
Investments	-	5,966	15,006	23,031
Cash and Cash Equivalents	-	-	7,990	6,533
Available for Sale Financial Assets				
Conversion Stock	-	-	31	-
Other Miscellaneous	-	-	10	-
Total Investments	**-**	**5,966**	**23,037**	**29,564**
Debtors				
Loans and Receivables				
Mortgages	2	-	-	-
Finance Leases	1,257	1,096	-	-
Financial assets carried at contract amounts	-	2,317	4,584	4,481
Total Debtors	**1,259**	**3,413**	**4,584**	**4,481**
Borrowings				
Financial liabilities at amortised cost	(13,016)	(12,962)	(547)	(88)
Total Borrowings	**(13,016)**	**(12,962)**	**(547)**	**(88)**
Other Long Term Liabilities				
Finance Lease Liabilities	(183)	(147)	-	-
Total Other Long Term Liabilities	**(183)**	**(147)**	**-**	**-**
Creditors				
Financial liabilities carried at contract amount	-	-	(4,603)	(4,488)
Total Creditors	**-**	**-**	**(4,603)**	**(4,488)**

2015 / 16	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total 2015 / 16 £000
Interest expense	406	-	-	406
Reductions in fair value	-	-	-	-
Total expense in surplus or deficit on the provision of services	**406**	**-**	**-**	**406**
Interest income	-	(196)	-	(196)
Increase in fair value	-	-	-	-
Total income in surplus or deficit on the provision of services	**-**	**(196)**	**-**	**(196)**
Net gain / (loss) for the year	**406**	**(196)**	**-**	**210**

2014 / 15	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total 2014 / 15 £000
Interest expense	204	-	-	204
Reductions in fair value	-	-	18	18
Total expense in surplus or deficit on the provision of services	**204**	**-**	**18**	**222**
Interest income	-	(93)	-	(93)
Increase in fair value	-	-	-	-
Total income in surplus or deficit on the provision of services	**-**	**(93)**	**-**	**(93)**
Net gain / (loss) for the year	**204**	**(93)**	**18**	**129**

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

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

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

The fair values calculated are as follows:

	31-Mar-15		31-Mar-16	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities				
Public Works Loan Board (Note 1)	(8,027)	(9,137)	(7,976)	(9,101)
Barclays LOBO (Note 2)	(4,085)	(4,976)	(4,085)	(4,982)
Whitby Business Park Hybrid Grant Loan	(1,451)	(1,451)	(989)	(989)
Other Long Term Liabilities				
Finance Lease Liabilities	(183)	(183)	(148)	(148)
Creditors				
Financial liabilities carried at contract amount	(4,603)	(4,603)	(4,488)	(4,488)
Total	**(18,349)**	**(20,350)**	**(17,686)**	**(19,708)**

Note 1 – The Fair Value of the PWLB loans have been calculated using the premature repayment rates and this is consistent with the way in which the PWLB treat them.

At 31 March 2016, the fair value of the PWLB loans is higher than the carrying amount because, should the Council wish to prematurely repay the borrowings, then this would be done at an amount higher than the carrying amount.

If the Fair Value of the PWLB loans had been calculated using the New Loan Rate then it would be £7,987k.

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

Note 2 – The fair value of the LOBO has been calculated using the New Loan Rate.
At 31 March 2016 the fair value of the LOBO loan is higher than the carrying amount because the effective interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders at a rate that is higher than current market rates.

The Fair Value of the LOBO would be £5,866k if it was calculated in the same way as the PWLB loans, (ie premature repayment rate rather than new loan rate).

	31-Mar-15		31-Mar-16	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments				
Loans and Receivables (Note 3)	22,008	22,008	35,530	35,530
Available for Sale Financial Assets (Note 4)	41	41	-	-
Debtors				
Mortgages	2	2	-	-
Finance Leases	1,257	1,257	1,096	1,096
Financial assets carried at contract amount	4,584	4,584	6,798	6,632
Total	**27,892**	**27,892**	**43,424**	**43,258**

Note 3 – The Loans and Receivables balance includes a £5,917k loan to Benchmark Leisure Limited as part of the Waterpark development. The carrying value of this loan is deemed a reasonable approximation of its fair value. Further information on this transaction is included in Note 40 to these accounts.

Note 4 - Available for sale assets and assets and liabilities at fair value through profit and loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

17 INVENTORIES

2015/16 £000	Stocks and Stores		Total
	Trading Units	Other	
Balance outstanding at start of year	88	93	181
Purchases	200	274	474
Recognised as an expense in year	(215)	(271)	(486)
Balance outstanding at year end	**73**	**96**	**169**

2014/15 £000	Stocks and Stores		Total
	Trading Units	Other	
Balance outstanding at start of year	95	115	210
Purchases	225	273	498
Recognised as an expense in year	(232)	(295)	(527)
Balance outstanding at year end	**88**	**93**	**181**

18 SHORT TERM DEBTORS

2014/15 £000		2015/16 £000
2,123	Central Government Bodies	2,151
910	Other Public Bodies (includes Local Authorities)	837
1,071	Local Tax Payers	1,172
4,119	Sundry Debtors	4,156
8,223	Total	8,316
(2,265)	Bad Debt Provision	(2,291)
5,958		**6,025**

19 CASH AND CASH EQUIVALENTS

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

2014/15 £000		2015/16 £000
45	Cash held by the Authority	18
943	Bank Current Accounts	513
7,002	Short-term Deposits with Banks	6,002
7,990	**Total**	**6,533**

20 SHORT TERM CREDITORS

2014/15 £000		2015/16 £000
	Creditors:	
(300)	HM Revenue & Customs	(281)
(445)	Central Government Bodies	(2,152)
(565)	Local Tax Payers	(542)
(2,993)	Sundry Creditors	(3,160)
(3,679)	Other Local Authorities	(4,594)
(7,982)	**Total**	**(10,729)**

21 PROVISIONS

2015/16	Municipal Mutual Insurance £000	Property Searches £000	Business Rates £000	Total £000
Balance as at 1 April 2015	5	42	1,312	1,359
Additional Provisions made in 2015/16	47	-	591	638
Amounts used in 2015/16	(25)	(25)	(396)	(446)
Unused amounts reversed in 2015/16	-	-	-	-
Balance as at 31 March 2016	**27**	**17**	**1,507**	**1,551**
Of which:				
Current Liabilities	27	17	1,507	1,551
Long Term Liabilities	-	-	-	-
Total	**27**	**17**	**1,507**	**1,551**

2014/15	Municipal Mutual Insurance £000	Property Searches £000	Business Rates £000	Total £000
Balance as at 1 April 2014	22	-	1,445	1,467
Additional Provisions made in 2014/15	-	42	-	42
Amounts used in 2014/15	-	-	(133)	(133)
Unused amounts reversed in 2014/15	(17)	-	-	(17)
Balance as at 31 March 2015	**5**	**42**	**1,312**	**1,359**
Of which:				
Current Liabilities	5	42	1,312	1,359
Long Term Liabilities	-	-	-	-
Total	**5**	**42**	**1,312**	**1,359**

Municipal Mutual Insurance

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

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

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

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

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

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

The provision outlined above assumes a final Levy of 34% and also provides for outstanding claims which haven't been included in these calls.

