



Notice of a public meeting of

Audit and Governance Committee

To:	Councillors Hollyer (Chair), J Burton (Vice-Chair), Fisher, Merrett, Rose, Coles, Watson and Binney (Independent Member)
Date:	Wednesday, 29 January 2025
Time:	5.30 pm
Venue:	West Offices - Station Rise, York YO1 6GA

AGENDA

1. Apologies for Absence

To receive and note apologies for absence.

2. Declarations of Interest (Pages 7 - 8)

At this point in the meeting, Members and co-opted members are asked to declare any disclosable pecuniary interest, or other registerable interest, they might have in respect of business on this agenda, if they have not already done so in advance on the Register of Interests. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

[Please see attached sheet for further guidance for Members].

3. Exclusion of Press and Public

To consider the exclusion of the press and public from the meeting during consideration of the following:

Annex 3 and 4 to Agenda Item 12 on the grounds that it contains information relating to Information relating to the financial or business affairs of any particular person (including the authority holding that information). This information is classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

Annex 4 a to f to Agenda Item 13 on the grounds that it contains information relating to Information relating to any action taken or to be taken in connection with the prevention, investigation, or prosecution of crime. This information is classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by The Local Government (Access to Information) (Variation) Order 2006).

4. Minutes & Action Log (Pages 9 - 30)

To approve and sign the minutes of the meeting held on 27 November 2024.

5. Public Participation

At this point in the meeting members of the public who have registered to speak can do so. Members of the public may speak on agenda items or on matters within the remit of the Committee.

Please note that our registration deadlines are set as 2 working days before the meeting, in order to facilitate the management of public participation at our meetings. The deadline for registering at this meeting is **5:00pm on 27 January 2025.**

To register to speak please visit www.york.gov.uk/AttendCouncilMeetings to fill in an online registration form. If you have any questions about the registration form or the meeting, please contact Democratic Services. Contact details can be found at the foot of this agenda.

Webcasting of Public Meetings

Please note that, subject to available resources, this meeting will be webcast including any registered public speakers who have given their permission. The meeting can be viewed live and on demand at www.york.gov.uk/webcasts.

During coronavirus, we made some changes to how we ran council meetings, including facilitating remote participation by public speakers. See our updates (www.york.gov.uk/COVIDDemocracy) for more information on meetings and decisions.

6. Audit Completion Report 2023/24 (Pages 31 - 76)

The paper attached at Annex A is the Audit Completion Report from Forvis Mazars and communicates their findings of the audit for the year ended 31 March 2024.

7. Treasury Management Monitor 3 (Pages 77 - 100)

Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2024/25 approved by Full Council on 22 February 2024.

8. Treasury Management Strategy (Pages 101 - 146)

This report is a statutory requirement setting the strategy for treasury management and specific treasury management indicators for the financial year 2025/26.

9. Final Statement of Accounts 2023/24 (Pages 147 - 352)

The purpose of this report is to present for information the amended draft 2023/24 Statement of Accounts following near completion of the audit.

10. Audit and Governance Committee Work Plan (Pages 353 - 356)

To consider the committee's work plan.

11. Internal Audit Workplan Consultation (Pages 357 - 372)

This report outlines arrangements for developing the internal audit work programme. It also asks for the Audit & Governance Committee's views on any areas it thinks should be considered for audit in 2025/26.

12. Internal Audit & Counter Fraud Progress Report (Pages 373 - 416)

This report provides an update on the delivery of the internal audit work programme for 2024/25, and on counter fraud activity undertaken so far in the year.

13. Corporate Governance report (Pages 417 - 498)

This report provides the Committee with updates in respect of:

- corporate governance team performance report
- Information Commissioners Office (ICO) cases
- Local Government and Social Care Ombudsman (LGSCO) and Housing Ombudsman Service (HOS) cases
- HOS complaint handling code assessment
- Investigatory Powers Commissioner (IPCO) inspection including Audit and Governance Committee's "fit for purpose" review of the covert surveillance policy and procedures and data report. This will be discussed and conducted with the exclusion of the press and public.

14. Urgent Business

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

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Reasonable Adjustments and Alternative formats statement

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我們也用您們的語言提供這個信息 (Cantonese)

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)

Ta informacja może być dostarczona w twoim własnym języku. (Polish)

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جاسکتی ہیں۔ (Urdu)

For more information about any of the following please contact the Democracy Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details are set out above.

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Declarations of Interest – guidance for Members

- (1) Members must consider their interests, and act according to the following:

Type of Interest	You must
Disclosable Pecuniary Interests	Disclose the interest, not participate in the discussion or vote, and leave the meeting <u>unless</u> you have a dispensation.
Other Registrable Interests (Directly Related) OR Non-Registrable Interests (Directly Related)	Disclose the interest; speak on the item <u>only if</u> the public are also allowed to speak, but otherwise not participate in the discussion or vote, and leave the meeting <u>unless</u> you have a dispensation.
Other Registrable Interests (Affects) OR Non-Registrable Interests (Affects)	Disclose the interest; remain in the meeting, participate and vote <u>unless</u> the matter affects the financial interest or well-being: (a) to a greater extent than it affects the financial interest or well-being of a majority of inhabitants of the affected ward; and (b) a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest. In which case, speak on the item <u>only if</u> the public are also allowed to speak, but otherwise do not participate in the discussion or vote, and leave the meeting <u>unless</u> you have a dispensation.

- (2) Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.
- (3) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations,

and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.

City of York Council

Committee Minutes

Meeting	Audit and Governance Committee
Date	27 November 2024
Present	Councillors Hollyer (Chair), Mason (from 6:20 pm), Merrett, Rose and Myers (Substitute for Cllr Whitcroft) Mr Binney (Independent Member) (until 8:10 pm)
Apologies	Councillors J Burton, Fisher and Whitcroft

38. Apologies for Absence (5:46 pm)

Apologies for absence were received from Cllr J Burton and Cllr Fisher. Cllr Whitcroft also sent apologies and he was substituted by Cllr Myers.

39. Declarations of Interest (5:46 pm)

At this point in the meeting, Members were asked to declare any disclosable pecuniary interests, or other registrable interests, they might have in respect of business on the agenda, if they had not already done so in advance on the Register of Interests. None were declared.

40. Exclusion of Press and Public (5:46 pm)

Members discussed the exemptions around Annexes 4 and 5 and the Monitoring Officer confirmed that both annexes contained information that fell within the necessary grounds, but that Members could discuss as much as was viable in public before moving into private session and it was

Resolved: That the press and public be excluded from the meeting during consideration of Annexes 3 to 11 to Agenda Item 14 (Audit and Counter Fraud Progress Report) on the grounds that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information). This information was classed as exempt under paragraph 3 of Schedule 12A to Section 100A of the Local Government Act 1972 (as

revised by The Local Government (Access to Information) (Variation) Order 2006).

41. Minutes & Action Log (5:54 pm)

Resolved: That the minutes of the meeting held on 14 October 2024 be approved and then signed by the Chair as a correct record and that the action log be noted.

42. Public Participation (5:54 pm)

It was reported that there had been one registration to speak at the meeting under the Council's Public Participation Scheme.

Andy Mendus spoke on Agenda Item 8, Purchasing Compliance and No Purchase Order No Pay Update. He noted that the action plan presented was extensive and he felt the letter to suppliers should simply refuse any instruction from the council without a purchase order and an agreed quantity and price. He questioned why business support were still raising the orders and then he spoke on Agenda Item 14, Audit and Counter Fraud Progress Report. He shared his frustrations with some implemented procedures relating to Section 106 agreements.

43. Polling District and Polling Places Review (5:58 pm)

Members considered a report that highlighted the Polling Districts and Polling Places review process, including details of the consultation process and timeline.

The Head of Democratic Governance and the Electoral Services Manager presented the report. They referred to Annex B and confirmed they would send the full consultation documents to all Ward Councillors and to the other consultees noted in the report. The outcome of the consultation would then be brought back to this committee prior to it going to Full Council for approval.

The Monitoring Officer reiterated the importance of receiving feedback from Ward Councillors and he formally welcomed the new Electoral Services Manager.

In answer to questions raised, officers confirmed they would ensure a robust social media and press campaign to engage as

many electors as possible in the consultation and they would like to implement the changes from April 2025.

Members raised some observations, which included:

- Welcoming the switch to using C and O for central and outer.
- Heworth ward was not listed alphabetically.
- Some of the constituency boundary changes for Fulford and Heslington seemed excessive.
- Concerns with merging Huntington (YGB) and New Earswick (YGD) as this would increase the polling district by 50%.
- Consider merging OHG with OHF.
- Supporting the merger of OJE and OJF.
- The venue for polling district BC required moving back to the community hall.
- Removing one of the polling district codes if merging YKE and YKF.

The timelines were discussed, and the Monitoring Officer suggested moving the Audit and Governance Committee scheduled to take place on 26 March 2025 to support an extended consultation period and ratification at Full Council on 27 March 2025.

Members agreed to participate in the consultation and officers were thanked for their update. The Head of Democratic Governance confirmed the start time could be delayed by a week and the consultation could be extended throughout January.

Resolved: That the commencement of the polling district and polling place review and the associated consultation process be noted and that the review timeline be extended.

Reason: To comply with statutory requirements.

44. Process for the Appointment of an Independent Member of the Audit and Governance Committee (6:12 pm)

Members considered a report that sought the committee's views and comments on the proposed recruitment process for an Independent Member of the committee.

The Head of Democratic Governance presented the report and explained the recruitment process. She referenced the draft recruitment pack which was attached at Annex A to the report.