The provision therefore reflects that Council's remaining liability for known claims.

Property Searches

A group of property search companies have successfully claimed refunds of fees paid to Councils across the country to access land charges data. A national settlement has been agreed for these fees (and paid during 2015/16) however the award of costs is still being negotiated.

As with the refund of fees, it is envisaged that the Council will receive a new burdens grant from Central Government towards the settlement of these costs and the provision recognised above is the Council's estimated net exposure.

Business Rates

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

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

The Council retains a 40% 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 2016.

22 DISCLOSURE OF INFORMATION RELATING TO RETIREMENT BENEFITS

PARTICIPATION IN PENSION SCHEMES

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

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

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

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

TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

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

Comprehensive Income & Expenditure Account

2014/15 £000		2015/16 £000	
	Cost of Services:		
2,575	Current Service Cost (note 1)	3,240	
187	Curtailment	56	
2,762			3,296
	Financing and Investment Income and Expenditure:		
2,441	Net Interest Expense	2,241	
2,441			2,241
5,203	Total Post Employment Benefit Charged to Surplus / Deficit on the Provision of Services		5,537
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
	Re-measurement of the net defined benefit liability comprising:		
(11,096)	Return on plan assets	3,403	
-	Actuarial gains and losses arising on changes in experience assumptions	(2,271)	
-	Actuarial gains and losses arising on changes in demographic assumptions	-	
23,443	Actuarial gains and losses arising on changes in financial assumptions	(8,942)	
12,347			(7,810)
17,550	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		(2,273)

Note 1 – included within the Current Service Cost is an allowance of £49k (£49k 2014/15) for administration expenses.

Movement in Reserves Statement

2014/15 £000		2015/16 £000
(5,203)	Reversal of net charges made to the surplus or deficit for the provision of Services for post employment benefits in accordance with the code	(5,537)
	Actual amounts charged against the General Fund Balance for pensions in the Year:	
4,028	- Employers Contributions Payable to the Scheme	3,991

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a loss of £32.725m.

ASSETS AND LIABILITIES IN RELATION TO POST-EMPLOYMENT BENEFITS

Reconciliation of present value of the Scheme Liabilities

	2014/15 £000s	2015/16 £000s
Balance as at 1 April	(157,127)	(183,695)
Current Service Cost	(2,575)	(3,240)
Interest Cost	(6,773)	(5,788)
Contributions by Scheme Participants	(778)	(791)
Remeasurements (liabilities)		
Experience Gain / (loss)	-	2,271
Gain / (Loss) on financial assumptions	(23,443)	8,942
Gain / (Loss) on demographic assumptions	-	-
Curtailments	(187)	(56)
Benefits / Transfers paid	7,188	6,502
Closing balance at 31 March	**(183,695)**	**(175,855)**

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

	2014/15 £000s	2015/16 £000s
Balance as at 1 April	98,616	111,662
Interest on Plan Assets	4,332	3,547
Remeasurements (assets)	11,096	(3,403)
Employer Contributions	4,028	3,991
Contributions by scheme Participants	778	791
Benefits / transfers paid	(7,188)	(6,502)
Closing fair value of scheme assets at 31 March	**111,662**	**110,086**

The scheme assets comprised;

	2014/15 £000s	2015/16 £000s
Cash and cash equivalents	1,340	881
Equity Instruments	66,998	68,473
Government Bonds	18,871	15,522
Corporate Bonds	7,594	5,945
Property	7,257	8,036
Other	9,602	11,229
Closing fair value of scheme assets at 31 March	**111,662**	**110,086**

PENSION ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

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

	2014/15 £000	2015/16 £000
Present value of the defined benefit obligation	(183,695)	(175,855)
Fair value of plan assets	111,662	110,086
Net liability arising from defined benefit obligation	(72,033)	(65,769)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £65.769 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, reducing reserves from £214.028 million to £148.259 million (31%). Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £4.092m.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The fund liabilities have been assessed by Aon Hewitt Limited (2014/15 Mercer Limited), an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2013.

The main assumptions used in their calculations have been:

2014/15		2015/16
2.0%	Rate of Inflation (CPI)	1.8%
3.5%	Rate of Increase in Salaries	3.3%
2.0%	Rate of Increase in Pensions	1.8%
3.2%	Rate for Discounting Scheme Liabilities	3.4%
	Mortality Assumptions:	
	Longevity Assumptions at 65 for current pensioners	
23.1	Men	23.3
25.6	Women	25.8
	Longevity Assumptions at 65 for future pensioners	
25.4	Men	25.6
28.0	Women	28.1

SENSITIVITY ANALYSIS

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2016 and the projected service cost for the period ending 31 March 2017 is set out below.

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

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

Discount rate assumption Adjustment to discount rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£000)	171,741	174,684	177,678
% change in present value of total obligation	-1.7%		1.7%
Projected service cost (£000)	2,803	2,900	3,000
Approximate % change in projected service cost	-3.3		3.4

Rate of general increase in salaries Adjustment to salary increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£000)	175,303	174,684	174,073
% change in present value of total obligation	0.4%		-0.3%
Projected service cost (£000)	2,900	2,900	2,900
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption Adjustment to pension increase rate	+0.1% per annum	Base Figure	-0.1% per annum
Present value of total obligation (£000)	177,055	174,684	172,348
% change in present value of total obligation	1.4%		-1.3%
Projected service cost (£000)	3,000	2,900	2,803
Approximate % change in projected service cost	3.4%		-3.3%

Post retirement mortality assumption Adjustment to mortality age rating assumption *	- 1 Year	Base Figure	+ 1 Year
Present value of total obligation (£000)	179,065	174,684	170,279
% change in present value of total obligation	2.5%		-2.5%
Projected service cost (£000)	2,994	2,900	2,806
Approximate % change in projected service cost	3.2%		-3.2%

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

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep the employers' contributions at as constant a rate as possible. At the previous triennial valuation, a strategy was agreed with the scheme's actuary to achieve a funding level of 100% over a 27 year period. Funding levels are monitored on an annual basis. The next triennial valuation is due to completed as at 31 March 2016 and will be carried out during the 2016/17 financial year.

The weighted average duration of the defined benefit obligation for scheme members is 17 years, (17 years 2014/15).

23 USABLE RESERVES

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

24 UNUSABLE RESERVES

31-Mar-15 £000		31-Mar-16 £000
39,891	Revaluation Reserve	44,884
139,677	Capital Adjustment Account	135,010
169	Financial Instruments Adjustment Account	119
1,259	Deferred Capital Receipts Reserve	1,097
(72,033)	Pension Reserve	(65,769)
(1,022)	Collection Fund Adjustment Account	314
(311)	Accumulated Absences Account	(310)
107,630	**Total Unusable Reserves**	**115,345**

(a) REVALUATION RESERVE

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

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

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

2014/15 £000			2015/16 £000
36,259	Balance as at 1 April		39,891
4,978	Upward revaluation of assets	11,120	
(959)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(825)	
4,019	Surplus or deficit on revaluation of non-current assets not posted to the surplus or Deficit on the Provision of Services		10,295
(315)	Difference between fair value depreciation and historical cost depreciation		(557)
(72)	Accumulated gains on assets sold or scrapped		(4,745)
39,891	Balance as at 31 March		44,884

(b) CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or 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 Authorities finance for the costs of acquisition, construction and enhancement.

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

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

2014/15 £000			2015/16 £000
141,017	Balance at 1 April		139,677
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(5,008)	Charges for depreciation and impairment of non-current assets	(5,177)	
(983)	Revaluation losses/(gains) on Property, Plant and Equipment	(4,447)	
(231)	Amortisation of intangible assets	(156)	
(1,456)	Revenue expenditure funded from capital under statute	(740)	
(515)	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	(5,648)	
(8,193)			(16,168)
387	Adjusting amounts written out of the Revaluation Reserve		5,302
(7,806)	Net written out amount of the cost of non-current assets consumed in the year		(10,866)
	Capital financing applied in the year:		
469	Use of the Capital Receipts Reserve to finance new capital expenditure	4,431	
952	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,373	
1,589	Application of grants to capital financing from the Capital Grants Unapplied Account	21	
554	Statutory provision for the financing of capital investment charged against the General Fund balances	569	
2,886	Capital Expenditure charged against the General Fund balances	147	
6,450			6,541
16	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		(342)
139,677	Balance at 31 March		**135,010**

(c) FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The authority uses the account to manage discounts received on the early settlement of borrowings. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred and, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time the income is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the benefit on council tax. In the Authority's case, this period is 10 years from the point of redemption of the loan. As a result, the balance on the account at 31 March 2016 will be credited to the General Fund balance over the next 4 years.

2014/15 £000			2015/16 £000
218	Balance at 1 April		169
(49)	Proportion of discounts received in previous financial years to be credited against the General fund Balance in accordance with statutory requirements	(50)	
(49)	Amount by which finance costs charged to the Comprehensive Income and Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(50)
169	Balance at 31 March		**119**

(d) DEFERRED CAPITAL RECEIPTS RESERVE

The table below shows the movement on this Reserve

2014/15 £000		2015/16 £000
1,355	Balance as at 1 April	1,259
(95)	Transfer of deferred sales proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(161)
(1)	Transfer to the Capital Receipt Reserve upon receipt of cash	(1)
1,259	Balance as at 31 March	**1,097**

(e) PENSION RESERVE

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

2014/15 £000		2015/16 £000
(58,511)	Balance at 1 April	(72,033)
(12,347)	Actuarial gains or losses on pensions assets and liabilities	7,810
(5,203)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,537)
4,028	Employer's pensions contributions and direct payments to pensioners payable in the year	3,991
(72,033)	**Balance at 31 March**	**(65,769)**

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

(f) COLLECTION FUND ADJUSTMENT ACCOUNT

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

2014/15 £000		2015/16 £000
(848)	Balance at 1 April	(1,022)
(174)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	1,336
(1,022)	Balance at 31 March	**314**

(g) ACCUMULATED ABSENCES ACCOUNT

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

2014/15 £000			2015/16 £000
(328)	Balance as at 1 April		(311)
328	Settlement or cancellation of accrual made at the end of the proceeding year	311	
(328)	Amounts accrued at the end of the current year		(311)
17	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		1
(311)	Balance as at 31 March		**(310)**

25 EVENTS AFTER THE BALANCE SHEET DATE

The audited Statement of Accounts was authorised for issue by the Director (Nick Edwards, Section 151 officer) on 22 September 2016. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There is one event after the balance sheet date to report at the date that these audited accounts were authorised for issue on 22 September 2016 and relates to the Council's Lender Option Borrower Option (LOBO). The counterparty wrote to the Council at the end of June outlining that it was waiving its right to change the applicable interest rate of the loan in the future. As a result of this waiver the loan effectively becomes a fixed rate loan at its current interest rate and there is no longer a risk that the rate will be changed in the future. This has been treated as a non-adjusting event.

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

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

2014/15 £000	0	2015/16 £000
3,701	(Surplus) / Deficit on the Provision of Services	1,300
	Adjustment to the Surplus / Deficit on the Provision of Services for Non Cash Movements	
(5,240)	Depreciation, amortisation, impairment and downward revaluations	(5,333)
2,709	Increase / (Decrease) in Creditors	369
(675)	(Increase) / Decrease in Debtors	2,591
(29)	(Increase) / Decrease in Inventories	(12)
(1,174)	Pension Fund Adjustments	(1,546)
427	Increase / (Decrease) in impairment for provision for bad debts	(26)
116	Contributions to / (from) provisions	(192)
(587)	Carrying amount of PP&E, investment property and intangible assets sold	(5,098)
770	Other non-cash items charged to the net surplus or deficit on the provision of services	(10,031)
	Adjustments for items included in the Surplus / Deficit on the Provision of Services that are Investing or Financing Activities	
469	Proceeds from the disposal of PP&E, investment property and intangible assets	7,041
597	Capital Grants credited to Surplus or deficit on the provision of services	4,662
175	Other adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities	(1,337)
1,259	**Net Cash Flows from Operating Activities**	**(7,612)**

OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
(185)	Interest received	(268)
215	Interest paid	413
30	**Total**	**145**

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2014/15 £000		2015/16 £000
4,957	Purchase of property, plant and equipment, investment property and intangible asset	5,774
288,500	Purchase of short term and long term investments	182,417
-	Other payments for investing activities	-
(468)	Proceeds from sale of property, plant and equipment, investment property and intangible assets	(7,042)
(290,109)	Proceeds from short term and long term investments	(168,541)
(2,365)	Other receipts from investment activities	(1,419)
515	**Net cash flows from investing activities**	**11,189**

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2014/15 £000		2015/16 £000
(10,000)	Cash receipts of short term and long term borrowing	-
(1,387)	Other receipts for financing activities	(3,625)
35	Cash payments for the reduction of outstanding liabilities to finance leases	36
3,050	Repayments of short term and long term borrowing	512
1,540	Other payments for financing activities	957
(6,762)	**Net cash flows from financing activities**	**(2,120)**

29 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice 2015/16 (SeRCOP). Decisions about resource allocation are, however, taken by the Council's Cabinet on the basis of management budget reports analysed across Directorate Responsibility. These reports are prepared on a different basis from the accounting policies used in the financial statements.