During discussion, Members suggested that parts of the essential and desirable requirements within the role specification could be rationalised to ensure the role was as open and appealing as possible.

Officers confirmed the recruitment process would start as soon as possible and the role would be advertised on the council's website and social media pages.

The Head of Democratic Services was thanked for the update and the current Independent Member offered to support the process where appropriate.

Resolved: That the proposed recruitment process be noted.

Reason: To ensure the committee's views were taken into account in planning the recruitment process.

45. Purchasing Compliance and No Purchase Order No Pay Update (6:17 pm)

Members considered a report that provided an update on the ongoing review of No Purchase Order No Pay (NPONP) processes. It detailed the progress made since the last report in February 2024.

The Systems Accountant and Principal Accountant provided an update noting a small correction in the report on page 61 of the agenda pack in that the headings in the first two columns in the table at paragraph 15 had transposed.

Officers confirmed that communication had been issued to all current purchasing suppliers to remind them of their responsibilities, and a copy of the communication was included at Annex B. It was also acknowledged that progress continued to be made in ensuring adherence to the NPONP policy as well as an expansion of the actions to cover purchasing compliance in general and that support from the Corporate Management Team would be invaluable in helping to drive forward the changes in individual departments working practices in the coming months.

In answer to questions raised by the public speaker, the Director of Finance confirmed that suppliers had been issued with instructions on the councils pay policy and she noted the principles behind using Business Support Officers to raise purchase orders.

Members recognised that the changes incorporated so far had reduced the number of retrospective orders across the council and in answer to questions raised, officers confirmed the new training provisions for new purchasing users and existing users would be key to continuing to reduce the percentages and officers would continue to monitor exemptions on a case-by-case basis.

Members supported the mandatory training and welcomed the ongoing work through the action plan, and they thanked officers for the report. It was agreed that a further update be received in six months times.

Resolved: That the progress to date be noted and an update be received at a future meeting.

Reason: To gain assurance that the council was taking proper action to respond to the agreed audit actions and improvements to purchasing processes were being made where necessary.

46. Treasury Management Mid-Year Review and Prudential Indicators 2024/25 (6:32 pm)

Members considered a report that provided a mid-year update on treasury management activities for the first half of the year and the latest update of the prudential indicators.

The Director of Finance provided a brief overview and noted that there had been no new borrowing undertaken since the last report and officers continued to monitor inflation and interest rates.

Questions raised regarding the capital expenditure were answered and Members thanked the Director for her update.

Resolved: That the Treasury Management Mid-Year Review and Prudential Indicators attached at Annex 1 to the report be noted.

Reason: That those responsible for scrutiny and governance arrangements were updated on a regular basis to ensure that those implementing policies and executing transactions had properly fulfilled their responsibilities with regard to delegation and reporting.

47. External Audit Plan (Audit Strategy Memorandum) 2023/24 (6:36 pm)

The council's external auditors, Forvis Mazars, were required to communicate their audit plan for the year to Members. The Director and Engagement Manager responsible for York presented the content of the Audit Strategy Memorandum which summarised the audit approach, highlighted significant audit risks and areas of key judgements and provided details of the audit team, as highlighted within Annex A to the report.

The Director did note a typo within section three of the annex in that the completion date should be December 2024 - January 2025.

In answer to questions raised regarding the audit fees, officers confirmed they were set externally by the Public Sector Audit Appointments (PSAA).

Members thanked officers for the update, and it was suggested that future reports could contain a detailed definition of the roles of the audit team.

Resolved: That the report at Annex A be noted.

Reason: To ensure Members were aware of Forvis Mazars plan for undertaking the 2023/24 audit in delivering their responsibilities as external auditors.

48. Report on Suggested Constitutional Changes - Health and Wellbeing Board (6:40 pm)

Members considered a report that provided the proposed constitutional changes to the Health and Wellbeing Board's

Terms of Reference to the committee for consideration and discussion.

The Director of Governance provided an update and confirmed that as part of the ongoing review of the Constitution, a request was received from the Health and Wellbeing Board for a review of its Terms of Reference. A revised draft was considered by the Constitution Working Group on 5 September 2024. The proposed changes were unanimously agreed by the Working Group, and the revised draft was therefore presented to Audit and Governance for its consideration and endorsement to Full Council

In answer to questions raised regarding the function of the Board and the requirement to produce a pharmaceutical needs assessment, the Director confirmed that the Health and Wellbeing Board had also considered the Terms of Reference and had agreed they were appropriate to operate.

It was noted that the current Health and Wellbeing Board membership should include Councillor Mason and not Councillor Ayre as noted in the agenda supplement pack and that this modification would not affect the proposed changes to the Terms of Reference.

Resolved: That the proposed changes to the Health and Wellbeing Board Terms of Reference be endorsed and remitted to the next ordinary meeting of Full Council for approval.

Reason: To allow Council to determine the proposed Constitutional changes.

49. Audit and Governance Committee Work Plan (6:46 pm)

The committee considered their work plan for the 2024/25 municipal year and agreed to move the 26 March 2025 meeting to 17 March 2025.

Members also discussed the workload for the 29 January 2025 meeting, and it was suggested:

- To slip from January to March
 - Corporate Governance Report
 - Polling District and Polling Place Review

- Key Corporate Risks

- To remove the Internal Audit into Contract Management Report as this would be covered as part of the Internal Audit Progress Report.
- For the Director of Governance, Veritau and the Chair to consider when the Audit Committee Self-Assessment and the Annual Report should be reported.
- May 2025
 - To add an update on No Purchase Order No Pay

Resolved: That the work plan be noted and revised, as necessary.

Reason: To ensure the committee maintained a programme of work for 2024/25.

50. Audit and Counter Fraud Progress Report (6:52 pm)

The committee considered a report that provided an update on the delivery of the internal audit work programme for 2024/25, and on counter fraud activity undertaken so far in the year.

The Assistant Director of Audit Assurance highlighted Annex 1 to the report which provided an update on progress made in delivering the internal audit work programme. This included a summary of completed work, work currently in progress, and work currently scheduled for the remainder of the year. It also reported on developments in the internal audit profession, and on the outcomes from the follow-up of actions agreed in previous audit reports.

It was noted that since the last update progress had been made in delivering the internal audit work programme in that nine internal audit reports had been finalised and a further four were currently in draft. Officers also referenced the consultation relating to the Public Sector Application Note for the new Global Internal Audit Standards as highlighted on pages 196 and 197 of the agenda pack. Officers expected no significant changes under the new regime, but they would explain in future reports how they had responded and adapted.

The Head of Internal Audit presented the counter fraud progress report which was contained in Annex 2. A range of work was detailed, including activity to promote awareness of fraud, work with external agencies, and information on the level of fraud reported to date. It was noted that 186 referrals of suspected fraud had been submitted and 50 cases had been completed so far.

A detailed discussion took place regarding Section 106 agreements and Veritau confirmed they had no significant concerns over any Section 106 payments. Following further questions relating to EXACOM which was introduced to monitor and report on Section 106 contributions and payments, officers agreed to provide further information on what proportion of total monies was reflected on EXECOM. Veritau also confirmed that they do consult with service departments as part of the audit process and the Director of Finance noted that work was ongoing to improve the process and develop a coherent system. It was recognised that this topic could potentially be referred to scrutiny to investigate further.

Concerns with the health and safety internal audit were also raised and Members requested assurance that the actions were being tracked and implemented. Officers confirmed that they monitored the actions and were developing a comprehensive narrative on any significant findings which would be reported to Audit and Governance Committee.

Following further discussion around the current audit priorities as listed on pages 200 to 203 and the investigative work from page 223 of the agenda pack, the press and public were then excluded from the meeting during consideration of Annexes 3 to 11 of the report, where further questions from members were answered.

[An adjournment took place between 7:34pm and 7:40pm.]

Members thanked officers for the report, and it was:

Resolved:

- (i) That the progress made in delivering the 2024/25 internal audit work programme, and current delivery intentions over the remainder of the year be noted.

- (ii) That the current and planned counter fraud activity be noted.

Reason: To enable members to consider the implications of internal audit and counter fraud findings, and to review planned activity for the remainder of 2024/25.

Cllr Hollyer, Chair

[The meeting started at 5.45 pm and finished at 8.10 pm].

Audit and Governance Committee Action Log

Action Number	Date of Meeting	Title	Action	Action Owner	Status/ Outcome	To be completed by	Completed
16	19/07/23	Work Plan	To inform the Monitoring Officer of any areas of the Constitution Committee Members would specifically like reviewing, to include, Access to Information (Appendix 7), particularly around Members rights to information, the Scheme of Delegation (Appendix 1) and Public Participation (Appendix 8).	Committee Members	Ongoing as part of the Constitution review	Ongoing	No
31	08/11/23	Corporate Governance Performance Report	Officers worked with the Business Intelligence Team to manage the corporate performance reports that were published on the council's York open data platform. The Chair agreed to consult with the Business Intelligence Team to see if the data published could be consolidated to enable a more user friendly system and report back to Committee	Chair/Ian Cunningham	Officers and the Chair to meet to discuss. This has been added to the work plan for 26 March 2025	26/03/25	No
59	22/05/24	Auditor's Annual Report 2021/22 and 2022/23	Mazars to liaise with the Director of Finance regarding the inclusion of a timeline within the 2023/24 audit and the preventions in place to deter recommendations remaining as outstanding year on year.	Mazar/Debbie Mitchell	This will be included in the 23/24 final accounts report scheduled for January.	29/01/25	No
64	31/07/24	Draft Statement of Accounts	1. Update the terminology used in Annex A, A brief explanation on the constituent parts of the Annual Financial Report, to include the Mayor of York and North Yorkshire office 2. Consider including an explanatory note that described how many of the authority's other employees received a salary more than £50,000 due to the annual pay award.	Helen Malam/Debbie Mitchell	These updates will be made for 2024/25 accounts	30/06/25	No

65	31/07/24	Response to the LGA Assurance Report	That Members feedback be considered, which included: · enhancing the member portal to include further data on council services and improved guidance on raising concerns · strengthening the pastoral care available in West Offices. · receiving feedback on the overall induction program from all Members. · Strengthening the sanctions imposed on any councillor who did not obey the Code of Conduct. · receiving periodical feedback from councillors and officers to promote good behaviour and culture across the council	Lindsay Tomlinson	The member induction programme has been handed over to Democratic Services to take forward.	Ongoing	No
66	31/07/24	Audit and Government Committee Review of Effectiveness	That a self-assessment review of the committee's effectiveness be undertaken and that the process be considered by the Director of Governance and Head of Internal Audit with an update being received at a future committee meeting.	Bryn Roberts/Max Thomas	Questionnaire to go out in November, and results to be reported in January 2025.	29/01/25	No
68	08/08/24	Report on the extension and subsequent termination of the Early Intervention and Prevention Contract with the Salvation Army	That the Director of Governance commission an internal audit investigation of the council's contract management provision, following discussion with the Chair and Vice-Chair on the observations identified at the meeting on 8 August 2024 and ensuring the process followed to the point of cessation of the Salvation Army contract was included in the review.	Bryn Roberts/Chair/Vice-Chair	Work has been commissioned, and is underway, and an update on progress will be provided in January 2025.	29/01/25	No

69	08/08/24	Report on the extension and subsequent termination of the Early Intervention and Prevention Contract with the Salvation Army	That the appropriate method of presenting key waiver details to the committee be considered by the Director of Governance	Bryn Roberts	To be reported in 2025	29/01/25	No
74	04/09/24	Corporate Governance Team Report	That an update on the repeated themes published within FOIs/EIRs and the covert surveillance policy be included within the Corporate Governance report on 29 January 2025.	Lorraine Lunt	This has been scheduled into the workplan for 29 January 2025.	29/01/25	No
80	04/09/24	Corporate Governance Team Report	To expand on the internal governance management arrangements, as highlighted within annex 1, and provide a note to Members that recognises and differentiates between councillors and officers.	Bryn Roberts/Claire Foale		29/01/25	No
81	04/09/24	Monitors 1 & 2 2024/25 - Key Corporate Risks	That an analysis of each individual KCR be provided within future monitor reports starting with KCR 1 and invite the risk owner to attend that Audit and Governance Committee to assist with the conversation	Helen Malam	An analysis of KCR 1 will come to the committee at Monitor 3 in January 2025	29/01/25	No

82	04/09/24	Monitors 1 & 2 2024/25 - Key Corporate Risks	· To ensure the relevant partners, including Tees, Esk and Wear Valleys NHS Foundation Trust, were included within KCR 3, Effective and Strong Partnerships. · To highlight a variety of community engagement groups within KCR 9, Communities. To consider: · including housing in KCR 4, Changing Demographics · the future risks following adoption, or the possibility of judicial challenge in KCR 8, Local Plan. · the gross likelihood and risk owners of KCR 11, External Market Conditions · including disorder in KCR 12, Major incidents	Helen Malam	These updates will be made in the KCR Monitor 3 update.	29/01/25	No
83	14/10/24	Report of the Monitoring Officer on suggested Constitutional changes.	That all Honorary Aldermen and Alderwomen be informed annually on the dates of Full Council.	Rob Flintoft	Dates to be issued following approval of the 2025/26 corporate calendar at Full Council	29/01/25	No
84	27/11/24	Audit and Counter Fraud Progress Report	Regarding Annex 5 - Section 106 agreements - To provide further information on what proportion of total monies was reflected on EXECOM.	Max Thomas (Veritau)			No
85	27/11/24	Audit and Counter Fraud Progress Report	Regarding Annex 8, the Health and Safety internal audit report actions, Members to receive assurance from Veritau and CYC officers that the actions were being tracked and implemented	Max Thomas (Veritau)			No
86	27/11/24	External Audit Plan (Audit Strategy Memorandum) 2023/24	Future reports to contain a detailed definition of the roles of the audit team	Mark Outterside (Forvis Mazars)			No

87	27/11/24	Process for the Appointment of an Independent Member of the Audit and Governance Committee	That officers consider rationalising parts of the essential and desirable requirements in the role specification to ensure the role was as open and appealing as possible.	Lindsay Tomlinson		31/12/24	No
88	27/11/24	Report on Suggested Constitutional Changes - Health and Wellbeing Board	That the proposed changes to the Health and Wellbeing Board Terms of Reference be endorsed and remitted to the next ordinary meeting of Full Council for approval.	Bryn Roberts		27/03/25	No
89	27/11/24	Polling District and Polling Places Review	To note the observations made at the meeting and delay the start time by a week and the consultation period be extended throughout January 2025.	Lindsay Tomlinson/Emma Calvert		29/01/24	No

Audit and Governance Committee Completed Actions for 2024

Action Number	Date of Meeting	Title	Action	Action Owner	Status/ Outcome	Completed by	Completed
51	28/02/24	Update on Action Plan - No Purchase Order No Pay	Consider when an appropriate time would be for the Committee to receive an update report.	Chair and Helen Malam	Report was received at the A&G meeting on 27 November 2024	27/11/24	Yes
73	04/09/24	Minutes and Action Log	Subject to receiving confirmation from Mr Leigh that he had resigned from the Committee, the recruitment process for a new Independent Member to be considered by the committee.	Bryn Roberts/Lindsay Tomlinson	An update was brought to the November meeting.	27/11/24	Yes
67	31/07/24	Annual Report of the Head of Internal Audit and Counter Fraud Annual Report	That officers verify to Members if prosecution cases linked to the misuse of residential parking permits by occupants of holiday lets was shared with the planning enforcement team.	Max Thomas	The counter fraud team have not historically shared details of parking investigations with the planning enforcement team, however following the increase of work in this area we recognise the importance of doing so. We have recently discussed information sharing arrangements with the team and are in the process of sharing relevant details of investigations from 1 April 2023 to date that have identified parking permit misuse by the owners of holiday lets. This information may lead to action being taken by the planning enforcement team, in particular where neighbouring properties are experiencing noise, disturbance, and parking issues due to behaviour of holiday let guests.	27/11/24	Yes

79	04/09/24	Report of the Monitoring Officer on suggested Constitutional Changes	That the delayed timelines and the process undertaken to finalising Appendix 3 for endorsement to Full Council be raised and discussed at Group Leaders on 3 October 2024.	Bryn Roberts	Amendments considered and agreed by A&G on 14 October 2024; to be presented to Council on 21 November 2024.	14/10/24	Yes
78	04/09/24	Report of the Monitoring Officer on suggested Constitutional Changes	That arrangements be made to remove the Deputy Leader report from the Council Procedure Rules and the Director of Governance and Monitoring Officer remit that amendment only to the meeting of Full Council on 19 September 2024 for approval	Bryn Roberts	Report has been submitted to council	19-Sep-24	Yes
77	04/09/24	Report of the Monitoring Officer on suggested Constitutional Changes	That an extraordinary Audit and Governance Committee be arranged in consultation with the Chair, Vice Chair and Director of Governance to consider the submissions received regarding the proposed changes to Appendix 3, Council Procedure Rules, and invite a representative from each Group to the meeting to reflect their perspective, ahead of onward endorsement to the meeting of Full Council on 21 November 2024.	Bryn Roberts/Chair/Vice-Chair/Louise Cook	Meeting has been arranged for 14 October 2024 and Cllr Warters and Cllr Steward have been invited to attend.	18-Sep-24	Yes
76	04/09/24	Report of the Monitoring Officer on suggested Constitutional Changes	That political groups be given the opportunity to consider the proposed changes in the clean version of Appendix 3, Council Procedure Rules and provide their submissions to the Director of Governance and Monitoring Officer by 27 September 2024.	Bryn Roberts	Completed - Email had been sent	27-Sep	Yes

75	04/09/24	External Auditor Verbal Update	Officers contact the council's representative on the North Yorkshire Pension Fund Local Pension Board to seek their assistance in trying to resolve the delay in receiving assurances from the North Yorkshire Pension Fund.	Debbie Mitchell/Mark Outterside	Completed, an email had been sent to Cllr Rowley	19-Sep-24	Yes
72	08/08/24	Audit and Governance Work Plan 2024/25	That the work plan be revised to include the update on the Constitution Review on 4 September 2024.	Louise Cook	Completed	Louise Cook 16/08/24	Yes
71	08/08/24	Report of the Monitoring Officer on suggested Constitutional Changes	That paragraph 4.2, particularly the point regarding the Lord Mayor being granted a casting vote when they are no longer a Councillor, be reconsidered by the Director of Governance.	Bryn Roberts	Update provided at the meeting on 4 September	04/09/24	Yes
70	08/11/2023, 08/08/24, 4/09/24	Report of the Monitoring Officer on suggested Constitutional Changes	That the cross party constitution working group consider the Constitutional changes for onward endorsement by the Audit and Governance Committee and then Full Council.	Bryn Roberts	This is ongoing and all political groups have been given the opportunity to comment on the Council Procedure Rule changes, Appendix 3. The next update will be provided to A&G on 27 November 2024.	27/11/24	Yes