Internal reporting is based on 'Directorate' responsibility with an additional section for 'Corporate' expenditure. The 'Corporate' expenditure principally includes areas that are not under the direct control of a Director (such as Support Services and Capital Charges).

Outlined below is the Council's 2015/16 outturn report, as reported, with a reconciliation back to the (Surplus) or Deficit on Provision of Services and the Cost of Services reported in the Comprehensive Income and Expenditure Statement.

2015 / 2016 Summary by Directorate	Income £000	Expenditure £000	Outturn £000
Chief Executive	(1,747)	4,132	2,385
Director (Section 151 Officer)	(51,170)	54,558	3,388
Director (Monitoring Officer)	(983)	3,106	2,123
Director	(13,637)	13,244	(393)
Total Service Budget Heads	**(67,537)**	**75,040**	**7,503**
Corporate Budget Heads	(45,923)	37,655	(8,268)
Surplus in year compared to budget (as reported internally)	**(113,460)**	**112,695**	**(765)**
Reconciliation to (Surplus) or Deficit on Provision of Services:			
Residual underspend transferred to Earmarked Reserves (Note A)			765
Amounts not included in CIES:			
Adjustments between accounting basis and funding basis under regulations (Note 9)			(1,459)
Transfers to / from Earmarked Reserves (Note 10)			2,759
Transfers to / from General Fund			-
Reported (Surplus) or Deficit on Provision of Services			**1,300**
Reconciliation to Cost of Services:			
Other Operating Expenditure (Note 5)			(2,910)
(Surplus) / Deficit on Trading Undertakings (Note 6)			945
Finance & Investment Income & Expenditure (Note 7)			2,694
Taxation and Non-Specific Grant Income (Note 8)			(22,559)
Reported Cost of Services			**(20,530)**

The income and expenditure outlined in the above analysis includes internal recharges, these are removed from the presentation within the Comprehensive Income and Expenditure Statement.

The Chief Finance Officers Narrative Report outlines how the surplus generated during the year has been utilised.

The following table outlines the final internal management report for the year ended 31 March 2016 after the utilisation of the year end surplus.

2015 / 2016 Summary by Directorate	Income £000	Expenditure £000	Outturn £000
Chief Executive	(1,747)	4,132	2,385
Director (Section 151 Officer)	(51,170)	54,558	3,388
Director (Monitoring Officer)	(983)	3,106	2,123
Director	(13,637)	13,244	(393)
Total Service Budget Heads	**(67,537)**	**75,040**	**7,503**
Corporate Budget Heads	(45,923)	38,420	(7,503)
Surplus in year compared to budget (as reported internally)	**(113,460)**	**113,460**	**-**
Reconciliation to (Surplus) or Deficit on Provision of Services:			
Amounts not included in CIES:			
Adjustments between accounting basis and funding basis under regulations (Note 9)			(1,459)
Transfers to / from Earmarked Reserves (Note 10)			2,759
Transfers to / from General Fund			-
Reported (Surplus) or Deficit on Provision of Services			**1,300**
Reconciliation to Cost of Services:			
Other Operating Expenditure (Note 5)			(2,910)
(Surplus) / Deficit on Trading Undertakings (Note 6)			945
Finance & Investment Income & Expenditure (Note 7)			2,694
Taxation and Non-Specific Grant Income (Note 8)			(22,559)
Reported Cost of Services			**(20,530)**

The income and expenditure outlined in the above analysis includes internal recharges, these are removed from the presentation within the Comprehensive Income and expenditure Statement.

2015 / 2016	Service Budget Heads £000	Corporate Budget Heads £000	Regulatory Adjustments £000	Transfer to / from earmarked reserves £000	Total £000
Fees, charges and other service income	(67,537)	(14,780)			(82,317)
Interest and investment income		(306)			(306)
Council Tax Income		(7,351)			(7,351)
NNDR, Revenue Support Grant and Area Based Grant		(18,824)			(18,824)
Capital grants and contributions		(4,662)			(4,662)
Total income	**(67,537)**	**(45,923)**	**-**	**-**	**(113,460)**
Employee expenses	17,769	4,012			21,781
Other service expenses	57,271	28,347			85,618
Support service recharges		10,040			10,040
Transfers to from earmarked reserves				(2,759)	(2,759)
Interest payments		416			416
Precepts and levies		772			772
Gain / loss on disposal of non-current assets		(3,708)			(3,708)
Adjustments between accounting basis and funding basis under regulations					
Depreciation, amortisation and impairments		(5,333)	5,333		-
Cont to housing Pool		(2)	2		-
Other		3,876	(3,876)		-
Total expenditure	**75,040**	**38,420**	**1,459**	**(2,759)**	**112,160**
Surplus / deficit on the provision of services	**7,503**	**(7,503)**	**1,459**	**(2,759)**	**(1,300)**
Surplus or deficit on the revaluation of Property, Plant and Equipment					(10,295)
Actuarial gains / losses on pension assets / liabilities					(7,810)
Total Comprehensive Income and Expenditure					**(19,405)**

Outlined below is the Council's 2014/15 outturn report, as reported, with a reconciliation back to the (Surplus) or Deficit on Provision of Services and the Cost of Services reported in the Comprehensive Income and Expenditure Statement.

This information has been restated following the retirement of the Council's Deputy Chief Executive and the resulting change in Senior Officer responsibility.