63	31/07/24	Draft Statement of Accounts	Provide a narrative to Committee Members on: •The higher depreciation charges (£1.1m) within the Housing Revenue Account (HRA). •The variations between the income and net expenditure total figures across 22/23 and 23/24 in the Comprehensive Income and Expenditure Statement. •The miscellaneous amounts set aside from the General Fund balances in earmarked reserves. •The deployment of the Dedicated Schools Grant receivable for 2023/24, particularly the carry forward of £6.639m within the individual schools budget.	Helen Malam/ Debbie Mitchell	Email sent to members on 22nd August 2024	Helen Malam 22/08/2024	Yes
62	31/07/24	Public Participation	Officers to provide a response to the concerns raised regarding a recent published officer decision notice regarding York Station Gateway	Democracy Officer	Completed. A response had been received from the Director of Environment, Transport and Planning and sent to the public participant and Members	Louise Cook 08/08/2024	Yes
61	22/05/24	Work Plan	A report of the Director of Governance and Monitoring Officer requires scheduling into the work plan and is to include the governance concerns raised by the Independent Person.	Bryn Roberts	Those elements of concern which referred to constitutional matters will now be brought to the Constitution Working Group for consideration.	Bryn Roberts 24/07/2024	Yes
60	22/05/24	Work Plan	The Director of Governance and Monitoring Officer to consider how the general election will impact the work plan whilst ensuring the agenda for the committee meetings scheduled on 9 and 31 July remained substantial.	Bryn Roberts	Work Plan updated at the 9 July Cmt meeting	09-Jul-24	Yes
58	22/05/24	Counter Fraud Framework Report	Email Members more details on the courses/eLearning that were delivered to staff to raise the profile of fraud and the risks around it.	Max Thomas	Email sent to Committee Members on 26 June	Max Thomas 26/06/2024	Yes

56	28/02/24	Work Plan	Consider the timeframes required to produce the revised Salvation Army report and suggest a suitable meeting date.	Bryn Roberts, Chair and Vice Chair	Completed - arranged to take place on 22 May 2024	Bryn Roberts	Yes
55	28/02/24	Update on the Review of the Constitution	Ahead of the A&G meeting where the Constitution will be presented, the Constitution Working Group to consider the most appropriate way to circulate to Committee Members the changes and outstanding points.	Bryn Roberts, Constitution Working Group	The Constitution has been circulated and will be considered by A&G on 8 August	08/08/2024	Yes
54	28/02/24	Early Intervention and Prevention of Rough sleeping	That Members raise any specific matters within the report to the Director of Governance and Monitoring Officer.	Committee Members	Due to staff vacancies and staff absence, the work on NPONP is taking longer than hoped. However, we're working to get an update to Members in November 2024 and action the supplier comms asap.	Committee Members 10/05/2024	Yes
50	28/02/24	Update on Action Plan - No Purchase Order No Pay	That communication to all suppliers be issued as soon as possible and that officers liaise with the Council Management Team and Executive Member for Finance to consider the barriers and ways to improve.	Helen Malam	Communication has now been issued.	18/11/24	Yes
48	31/01/24	Work Plan	That the workplan be populated to include the 2024/25 finance reports.	Debbie Mitchell		Helen Malam 12/03/2024	Yes
47	31/01/24	Treasury Management Training	The treasury management training recording would be circulated around committee members.	Louise Cook	Completed	Louise Cook 2/2/24	Yes
46	31/01/24	Statement of Accounts and Work Plan	That the committee receives a summary of all the assets the council owns and officers consider the best way for this to be reviewed.	Helen Malam/Bryn Roberts	Details have been emailed to Members	Helen Malam 30/07/24	Yes
45	31/01/24	Key Corporate Risks	1) The major metric risk definition used in the gross impact score for KCR 1, Financial Pressures be reconsidered. 2) The original risk scores could be included above the matrix that categorises the KCRs according to their net risk evaluation.	Helen Malam	This will come as part of the KCR monitor 4 update	09/07/24	Yes

44	31/01/24	Key Corporate Risks	Officers to consider if there were any key corporate risks associated with accessing and utilizing additional resources through the York and North Yorkshire Combined Authority.	Helen Malam	This will come as part of the KCR monitor 4 update	09/07/24	Yes
43	31/01/24	Key Corporate Risks	The officers working on the Local Plan be asked to provide an update on the risks to committee members.	Helen Malam	This will come as part of the KCR monitor 4 update	09/07/24	Yes

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Meeting:	Audit & Governance Committee
Meeting date:	29/01/2025
Report of:	Debbie Mitchell, Director of Finance (S151 Officer)
Portfolio of:	Councillor Katie Lomas, Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Audit and Governance Committee Report: External Audit Progress Report

Subject of Report

1. The paper attached at Annex A is the Audit Completion Report from Forvis Mazars and communicates their findings of the audit for the year ended 31 March 2024.

Recommendation and Reasons

2. Note the matters set out in the Audit Progress Report presented by the external auditor.

Reason

To ensure the proper consideration of the progress of the external auditor in respect of the annual audit of accounts and review of the council's arrangements for ensuring value for money

Contact details

For further information please contact the authors of this Report.

Author

Name:	Emma Audrain
Job Title:	Technical Accountant
Service Area:	Corporate Finance
Report approved:	Yes
Date:	20/01/2025

Annexes

A – External Audit Progress Report January 2025



Audit Completion Report

City of York Council – year ended 31 March 2024

January 2025

Audit and Governance Committee

City of York Council
West Offices
Station Rise
York
YO1 6GA

20th January 2025

Forvis Mazars

Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2024

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 27th November 2024.

We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

We would like to express our thanks for the assistance of your team during our audit. If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0191 383 6339.

Yours faithfully



Mark Outterside

Forvis Mazars LLP

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01	Executive summary
02	Status of the audit
03	Audit approach
04	Significant findings
05	Internal control conclusions
06	Summary of misstatements
07	Value for Money
A	Appendix A: Draft management representation letter
B	Appendix B: Draft audit report
C	Appendix C: Confirmation of our independence
D	Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Executive Summary

Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2023/24 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- management override of controls;
- Valuation of the net defined benefit liability / asset
- Valuation of land, buildings, surplus assets and investment property

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. There are no unadjusted misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2024.

At the time of preparing this report, the significant matters that remain outstanding are outlined in section 2.

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

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



Audit opinion

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



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

While the group instructions were issued in September 2024 by the National Audit Office in respect of our work on the Council's WGA submission, we are awaiting further instruction on non-sampled components. We are unable to commence our work in this area until such instructions have been received.



Wider Powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received correspondence from electors, and as at the time of drafting this report we are finalising our consideration of the issues raised.

Status of the audit

Status of our audit

Our audit work is substantially complete and except for the matters set out in the section 1 of this report, there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below. We have yet to complete our work on value for money, and the areas where work remains outstanding are detailed below.

Property, Plant and Equipment

We are currently finalising our review of the evidence provided to support the valuation of other land and buildings.



Minimum Revenue Provision (MRP)

We are in the process of finalising our work in this area. Nothing further is required from management.



Post balance sheet events

Review of post balance sheet events up to the point at which we sign our audit report.



Whole of Government Accounts (WGA)

We are yet to commence our work on WGA, We anticipate reporting that the WGA submission is consistent with the audited financial statements.



Final versions of the Annual Report and Annual Governance Statement

We will review the final versions of the Annual Report and Annual Governance Statement.



Audit review and quality control

Completion of Manager, Engagement Lead and EQC review and our quality control processes in respect of the audit. The following areas of work are still subject to manager and/or Director review:

- Expenditure cut-off testing
- Journals testing
- Payroll reconciliation testing
- Valuations testing
- Investments
- Debtors testing
- Creditors testing
- Housing Revenue Account



Finalisation of our technical review of the financial statements.

Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.



Work on value for money arrangements

Status of our audit (continued)

Our audit work is substantially complete and except for the matters set out in the section 1 of this report, there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below. We have yet to complete our work on value for money, and the areas where work remains outstanding are detailed below.

Letter of representation

Receipt, and review, of signed letter of management representation.



Value for Money (VFM)

We are finalising our work on the Council's Value for Money arrangements.



Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.



Work on value for money arrangements

03

Audit Approach

Audit Approach

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 27th November 2024.

Materiality

Our provisional materiality at the planning stage of the audit was set at £9.9m using a benchmark of 2% of gross revenue expenditure at the surplus/deficit on provision of services level, based on the draft financial statement.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

Use of experts

As detailed in our Audit Strategy Memorandum, management makes use of experts in specific area when preparing the financial statement. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. There are no changes to our or management’s use of experts.

Service organisations

Auditing Standard (UK) (ISAs) define service organization as third-party organization that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

As set out in our Audit Strategy Memorandum, we are not aware of any such arrangement at the Council.

Significant findings

Significant findings

Significant findings, including key areas of management judgement

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant Risks

Management override of controls

Description of the risk

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

Audit conclusion

Subject to satisfactory completion of the outstanding work noted in section 2 of this report, there are no matters to bring to your attention regarding the significant risk around management override of controls.

Significant findings

Valuation of land, buildings, surplus assets and investment properties

Description of the risk

Council dwellings (£587.9m), other land and buildings (£399.4m) are the Council's highest value assets. The balance sheet also includes investment properties totalling £72.2m.

Per the CIPFA Code, each of these class of assert requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.

Management engages its own Valuer as an expert to assist in determining the fair value of land and buildings to be included in the financial statements but there remains a high degree of estimation uncertainty associated with the valuation of land and buildings because of the significant judgements and number of variables involved.

How we addressed this risk

We have:

- critically assessed the Council's arrangements for ensuring that land and buildings and surplus assets valuations are reasonable and not materially misstated;
- critically assessed the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers;
- considered the competence, skills and experience of the valuers and the instructions issued to the valuers;
- substantively tested revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated; and
- where necessary, performed further audit procedures on individual assets to ensure the basis of valuations is appropriate.

We also engaged the Mazars Real Estates Valuation team to assist in the above.

Audit conclusion

We have not yet finalised our work on this significant risk, however, we do not expect any significant issues to arise. Upon completion of our work, we will include any additional findings in our Audit Completion Follow Up letter.

Management undertook a review of assets not revalued in year to identify any potential material change in value as at 31 March 2024. This review identified an increase in the value of the Council's car parks of £7.3m, which has been adjusted for in the financial statements. See section 6 for further detail on this.

Significant findings

Other key areas of management judgement/ enhanced risks

Net defined benefit liability/asset valuation

Description of the management judgement

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How our audit addressed this area of management judgement

We addressed the risk by:

- critically assessed the competency, objectivity and independence of the North Yorkshire Pension Fund’s Actuary;
- liaised with the auditors of the North Yorkshire Pension Fund to gain assurance over the design and implementation of controls in place at the Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council’s financial statements.

Audit conclusion

Subject to satisfactory completion of the outstanding work noted in section 2 of this report, there are no further matters to report in respect of the net defined benefit liability/asset valuation. The Pension Fund auditor did however identify a net understatement of £12.8m in the pension fund’s assets. We have calculated the Council’s share of this error as 18.2% and therefore the potential impact would be that the Council’s pension assets are understated by £2,330k. The pension asset for the Council is however limited by the asset ceiling calculation and no adjustment is needed.

Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 7th June 2024 and were of a good quality.

As in previous years, the 2023/24 accounts included several immaterial notes and accounting policies. These immaterial notes can obscure important and material information for financial statement users. Therefore, we believe the financial statements should be streamlined by removing these immaterial notes. Management has agreed to implement this and will streamline the 2024/25 financial statements.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- We discussed with Management the significant movement in the Council's car park valuations. Management identified a £7.3m increase in the Car Parks' value since the last valuation in 2021/22 and decided to amend for this movement (see Section 6).
- We also discussed the potential impact of the June 2023 High Court ruling in the case of Virgin Media Limited v NTL Pension Trustees, which stated that certain pension scheme rule amendments were invalid without the correct actuarial confirmation. A narrative disclosure has been added to Note 49 to outline the uncertainty of the impact on the 2023/24 accounts.
- Additionally, we discussed the trial balance with Management due to a prior year control recommendation. For further details, see Section 5

Significant difficulties during the audit

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

Wider responsibilities

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

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

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have received correspondence from electors and we are finalising our consideration of the issues raised.

05

Internal control conclusions

Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to communicate to Audit and Governance Committee any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing.

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

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

The deficiencies Council's internal controls that we have identified as at the date of this report are in set out

on the following pages.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of Audit and Governance Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by Audit and Governance Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Internal control conclusions

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency

When testing the Council's equity investments, we noted that the Council used the 2022/23 accounts of the invested entities to value their investment at 31st March 2024, as opposed to the 2023/24 accounts. In addition, no review took place to assess whether there were any circumstances that would mean the 2022/23 information was not indicative of the value as at 31 March 2024.

Potential effects

The reported investment value may be misstated and out of date.

Recommendation

The Council should ensure they perform a review of the equity investments to ensure the investment valuations are accurate and reflective of the value at 31st March 2024. This could include liaising with the entities to obtain actual figures.

Management response

When calculating the fair value of the equity instruments the Council uses the most recently publicly available published audited accounts. This is to allow for verification of the fair values calculated and disclosed in the Council's accounts. As most of the invested entities have the same financial year end as the Council this means that it is the case that the most recent audited publicly available accounts are prior year. In respect to council owned companies we will review these values based on latest known financial information available to the council.

Internal control conclusions

Other deficiencies in internal control (continued)

Description of deficiency

As part of our testing on land, buildings, surplus assets and investment property valuations, we identified several arithmetic and transposition errors in the valuation certificates. We are currently finalising our work on revaluations and will report the total of any misstatements we identify in our Audit Completion Follow Up letter.

Potential effects

The valuation of land, buildings, surplus assets and investment properties could be misstated.

Recommendation

The Council's valuation team should implement a check of the valuation certificates and subsequently technology forge to ensure the valuations have been accurately recorded.

Management response

The Council's valuation team do currently check valuation certificates, but we will review this process and see if any improvements can be made for future years. It should be noted that most of the errors we are aware have been found so far are relatively small.

Internal control conclusions

Follow up on previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

When testing heritage assets, we noted incorrect schedules were sent to the Council's insurer. The resulted in the Council's art collection (insurance value £65m) being uninsured during 2022/23. We noted the correct value had been insured in the prior and proceeding years.

Potential effects

In the event of a disaster, the Council would be compensated for less than the true value of its assets. This would result in a shortfall in the insurance payout and would result in significant financial and reputational damage for the Council.

Recommendation

- 1) The Council should ensure it implements controls, to ensure accurate, complete and timely information is provided to its insurers and to ensure there are no breaks in insurance cover for heritage assets.
- 2) The Council should obtain regular valuations, from appropriate experts, to ensure the insurance value is materially accurate, as at the time of the balance sheet date.
- 3) For heritage assets, as part of the financial statements' closedown process, the Council should ensure it has corroborative evidence to support an insurance value as at the balance sheet date, which can be easily made available to the audit team.

Current position

No issues were identified in 2023/24 with regards to the insurance of the Council's heritage assets. This control recommendation has therefore been addressed.

Internal control conclusions

Follow up on previous internal control points (continued)

We set out below an update on internal control points raised in the prior year.

Description of deficiency

As part of our work on Housing Revenue Account (HRA) property valuations, we noted the Council completed a revaluation of its HRA properties 1 April 2023. We consulted with the Mazars valuation team, who confirmed that as most of the information used to value the assets, related to the prior year, this could be indicative of an error Additional work was therefore completed by the Council's valuations team, which resulted material amendments to both the 2021/22 and 2022/23 financial statements.

Potential effects

There is a risk that valuations performed at the 1 April, using prior year data, are indicative of a material change in value in the prior financial year.

Recommendation

The Council should:

- ensure valuations are completed at the 31 March, or as near as this date as possible; and
- if the valuation cannot be completed as at 31 March, the Council should complete an assessment (based on relevant, corroborative and timely data), to confirm valuations are materially accurate as at the balance sheet date and document why there is no risk of prior year misstatements.

Current position

For 2023/24 onwards, the Council has moved the revaluation date of its HRA properties from the 1st April to the 31st January, in line with the other valuation dates. The Council's valuation team have also completed an assessment to confirm valuations are materially accurate at 31 March 2024. This control recommendation has therefore been addressed.

Internal control conclusions

Follow up on previous internal control points (continued)

We set out below an update on internal control points raised in the prior year.

Description of deficiency

As part of our work on property additions, we identified two additions recognised in 2022/23 which related to works completed in 2021/22 and therefore were incorrectly capitalised in 2022/23.

Potential effects

Capital additions could be materially misstated if they are not recognised when the work was completed.

Recommendation

1. Controls should be implemented to ensure that capital expenditure, resulting in capital additions is capital in nature and relates to the correct year.
2. As part of the final accounts process, a review of capitalised expenditure and capital additions should be completed and documented and provided to the audit team.

Current position

While a review did not take place, we did not identify any errors from our additions testing with regards to the incorrect capitalisation of expenditure. In 2023/24, the Council improved their communication to the wider finance team around the correct capitalisation treatment. The 'No PO No Pay' policy has also been reinforced during the year limiting the risk of incorrect additions, which is evident from our testing. This control recommendation has therefore been addressed.

Internal control conclusions

Follow up on previous internal control points (continued)

We set out below an update on internal control points raised in the prior year.

Description of deficiency

In 2019/20 and 2020/21, we recommend that the Council improved its arrangement to review, challenge and document the output of management’s valuation experts relied upon in the production of its financial statements. In 2021/22 our expert valuer completed a review of the Council’s Depreciated Replacement Cost (DRC) valuation methodology and noted a departure from RICS DRC guidance note (2018) regarding the correct application of Modern Equivalent Asset (MEA) valuation guidance, including componentisation, physical, functional and economic adjustments.

As part of our work on Allerton Waste Recycling Centre (the Council’s largest property value), as part of the early discussion with the Mazars valuation team we recommended that management should complete its own independent indexation checks to assess if the value as at 31 March 2022, was materially accurate since the last valuation date, however this was not completed.

The Council also did not obtain a full valuation for Allerton Waste Recycling Centre in 2022/23.

Potential effects

Without sufficient challenge, information relied upon in preparing the accounts could result in a material misstatement.

Recommendation

For valuations where the Council does not have relevant expertise, it should consider other options to gain sufficient assurance for the valuation assertion.

Current position

The Council obtained a full valuation for Allerton Waste Recycling Centre, in conjunction with North Yorkshire Council, in 2023/24 and therefore no indexation checks were required. This control recommendation has therefore been addressed.

Internal control conclusions

Follow up on previous internal control points (continued)

We set out below an update on internal control points raised in the prior year.