2014 / 2015 Summary by Directorate	Income £000	Expenditure £000	Outturn £000
Chief Executive	(2,006)	4,407	2,401
Director (Section 151 Officer)	(51,586)	54,800	3,214
Director (Monitoring Officer)	(861)	3,035	2,174
Director	(14,286)	14,196	(90)
Total Service Budget Heads	**(68,739)**	**76,438**	**7,699**
Corporate Budget Heads	(43,832)	36,070	(7,762)
Surplus in year compared to budget (as reported internally)	**(112,571)**	**112,508**	**(63)**
Reconciliation to (Surplus) or Deficit on Provision of Services:			
Residual underspend transferred to Earmarked Reserves (Note B)			63
Amounts not included in CIES:			
Adjustments between accounting basis and funding basis under regulations (Note 9)			4,549
Transfers to / from Earmarked Reserves (Note 10)			(1,064)
Transfers to / from General Fund			216
Reported (Surplus) or Deficit on Provision of Services			**3,701**
Reconciliation to Cost of Services:			
Other Operating Expenditure (Note 5)			(856)
(Surplus) / Deficit on Trading Undertakings (Note 6)			(715)
Finance & Investment Income & Expenditure (Note 7)			(2,482)
Taxation and Non-Specific Grant Income (Note 8)			19,428
Reported Cost of Services			**19,076**

The income and expenditure outlined in the above analysis includes internal recharges, these are removed from the presentation within the Comprehensive Income and Expenditure Statement.

Note B: The surplus generated during the year was transferred to the Council's Capital Development Reserve (Earmarked Reserves) to address a funding shortfall.

The following table outlines the final internal management report for the year ended 31 March 2015 after the utilisation of the year end surplus.

2014 / 2015 Summary by Directorate	Income £000	Expenditure £000	Outturn £000
Chief Executive	(2,006)	4,407	2,401
Director (Section 151 Officer)	(51,586)	54,800	3,214
Director (Monitoring Officer)	(861)	3,035	2,174
Director	(14,286)	14,196	(90)
Total Service Budget Heads	**(68,739)**	**76,438**	**7,699**
Corporate Budget Heads	(43,832)	36,133	(7,699)
Surplus in year compared to budget (as reported internally)	**(112,571)**	**112,571**	**-**
Reconciliation to (Surplus) or Deficit on Provision of Services:			
Amounts not included in CIES:			
Adjustments between accounting basis and funding basis under regulations (Note 9)			4,549
Transfers to / from Earmarked Reserves (Note 10)			(1,064)
Transfers to / from General Fund			216
Reported (Surplus) or Deficit on Provision of Services			**3,701**
Reconciliation to Cost of Services:			
Other Operating Expenditure (Note 5)			(856)
(Surplus) / Deficit on Trading Undertakings (Note 6)			(715)
Finance & Investment Income & Expenditure (Note 7)			(2,482)
Taxation and Non-Specific Grant Income (Note 8)			19,428
Reported Cost of Services			**19,076**

The income and expenditure outlined in the above analysis includes internal recharges, these are removed from the presentation within the Comprehensive Income and expenditure Statement.

2014 / 2015	Service Budget Heads £000	Corporate Budget Heads £000	Regulatory Adjustments £000	Transfer to / from earmarked reserves £000	Total £000
Fees, charges and other service income	(68,739)	(14,450)			(83,189)
Interest and investment income		(187)			(187)
Council Tax Income		(8,639)			(8,639)
NNDR, Revenue Support Grant and Area Based Grant		(19,959)			(19,959)
Capital grants and contributions		(597)			(597)
Total income	**(68,739)**	**(43,832)**	**-**	**-**	**(112,571)**
Employee expenses	18,151	3,512			21,663
Other service expenses	58,247	26,396			84,643
Support service recharges	40	9,915			9,955
Transfers to from earmarked reserves				(1,064)	(1,064)
Interest payments		244			244
Precepts and levies		783			783
Gain / loss on disposal of non-current assets		48			48
Adjustments between accounting basis and funding basis under regulations					
Depreciation, amortisation and impairments		(5,240)	5,240		-
Cont to housing Pool		(1)	1		-
Other		692	(692)		-
Total expenditure	**76,438**	**36,349**	**4,549**	**(1,064)**	**116,272**
Surplus / deficit on the provision of services	**7,699**	**(7,483)**	**4,549**	**(1,064)**	**3,701**
Surplus or deficit on the revaluation of Property, Plant and Equipment					(4,019)
Actuarial gains / losses on pension assets / liabilities					12,347
Total Comprehensive Income and Expenditure					**12,029**

30 MEMBERS ALLOWANCES

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

2014/15 £000		2015/16 £000
194	Salaries	198
68	Responsibility Allowances	68
262	**Total**	**266**

In addition to the above, Members can reclaim any costs that they incur in meeting their duties as Councillors (such as travel and subsistence). Total payments of £16k were made during 2015/16 (2014/15 £16k). More details on these payments can be found on the Council's website at www.scarborough.gov.uk/opendata

31 OFFICERS' REMUNERATION

The remuneration paid to the Authorities senior employees is as follows:

2015 / 2016 Post Holder Information	Salary	Returning Officer Fees	Taxable Expense Allowances	**Total exc Pension**	Pension *	**Total 2015/16**
Chief Executive (Note 1)	106,370	13,256	922	**120,548**	17,346	**137,894**
Deputy Chief Executive (Note 2)	64,785	-	642	**65,427**	9,394	**74,821**
Director	74,174	-	901	**75,075**	10,755	**85,830**
Director	74,174	-	942	**75,116**	10,755	**85,871**
Director (Note 3)	18,544	-	241	**18,785**	2,689	**21,474**
Director (Note 4)	47,655	-	583	**48,238**	6,910	**55,148**
	385,702	13,256	4,231	**403,189**	57,849	**461,038**

2014 / 2015 Post Holder Information	Salary	Returning Officer Fees	Taxable Expense Allowances	**Total exc Pension**	Pension *	**Total 2014/15**
Chief Executive (Note 1)	106,370	3,527	894	**110,791**	15,935	**126,726**
Deputy Chief Executive	95,749	-	963	**96,712**	13,884	**110,596**
Director of Business Support	73,083	-	909	**73,992**	10,597	**84,589**
Director of Legal and Democratic Services	73,083	-	925	**74,008**	10,597	**84,605**
Director of Service Delivery	73,083	-	963	**74,046**	10,597	**84,643**
	421,368	3,527	4,654	**429,549**	61,610	**491,159**

* The pension figures shown in the above tables reflect the employer's contribution to the Local Government Pension Scheme. Officers also make contributions, which range from 9.9% to 11.4% (9.9% to 11.4% 2014/15) of their pensionable pay, to the scheme.

Note 1: The Chief Executive receives payment for his role of 'Returning Officer' for regional, national and European elections for which the Authority is reimbursed.

Note 2: The Council's Deputy Chief Executive left the Authority with effect from 30 November 2015.

Note 3: The Council's Director left the Authority with effect from 30 June 2015.