Description of deficiency

As in previous years, the reconciliation of the Trial Balance (TB) to the Comprehensive Income and Expenditure Account has been difficult for the audit team to reperform, relying on several reports and took a long time for the audit team to complete. There was also no evidence to support second review of the reconciliation.

Potential effects

Use of several reports and manual adjustments, has an inherent risk that financial data is omitted from the financial statements.

Recommendation

We recommend that management provides a streamlined working paper which shows how the TB and underlying system reports reconcile through to the CIES, which:

- reduces the number of system reports used to complete the reconciliation or clearly shows how the reports reconcile to the main TB and to the financial statements;
- provides assurance that all TB codes have been included in the reconciliation;
- explains the manual adjustments; and
- records evidence of a second review.

Current position

From discussions with the Council’s management and finance team, it is clear that progress has been made to implement this recommendation, however further work is still required to streamline the working paper and agreement. This control recommendation has therefore not been fully addressed in 2023/24.

Summary of misstatements

Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £300k.

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued on 27th November 2024. Any subsequent changes to those figures are set out in the section 3 of this report.

Unadjusted misstatements

We have not identified any unadjusted misstatements.

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe Audit and Governance Committee should be made aware of.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Land and Buildings (Valuation)			7,398	
Dr: Land and Buildings (Write off of accumulated depreciation)			108	
Cr: Revaluation Reserve				4,240
Cr: Comprehensive Income and Expenditure		3,266		
Dr: Movement in Reserves	3,266			
Cr: Capital Adjustment Account				3,266
As part of Management's review of the assets not revalued in the year, management identified that the valuation of Car Parks had moved £7,290k from the last valuation in 2021/22. We agreed that an adjustment was required as this was a significant movement and therefore management have adjusted for this.				
Aggregate effect of adjusted misstatements	3,266	3,266	7,506	7,506

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- While reconciling the Comprehensive Income and Expenditure Statement to Note 30 (Expenditure and Income Analysed by Nature), we identified several errors that arose from compiling the notes. These have been corrected and the following figures are as follows:
 - Expenditure (Cost of Services) has been amended from £481,500k to £479,533k.
 - Income (Cost of Services) has been amended from £300,080k to £301,379k.
 - Total expenditure per Note 30 has been amended from £490,539k to £496,781k.
 - Total income per Note 30 has been amended from £491,680k to £501,187k.
- Note 37 (Officers' Remuneration) has been updated to make the disclosure notes A and B compliant with the CIPFA LAAP Bulletin 85 and to disclose the annualise salaries of 4 directors who were in post for part of the year.
- Note 39 (Dedicated Schools Grant) has been updated to show a £8,175k in year adjustment.
- Note 49 Defined Benefit Pension Schemes has been updated to correct several minor errors, including transposition and typographical mistakes. Additionally, as mentioned on page 15 of this report, a disclosure regarding the potential impact of the Virgin Media Limited v NTL Pension Trustees case has been included.
- Housing Revenue Account Note 4 has been updated to show revised rent arrears figures.
- Collection Fund Statement Note 2 – The rateable value has been updated from £245,012,332 to £242,602,745 to agree with the VOA report.

The Council have also amended for various minor presentational errors.

We identified the following disclosure misstatement during our audit that have not been corrected by management:

- Note 43 (Leases) – Our testing identified an error in a sample of operating leases, whereby the future minimum lease payments receivable in note 43 were overstated by £71,500. We extrapolated this error against the remaining population which resulted in an extrapolated error of £490k. As this is an immaterial extrapolated error, management have not adjusted for this.

Audit Completion follow-up letter

If required, we will provide an update on any additional errors noted upon completion of the work highlighted in Section 2 of this report, in an Audit Completion follow-up letter.

Value for Money

Value for Money

Approach to Value for Money

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

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

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

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

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

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in February 2025.

Status of our work

We have substantially completed our work in respect of the Council's arrangements for the year ended 31 March 2024 and we do not expect to identify any significant weaknesses in arrangements that require us to make a recommendation. As such, we expect our audit report (see appendix B) to confirm that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in February 2024.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

Forvis Mazars
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
[Date]

Dear Mark Outterside,

City of York Council - Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of City of York Council (the Council) for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), and applicable law.

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

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Section 151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

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

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

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

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Section 151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

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

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

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

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

Charges on assets

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

Future commitments

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

Appendix A: Draft management representation letter

Subsequent events

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

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

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Narrative Report fairly reflects that assessment.

Reinforced Autoclaved Aerated Concrete

I confirm the Council has assessed the potential impact of Reinforced Autoclaved Aerated Concrete on the Council, and in particular whether there are indications of a need for an impairment of the Council's property, plant and equipment balances. I confirm there are no such indications of impairment in those assets.

Going concern

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

Appendix A: Draft management representation letter

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Section 151 Officer

Appendix B: Draft audit report

Independent auditor’s report to the members of City of York Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of City of York Council (“the Council”) for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Housing Revenue Account, the Collection Fund Statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2024 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

Appendix B: Draft audit report

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

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer’s Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989’ and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

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

Appendix B: Draft audit report

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

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

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

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

We are also required to conclude on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our view we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in this respect.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B: Draft audit report

Auditor’s responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024.

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

Mark Outterside, Key Audit Partner

For and on behalf of Forvis Mazars LLP

Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Appendix C: Confirmation of our independence

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

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

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with the Chief Financial Officer that the Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix D: Other communications

Other communication	Response
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and where appropriate Audit and Governance Committee, confirming that a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b) they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Contact

Forvis Mazars

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Director

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Meeting:	Audit & Governance Committee
Meeting date:	29/01/2025
Report of:	Debbie Mitchell, Director of Finance
Portfolio of:	Cllr Katie Lomas, Executive Member for Finance, Performance, Major Projects, Human Rights, Equality, and Inclusion

Audit and Governance Committee Report:

Treasury Management 2024/25 Quarter 3 report and review of Prudential Indicators

Subject of Report

1. Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2024/25 approved by Full Council on 22 February 2024.
2. Attached at Annex 1 is the Treasury Management Quarter 3 report and Review of Prudential Indicators 2024/25, which provides an update on treasury activity during the quarter and was considered by Executive on 21 January 2025.

Policy Basis

3. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 requires that Council be updated with, review and approve, as a minimum three reports annually. These reports are the Treasury Management Strategy Statement setting out policy for the forthcoming year, a mid-year review report, and an annual report detailing the treasury activities and performance for the previous year. Quarterly reports are also required to provide an update on treasury management activities and can be assigned to a designated committee or member as deemed appropriate.

4. This report is the Treasury Management Quarter 3 update report detailing the activities undertaken and performance in the third quarter of the financial year 2024/25, highlighting compliance with the Council's policies previously approved by members, and the monitoring of the Prudential Indicators. The Council is required through legislation to have this report and Prudential Indicators approved by members; therefore, this report ensures this Council is implementing best practice in accordance with the Code.

Recommendation and Reasons

5. Audit & Governance Committee are asked to note and scrutinise the Treasury Management Quarter 3 Report and Review of Prudential Indicators 2024/25 at Annex 1

Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

Contact details

For further information please contact the authors of this Report.

Author

Name:	Debbie Mitchell
Job Title:	Director of Finance
Report approved:	Yes
Date:	17/01/2025

Annexes

Annex One - Treasury Management Quarter 3 Report and Review of Prudential Indicators 2024/25

Annex to above report – Prudential Indicators 2024/25



Meeting:	Executive
Meeting date:	21 January 2025
Report of:	Debbie Mitchell. Director of Finance.
Portfolio of:	Councillor Katie Lomas. Executive Member for Finance, Performance, Major Projects, Human Rights, Equality & Inclusion.

Decision Report: Treasury Management Quarter 3 report and Prudential Indicators 2024/25.

Subject of Report

1. The purpose of this report is to provide a regular update to the Executive Member for Finance on Treasury Management activity for the first three quarters of the 2024/25 financial year to 30th November 2024 and to provide the latest update of the Prudential Indicators which are included at Annex A to this report.

Benefits and Challenges

2. Treasury Management is the effective management of the Council's cash flow. Doing this effectively protects the Council from risks and ensures the ability to meet spending commitments as they fall due.

Policy Basis for Decision

3. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 requires that full Council be updated with, review and approve, as a minimum three reports annually. These reports are the Treasury Management Strategy Statement setting out policy for the forthcoming year, a mid-year review report, and an annual report detailing the treasury activities and performance for the previous year. Quarterly reports are also required to provide an update on treasury

management activities and can be assigned to a designated committee or member as deemed appropriate.

4. This report is the Treasury Management quarter 3 report covering the period 1st April 2024 to 30th November 2024, detailing the activities and performance so far, and the monitoring and update of the Prudential Indicators. This report ensures this Council is implementing best practice in accordance with the Code.

Financial Strategy Implications

5. The Treasury Management function is responsible for the effective management of the Council's investments, cash flows, banking, and money market transactions. It also considers the effective control of the risks associated with those activities and ensures optimum performance within those risk parameters.

Recommendation and Reasons

6. Executive is asked to note:
 - The 2024/25 Treasury Management activity to date up to the period ending 30th November 2024.
 - The Prudential Indicators outlined in Annex A (updated where applicable) and note the compliance with all indicators.

Reason: To ensure the continued effective operation and performance of the Council's Treasury Management function and ensure that all Council treasury activity is prudent, affordable and sustainable and complies with policies set.

7. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the period 1st April 2024 to 30th November 2024, the Council has operated within the Treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement for 2024/25.
8. There are no policy changes to the Treasury Management Strategy Statement 2024/25 for members to agree and approve; the details in this report update the Treasury Management position and Prudential Indicators in the light of the updated economic position and budgetary changes already approved.