Note 4: The Council's Director was appointed to the Authority with effect from 10 August 2015.

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

2014/15	Salary band	2015/16
4	£50,000 to £54,999	6
1	£55,000 to £59,999	-
-	£60,000 to £64,999	-
1	£65,000 to £69,999	-

These costs above include payments relating to the termination of employment contracts during the year where applicable.

32 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2015/16 and severance payments were made to the employees of £71k (£122k in 2014/15). In addition to the payments made to employees, pension strain payments were also made to the pension fund and these totalled £128k in the year (£79k in 2014/15).

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

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

2014/15		Exit package cost band	2015/16	
Number	Cost	(including pension strain cost)	Number	Cost
2	17,575	£0 to £20,000	4	35,328
3	80,647	£20,001 to £40,000	1	29,729
1	41,973	£40,001 to £60,000	1	47,110
1	61,351	£60,001 to £80,000	-	-
-	-	£80,001 to £100,000	1	86,541
-	-	£100,001 to £150,000	-	-
7	**201,546**	**Total**	**7**	**198,708**

In addition to the above, a £42k pension strain payment was made to the pension fund in relation to the flexible retirement of an employee. This payment enabled the Council to recognise a base budget saving immediately whilst retaining the specialised knowledge of the employee on a part-time basis.

33 EXTERNAL AUDIT COSTS

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

2014/15 £000		2015/16 £000
(7)	Refund of fees paid to the Audit Commission with regard to external audit services carried out by the appointed auditor in previous years	-
70	Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor for the year	52
15	Fees payable to Mazars LLP for the certification of grant claims and returns	11
1	Fees payable to Mazars LLP in respect of other services provided during the year	-
79	**Total**	**63**

34 RELATED PARTY TRANSACTIONS

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

Central Government

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

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

Companies and Joint Ventures:

Scarborough Museums Trust

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

The Council's museum service transferred to the Trust on 1 January 2008 and the Trust is now primarily responsible for running the Art Gallery and Rotunda Museum under a Service Level Agreement. In return for this the Council paid a grant of £516,660 (£486,660 2014/15) for the year. The Council also offers the use of the Rotunda and Art Gallery at a peppercorn rent and will pay amounts equal to the rents and service charge for space that is occupied at the Creative Industries Centre. During the year the Council paid £64,548 (£55,571 2014/15).

Cllr Jeffels is a trustee, appointed to represent the Borough Council on the Museums Board of Trustees. There are currently 12 members on the Board and therefore this equates to an 8⅓% proportion of voting rights.

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

The audited Trust accounts for the year ended 31 March 2015 show a surplus of £79,778 and net assets as at 31 March of £448,495. No figures are yet available from the Trust for 2015/16.

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

North Yorkshire Procurement Partnership

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

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

During the year the Partnership made a surplus of £9,564 (£20,815 surplus in 2014/15). The Borough Council's proportion of the cumulative net surplus made by the Partnership at the 31 March 2016 is £44,627.

North Yorkshire Building Control Partnership

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

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

During the year the partnership made a trading surplus of £17,170 (£3,940 deficit 2014/15).

The Borough Council's proportion of the cumulative net surplus made by the Partnership at the 31 March 2016 is £18,988.

Other Bodies

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

Significant funding provided to the Council by other bodies was:

Capital funding - £4,662k including £1,736k from DCLG, £2,319k from North Yorkshire County Council, £369k from the Environment Agency and 98k of Big Local (Lottery) Funding.

North Yorkshire County Council – estimated funding of £472k in respect of specific services. It also administers the Local Government Pension Scheme (note 22). The Borough Council is also the accountable body for distributing the County Council Community Fund.

Police and Crime Commissioner for North Yorkshire - £63k in respect of funding specific services.

The following Councillors were Councillors of North Yorkshire County Council at 31 March 2016: Cllr Backhouse, Cllr Bastiman, Cllr Billing, Cllr Blackburn*, Cllr Broadbent, Cllr Chance, Cllr Cross, Cllr Jeffels, Cllr Jefferson, Cllr Marsden*, Cllr Plant, Cllr Randerson and Cllr Ritchie.
* These Councillors ceased to be Borough Councillors in May 2015.

Cllr Donohue-Moncrieff is a member of the Police and Crime Panel.

Cllr Backhouse and Cllr Broadbent are members of the North Yorkshire Fire and Rescue Authority Management Board.

Cllr Backhouse, the council's Portfolio Holder for Leisure, Tourism and Culture, is a trustee for the Scarborough Theatre Trust, a body that the Borough Council paid a grant to of £116,604 during the financial year.

Cllr Chance is a representative on the Creative Industries Centre Trust, a body to whom the Council leases the Creative Industry Centre building to at a peppercorn rent.

Cllr Donohue-Moncrieff and Cllr Mortimer are Board members of Yorkshire Coast Homes, the body to whom the Council's housing stock was transferred in 2003. During the year the Council made payments to the organisation of £27,524.

Cllr Ritchie, Cllr Marsburg and Cllr Clegg are Directors of the Citizens Advice Bureau, during the year the Council made grant payments to the organisation of £73,525.

Cllr Billing and Cllr Mortimer are Directors of Coast & Vale Community Action. During the year the Council made payments to the organisation of £35,555.

Cllr Donohue-Moncrieff is a Director of Scarborough Beach Limited. During the year the Council made payments to the organisation of £9,270.

Cllr Donohue-Moncrieff is a Director of Groundwork North Yorkshire. This is a non-profit making body who deliver regeneration projects throughout the region. During the year the Council made payments to the organisation of £170,227.

Members also have interests in other organisations and payments to these organisations totalled £11,513 during the year.

35 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2014/15 £000	2015/16 £000
Opening Capital Financing Requirement	15,299	14,282
Capital investment		
Property Plant and Equipment	4,447	6,241
Investment Properties	-	-
Intangible Assets	36	56
Heritage Assets	95	6
Revenue Expenditure Funded from Capital under Statute	1,456	740
Long Term Investments		5,966
Sources of Finance		
Capital receipts	(470)	(4,432)
Government grants and other contributions	(2,541)	(1,394)
Sums set aside from Revenue		
Direct revenue contributions	(2,886)	(147)
Minimum Revenue Provision / Loans Fund Principle	(554)	(569)
Other Transactions (Note 1)	(600)	-
Closing Capital Financing Requirement	**14,282**	**20,749**

	2014/15 £000	2015/16 £000
Explanation of movements in year:		
Increase / (Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(382)	6,502
Assets acquired under finance leases	(35)	(35)
Other Transactions (Note 1)	(600)	-
Increase / (decrease) in Capital Financing Requirement	**(1,017)**	**6,467**

Note 1 - A finance lease (£683k), where the Council is lessee, was terminated prematurely during 2014/15 (with no costs being incurred by either party). In addition, an historic adjustment has been made (£83k) to ensure that the CFR reconciles to the Balance Sheet.