Background

9. This quarterly Treasury Management report has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, and covers the following:
- A brief economic update and latest interest rate forecast.
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
 - A review of the treasury position as at 30th November 2024.
 - A review of the Council's investment portfolio.
 - A review of the Council's borrowing strategy.
 - A review of compliance with the Treasury and Prudential Limits.
 - An update to the prudential indicators (set out at Annex A).

Economic Update

10. The third quarter of the 2024/25 financial to 30th November 2024 year saw:
- The Bank of England announce a base rate cut of 0.25% from 5.00% to 4.75% on 7th November 2024. The Bank of England's Monetary Policy Committee (MPC) voted by a majority of 8–1 in favour of the cut. This followed a vote to maintain the rate at 5% on 19th September 2024 and a cut of 0.25% from 5.25% to 5% on 1st August 2024.
 - On 19th December 2024 the Bank of England's Monetary Policy Committee (MPC) voted 6-3 to maintain base rate at 4.75%.
 - Consumer Prices Index (CPI) inflation rise to 2.6% in the 12 months to November 2024, up from 2.3% in the 12 months to October 2024 and 1.7% in the 12 months to September 2024.
 - Core CPI rises by 3.5% in the 12 months to November 2024, up from 3.3% in October 2024 and 3.2% in September 2024.
 - Services consumer price inflation rise to 5% in November 2024, unchanged from October 2024, slightly up from 4.9% in September 2024, and above its long-run average of 3.5%.
11. In its monetary policy meeting ending on 6th November 2024, the Bank of England's MPC voted by a majority of 8–1 to decrease the base rate by 0.25% from 5.00% to 4.75% continuing their gradual approach to removing policy restraint. It was noted that the combined effects of the Autumn Budget on 30th October 2024 are provisionally expected to boost the level of GDP by around 0.75% and CPI by around 0.5% at their peak in a years' time relative to the previous projections. At the 18th December meeting the MPC voted 6-3 to maintain base rate at 4.75%, and the message in the report minutes was that the MPC would closely monitor the risks of inflation persistence and continue its gradual approach to cutting base rate, deciding the appropriate *'degree of policy restrictiveness at each meeting'*, with monetary policy needing *'to continue to remain restrictive for sufficiently long until the risks to inflation returning sustainably to the 2% target in the medium term have dissipated'*

further. It was noted that November CPI inflation at 2.6% was slightly higher than previous expectations, services consumer price inflation remained elevated, and Headline CPI inflation is expected to continue to rise slightly in the near term.

Interest Rate Forecast

12. Current interest rates and the future direction of both long term and short term interest rates have a major influence on the overall Treasury Management strategy and affects both investment and borrowing decisions.
13. Table 1 is Link Groups Interest Rate forecast at 11th November 2024 for both the bank base rate and Public Works Loans Board (PWLB) certainty borrowing rates (gilt yields plus 80 bps).

	Bank rate %	PWLB borrowing rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Dec 2024	4.75	5.00	5.30	5.60	5.40
Mar 2025	4.50	4.90	5.10	5.50	5.30
Jun 2025	4.25	4.80	5.00	5.40	5.20
Sep 2025	4.00	4.60	4.80	5.30	5.10
Dec 2025	4.00	4.50	4.80	5.20	5.00
Mar 2026	3.75	4.50	4.70	5.10	4.90
Jun 2026	3.75	4.40	4.50	5.00	4.80
Sep 2026	3.75	4.30	4.50	4.90	4.70
Dec 2026	3.50	4.20	4.40	4.80	4.60
Mar 2027	3.50	4.10	4.30	4.70	4.50
Jun 2027	3.50	4.00	4.20	4.60	4.40
Sep 2027	3.50	4.00	4.20	4.50	4.30
Dec 2027	3.50	3.90	4.10	4.50	4.30

Table 1 – Link’s interest rate forecast at 11th November 2024

14. Link Groups Bank Rate forecast is now 50bps – 75bps higher than previous, and PWLB forecasts have been increased to reflect increased concerns around the future path of inflation and the increased level of UK Government borrowing over the term of the current Parliament.
15. Following the MPC’s most recent messages in its 19th December 2024 and 7th November 2024 report minutes and the current economic and political environment following the UK Budget on 30th October and US Presidential election, Markets are predicting fewer base rate cuts in the year ahead and Market expectations are that there will be more gradual cuts to the base rate in the next couple of years.

Treasury Management Strategy Statement 2024/25

16. Full Council approved the Treasury Management Strategy Statement for 2024/25 on 22nd February 2024. Details can be viewed here <https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MID=13928#A167008> and here <https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MId=13934&Ver=4>.
17. There are no investment policy changes and the details in this report do not amend the Statement.

Overall Treasury Position 30th November 2024

18. Table 2 shows the Council's net Treasury debt and investment position for the period ending 30th November 2024, shown with the 2023/24 financial year end position.

	30/11/24	30/11/24	31/03/2024	31/03/2024
	Principal	Average Rate	Principal	Average Rate
General Fund Borrowing	£180.79m	3.49%	£175.79m	3.42%
Housing Revenue Account (HRA) Borrowing	£149.26m	3.32%	£149.26m	3.31%
Total Borrowing	£330.05m	3.41%	£325.05m	3.37%
Other Long-term Liabilities	£40.66m		£41.74m	
Total External Debt	£375.71m		£366.79m	
Investment balance	£9.99m	5.02%	£5.04m	4.86%
Debt less Investments	£360.72m		£361.75m	

Table 2 Summary of the current Treasury position 30th November 2024

Investment Portfolio

19. The Treasury Management Strategy Statement includes the Council's Annual Investment Strategy outlining the Council's investment priorities as follows:
- Security of capital
 - Liquidity
 - Yield

Environmental, Social & Governance (ESG) criteria, will be considered as a fourth criteria after the fulfilment of the three core investment priorities.

20. The Council's investment policy is governed by MHCLG guidance and sets out the approach for choosing investment counterparties based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). The Council will also consider environmental, social and governance factors when placing investments after the core investment priorities of security, liquidity and yield have been assessed.
21. The Council continues to aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity and the Council's risk appetite. The Council had no liquidity difficulties during the first 8 months of the 2024/25 financial year.
22. Investment returns the Council earns on its surplus cash is dependent on the level of cash held for investment purposes, cash backed reserves and cash flow requirements which is due to the timing of precept payments, receipt of grants, receipt of developer contributions, borrowing for capital purposes, payments to its suppliers of goods and services and spend progress on the Capital Programme. Cash balances are therefore only available on a temporary basis depending on cash flow movement.
23. The average level of cash balances available for investment purposes in the first 8 months of the year up to 30th November 2024 was £30.87m (£29.33m for period ending 30th November 2023). The average rate of return earned on cash balances in this period was 5.02% (4.79% for period ending 30th November 2023).
24. During the first 8 months of the year up to 30th November 2024, the level of cash balances has been roughly similar when compared to the same period last year due to a similar profile of receipts and payments.
25. The Council uses a benchmark indicator to assess the Council's investment performance, and this is the average Sterling Overnight Index Average (SONIA). SONIA is based on actual transactions reflecting the average of the interest rates that banks pay to borrow sterling overnight.
26. The Council's average rate of return for the period 1st April 2024 to 30th September 2024 is in table 3.

	2024/25 (to 30th Nov 24)	2023/24 (to 30th Nov 23)	2023/24 (Full year)
Average CYC Rate of Return	5.02%	4.79%	4.86%

Benchmark			
Average Overnight SONIA	5.05%	4.85%	4.96%

Table 3: CYCs investment rate of return performance vs. SONIA benchmark

27. The average rate of return achieved for invested cash during the first 8 months of 2024/25 has remained below the average overnight SONIA rate due to the Council keeping cash in highly liquid Money Market Funds which provide instant access to cash.
28. Figure 1 shows the average SONIA rates for a number of investment durations compared with the Bank of England base rate and the Council's rate of return achieved in the 8 months of 2024/25. It shows that the Council's average rate of return is tracking lower than, but broadly in line with, both Bank base rate and overnight SONIA rate. This is expected as cash has been held in liquid funds.