36 LEASES

Authority as Lessee

Finance Leases

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

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

	31 March 2015 £000	31 March 2016 £000
Other Land and Buildings	138	109
Vehicles, Plant, Furniture and Equipment	-	-
	138	109

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

	31 March 2015 £000	31 March 2016 £000
Finance lease liabilities (net present value of minimum lease payments)	183	148
Finance costs payable in future years	92	83
Minimum lease payments	275	231

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

	Minimum Lease Payments		Finance Costs	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Not later than one year	44	44	8	7
Later than 1 year and not later than five years	122	88	20	15
Later than five years	109	99	64	61
	275	231	92	83

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

The Authority has sub-let some property held under finance leases. At 31 March 2016 the minimum payments expected to be received under non-cancellable sub-leases was £269k (£314k at 31 March 2015).

Operating Leases

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

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

	31 March 2015 £000	31 March 2016 £000
Not later than one year	75	124
Later than one year and not later than five years	180	120
Later than five years	374	584
	629	828

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

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

	2014/15 £000	2015/16 £000
Minimum lease payments	55	86
Sublease payments receivable	-	-
	55	86

Authority as Lessor

Finance Leases

The Authority has leased out property and leisure amenities around the Borough on finance leases with remaining terms of up to 16 years.

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

	31 March 2015 £000	31 March 2016 £000
Finance lease debtor (net present value of minimum lease payments)	1,257	1,096
Unearned finance income	541	443
Gross investment in the lease	1,798	1,539

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

	Gross Investment in the lease		Minimum Lease Payments	
	31 Mar 2015 £000	31 Mar 2016 £000	31 Mar 2015 £000	31 Mar 2016 £000
Not later than one year	177	166	99	98
Later than 1 year and not later than five years	688	614	438	403
Later than five years	933	759	720	595
	1,798	1,539	1,257	1,096

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

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

Operating Leases

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

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

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

	31 March 2015 £000	31 March 2016 £000
Not later than one year	2,639	2,893
Later than one year and not later than five years	5,080	5,540
Later than five years	11,495	11,093
Total	**19,214**	**19,526**

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

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

	31 March 2015 £000	31 March 2016 £000
Buildings	13,242	15,045
Land	14,521	10,420
Intangibles	397	372
Investment Properties	545	203
Total	**28,705**	**26,040**

37 THE 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 Council might not have sufficient funds available to meet its commitments to make payments as they fall due.

Market Risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Policy Statement.

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. Deposits are only made with banks and financial institutions that meet the established criteria approved by the Council. The Council's Treasury Management Policy Statement, contained within the Financial Strategy, details the criteria applied, as well as the maximum investment limit at any one time, to any institution.

In light of the economic climate, the Authority has been actively monitoring the treasury investment criteria and where necessary has, together with the Authority's treasury management independent financial advisors, reviewed the treasury policy and where applicable has presented to Council an amended investment criteria agreement.

The Treasury Policy Statement places stringent boundaries on the investment of surplus funds, relating in particular to.

- Counterparty listings
- Period for Investment
- Maximum Financial limit per financial year
- Geographical restrictions / subject to sovereign 'AAA' rating indicating the highest credit rating quality and denoting the lowest expectation of risk.

The Council has strict time limits on the length of time it invests its surplus funds, which will further reduce the risk of possible default.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £29.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principle sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits but there was no evidence at 31 March 2016 that this was likely to crystalise.

Note 40 to these accounts provides additional information on the loan to Benchmark Leisure Limited.

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

	Amount at 31 March 2016 £000's	**Historical Experience of Default %**	**Historical Experience adjusted for market conditions at 31-Mar-16 %**	**Estimated maximum exposure to default and uncollectability at 31-Mar-16 £000**	**Estimated maximum exposure to default and uncollectability at 31-Mar-15 £000**
Customers	4,156	2.5	9.9	411	681

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

31-Mar-15 £000		**31-Mar-16 £000**
196	Less than 3 months	387
97	Between 3 to 6 months	90
45	Between 6 months and one year	38
344	More than one year	322
682	**Total**	**837**

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loan Board (PWLB). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Council applies upper limits to its maturity structure for new loans, to allow for some flexibility in refinancing should this be a favourable option, while limiting maturity structure risk. New loans and, where economically viable, early loan redemption are carefully planned to ensure such exposure is minimised.

31-Mar-15 £000	Analysis of Maturity	31-Mar-16 £000
(547)	Less than one year	(88)
(53)	Between 1 and 2 years	(1,044)
(1,157)	Between 2 and 5 years	(173)
(11,806)	Maturing in more than 5 Years	(11,745)
(13,563)	**Total**	(13,050)

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

Market Risk

Interest Rate Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movement in interest rates can have a complex impact on the authorities. 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 Service will rise
- Borrowings at fixed rates – the fair value of the liabilities will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Service will rise
- Investments at fixed rates – the fair value of the assets will fall

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

Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council's Financial Strategy, in particular the Capital and Treasury Management Prudential Indicators, detail the policy for managing interest rate exposure. The Council's long term borrowing is all at fixed rates. The risk from exposure to variable interest rates is therefore limited to investments and any short term cash flow borrowing that may be necessary. Fixed rate investments reduce uncertainty but the flexibility arising from variable rate investments is advantageous and necessary for at least part of the investment portfolio. An upper limit of 50% variable rate exposure has therefore been applied to investments.

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

	1% Increase £000	1% Decrease £000
Change in interest payable on variable rate borrowing	-	-
Change in interest receivable on variable rate investments (note 1)	273	147
Impact on Surplus or Deficit on the Provision of Services (note 1)	273	147
Change in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(1,942)	2,399

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

Market Price Risk

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

Foreign Exchange Risk

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

Refinancing Risk

The Council has one Lender Option Borrowing Option (LOBO loans) with a nominal value of £4m. The nature of this loan is that on a specified agreed date the lender has the option to change the rate of interest charged on the loan, providing that 2 working days notice is given to the borrower. Where the option is exercised the borrower has the option of repaying the loan in full and without penalty at the end of the notice period, or agreeing to pay the new amended rate of interest.

The Council keeps a record of all the dates in which the lender has the option to change the rate of interest payable on the LOBO loan. The potential repayment of the LOBO Loan on these dates is taken into account in deciding on the level of available cash balances that the Council needs to hold at various times throughout the year.

During 2016/17 there are two potential occasions on which the lender has an option to change the rate of interest payable on the Council LOBO Loan.

38 CONTINGENT LIABILITIES

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. As at 31 March 2016 the Council does not have any known material contingent liabilities.

39 CONTINGENT ASSETS

A contingent asset is an asset that may be received but only if a future event occurs that is not under the control of the Council. At 31 March 2016 the Council has identified one material contingent asset:

Middle Deepdale

During the year the Council have sold a piece of land at Middle Deepdale to Keepmoat Homes Limited. This land will form part of a housing development together with land that Keepmoat Homes Limited already own.

Under the terms of the sale agreement, the Council have received an upfront payment of £1.525m and will receive an additional £1.158m after 3 years and a further £1.158m after 6 years. All of these payments have been recognised as capital receipts during the year along with a long term debtor for the monies still owed.

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

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

40 WATERPARK - BENCHMARK

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

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

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

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

As at 31 March 2016 Benchmark had drawn down £5.97m (including interest charged to date) of the £9 million loan facility. This amount is shown in the Council's Balance Sheet as a long-term investment. The Water Park is due to be completed in summer 2016.

Collection Fund 2015/16

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

31 March 2015 Council Tax	31 March 2015 Business rates			31 March 2016 Council Tax	31 March 2016 Business Rates
		Income			
(58,389)		Income from Council Tax Payers		(60,527)	
		Transfers to/from General Fund			
-		Transitional Relief		-	
	(34,956)	Income from Business Rate Payers			(34,409)
	(16)	Transitional Protection Payments			64
-	-	Contribution towards previous year's Collection Fund deficit	Note 4		(3,229)
(58,389)	**(34,972)**	**Total Income**		**(60,527)**	**(37,574)**
		Less: Expenditure			
		Precepts and Demands:			
7,584		Scarborough Borough Council		7,655	
38,709		North Yorkshire County Council		39,847	
7,488		Police & Crime Commissioner for North Yorkshire		7,708	
2,273		North Yorks Fire & Rescue Authority		2,340	
703		Parish Councils		772	
50	713	Distribution of Collection Fund Surplus	Note 4	1,008	-
		Business Rates:			
	16,323	Central Government			16,273
	13,074	Scarborough Borough Council			13,019
	2,938	North Yorkshire County Council			2,929
	326	North Yorkshire Fire & Rescue Authority			325
		Impairment of debts and appeals			
293	308	Write offs of uncollectable amounts		170	226
14	1,902	Allowance for impairment		62	1,517
	251	Cost of Business Rate Collection Allowance			255
57,114	35,835	**Total Expenditure**		59,562	34,544
(1,275)	**863**	**Movement on Fund Balance**		**(965)**	**(3,030)**
(494)	2,286	Opening Fund Balance (Surplus) / Deficit		(1,769)	3,149
(1,769)	**3,149**	**Closing Fund Balance (Surplus) / Deficit**		**(2,734)**	**119**

1 ACCOUNTING POLICIES

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

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

2 INCOME FROM COUNCIL TAX

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

Council Tax Valuation Band	2014/15		2015/16	
	Chargeable Dwellings	Band 'D' Equivalent Numbers	Chargeable Dwellings	Band 'D' Equivalent Numbers
A* (up to £40,000 with disabled band reduction)	-	8	-	12
A (up to £40,000)	16,100	8,761	16,142	9,023
B (£40,001 to £52,000)	14,260	9,400	14,297	9,917
C (£52,001 to £68,000)	12,490	9,594	12,492	10,109
D (£68,001 to £88,000)	6,938	6,112	6,999	6,492
E (£88,001 to £120,000)	3,904	4,272	3,920	4,476
F (£120,001 to £160,000)	1,663	2,174	1,665	2,262
G (£160,001 to £320,000)	682	988	674	1,005
H (over £320,000)	48	66	47	63
	56,085	41,375	56,236	43,359
Plus:				
Contributions in Lieu		22		23
Second Homes^		1,823		-
Localised Support for Council Tax Scheme		(6,609)		(6,434)
Provision for Non Collection		(721)		(722)
Council Tax Base		**35,890**		**36,226**

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

^ Second Homes are included within the relevant band in the 2015/16 figures.

3 BUSINESS RATE INCOME

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a standard rate. The total non-domestic rateable value at 31 March 2016 was £88,784,063, (31 March 2015 £88,549,842). The national non-domestic and the small business non-domestic rating multiplier were 49.3p and 48.0p respectively (48.2p and 47.1p 2014/15).

4 CONTRIBUTIONS TO THE COLLECTION FUND SURPLUSES AND DEFICITS

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

CONTRIBUTION TO NNDR DEFICIT

In January 2015 the Council declared a £3.229m deficit on the NNDR Collection Fund and therefore preceptors have made payments to the fund during 2015/16. The payments made by the precepting authorities in relation to the collection fund deficit is as follows:

2014/15 £'000		2015/16 £000
-	North Yorkshire County Council	291
-	North Yorkshire Fire Authority	32
-	Central Government	1,615
-	Scarborough Borough Council	1,291
-	**Total**	3,229

DISTRIBUTION OF COUNCIL TAX SURPLUSES

In January 2015 the Council declared a £1.008m surplus on the Council Tax Collection Fund (January 2014 £50k) and therefore precepting authorities received the following amounts:

2014/15 £'000		2015/16 £'000
34	North Yorkshire County Council	696
7	Police and Crime Commissioner North Yorkshire	135
2	North Yorkshire Fire Authority	41
7	Scarborough Borough Council	136
50	**Total**	1,008

DISTRIBUTION OF BUSINESS RATE SURPLUSES

In January 2014 the Council declared a £713k surplus on the Business Rates Collection Fund and therefore precepting authorities received the following amounts:

2014/15 £'000		2015/16 £'000
357	Central Government	-
285	Scarborough Borough Council	-
64	North Yorkshire County Council	-
7	North Yorkshire Fire & Rescue Authority	-
713	**Total**	-

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

Page 1 – these accounts are subject to audit

Page 2 – these accounts are subject to audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

National Non-Domestic Rate
The replacement for non-domestic rates, which were previously set by individual local authorities. The government now levies a standard rate on all properties used for commercial purposes and cannot increase it by any more than the Retail Price Index. The rates are collected on behalf of the government by District Councils, and are then redistributed nationally on the basis of resident population.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SerCOP
Service Reporting Code of Practice for Local Authorities

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

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

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

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

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

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

Surplus
The remainder after taking away all expenditure from income.

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

TUPE
Transfer of Undertakings – Protection of Employment.

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

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

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