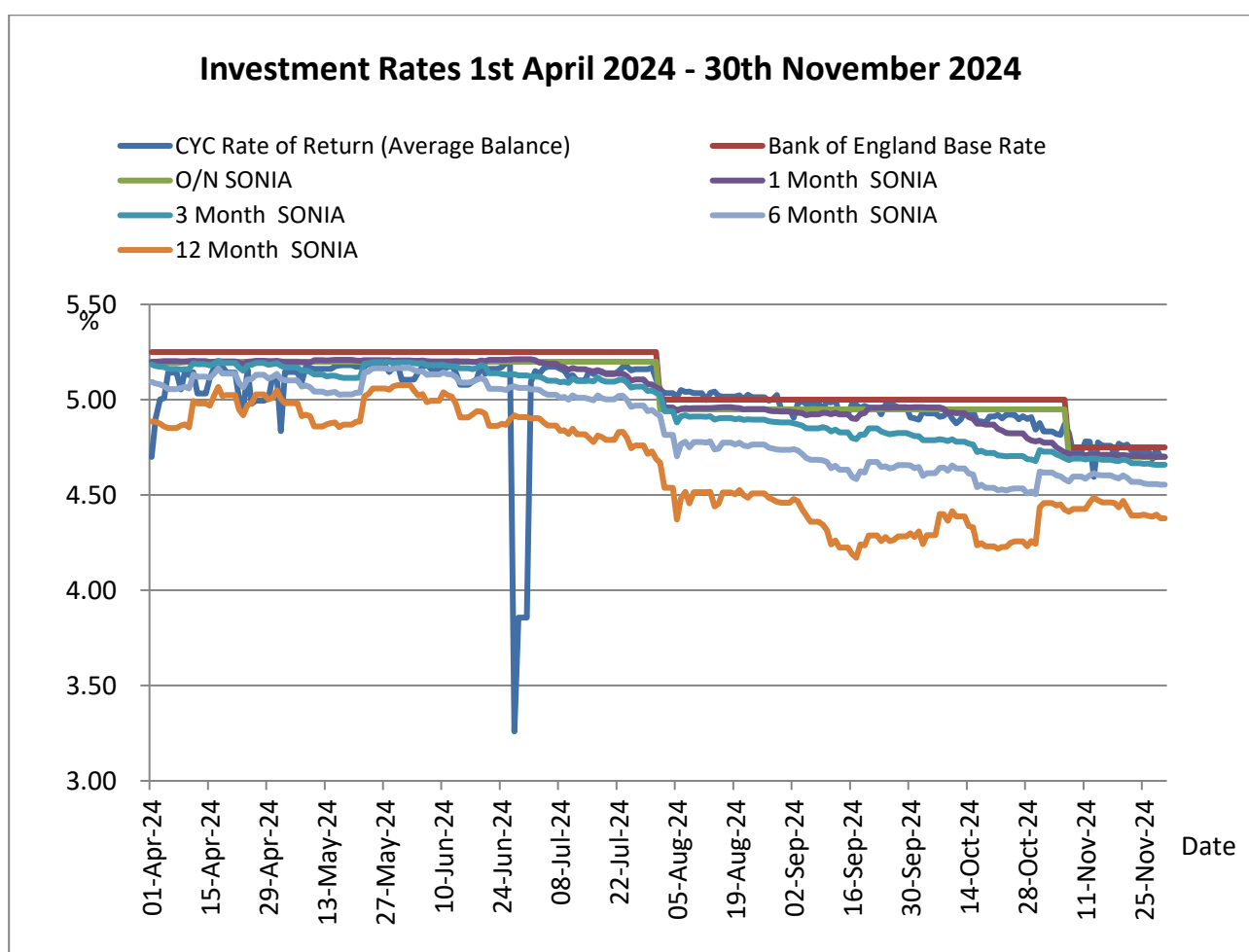


Figure 1 CYC Rate of Return vs Bank of England base rate and SONIA up to 30th November 2024

29. Table 4 shows the current investments at 30th November 2024.

Institution Type	Principal Balance 30/11/24	Average Balance 01/04/24-30/11/24	Average Rate
Fixed Term Deposits	£0.00m	£0.00m	0.00%
Call / Notice	£0.00m	£0.00m	0.00%
Money Market Funds	£9.80m	£30.37m	5.10%
Cash in bank	£0.19m	£0.50m	0.00%
Total Investments	£9.99m	£30.87m	5.02%

Table 4: Investment Portfolio by type 30th November 2024

30. Figure 2 shows the investments portfolio held corporately by the Councils Treasury Management team split by cash in bank, deposits in short term call accounts, fixed term investments and Money Market Funds. Money Market Funds used have an AAAM credit rating and the cash in bank account has an AA- credit rating.

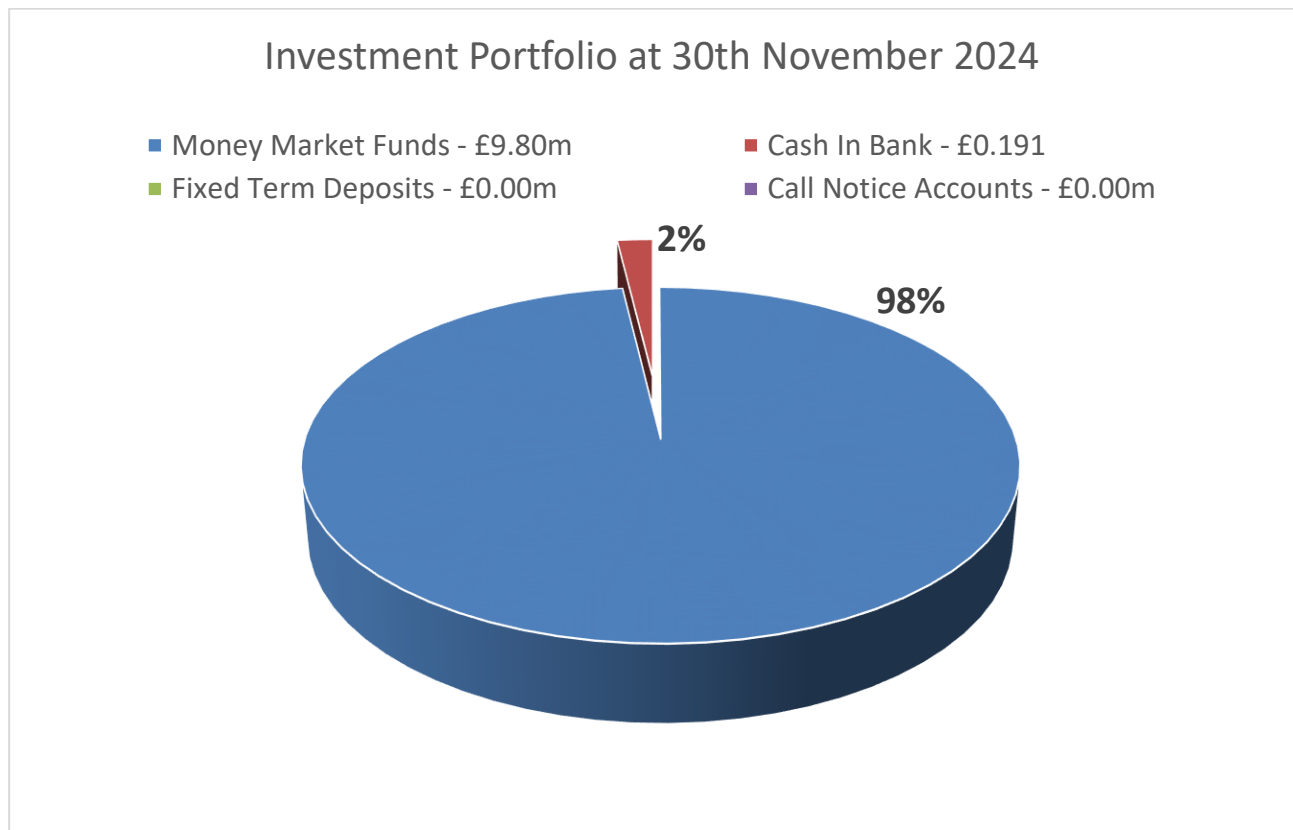


Figure 2 Investment Portfolio by type 30th November 2024

31. The Council is using its cash balances to delay taking on long-term borrowing. The overall effect of using cash balances to support the Council's under-borrowed CFR position is that as cash balances are used there is less cash available for longer term investment and cash balances are held in more liquid funds meaning lower interest returns.
32. Opportunities that arise for notice and fixed investments which could generate higher yields are considered in terms of the Councils short to medium term cash flow requirement and it's under borrowed CFR position.

Borrowing Requirement and Debt

33. The Council undertakes long-term borrowing in accordance with the investment requirements of the capital programme and all borrowing is therefore secured for the purpose of its asset base.
34. Under regulation, the Council can borrow in advance of need and Markets are therefore constantly monitored and analysed to ensure that advantage is taken of favourable rates and the increased borrowing requirement is not as dependant on interest rates in any one year.
35. The level of borrowing taken by the Council is determined by the Capital Financing Requirement (CFR) which is the Councils underlying need to borrow for capital expenditure purposes. Borrowing needs to be affordable, sustainable, and prudent.
36. On the reverse side, the Council's level of borrowing can also be below the Capital Financing Requirement. This would mean that instead of increasing the Council's level of borrowing, surplus funds held for investment purposes would be utilised.
37. Table 5 shows the Council's underlying need to borrow to finance capital expenditure (the CFR).

	31 March 2025 Projected (30th Nov 2024)	31 March 2025 Budget (As at TMSS)	31 March 2024 Actual (As at Outturn)
CFR General Fund	£335.05m	£399.76m	£313.16m
CFR HRA	£136.13m	£149.33m	£147.34m
CFR Other Long-term Liabilities	£43.29m	£43.21m	£41.74m
Total CFR	£514.47m	£592.30m	£502.24m

Table 5 Capital Financing Requirement 30th November 2024

38. The borrowing strategy takes into account the borrowing requirement, the current economic and market environments, and is also influenced by the interest rate forecasts.
39. During the first 8 months of 2024/25, the Council has maintained its under-borrowed position. This meant that the capital borrowing need, (the CFR) has not been fully funded with loan debt, and cash supporting the Council's reserves, balances and cash flow has continued to be used as an interim measure to fund the capital programme. The under-borrowed position can be seen on the Councils Liability Benchmark graph as shown by the gap between the loans outstanding and CFR.

40. While this strategy is still prudent in 2024/25 as long-term borrowing rates have remained elevated across the curve, where debt is required to finance the capital programme the Treasury team will look at temporary and short-term borrowing options if internal borrowing cannot be maintained. Where there are opportunities to draw down long term debt at more favourable rates, through either PWLB or market borrowing, these will be considered to try to minimise the longer-term impact of debt costs.
41. In the first eight months of 2024/25 the Council has taken one new loan from the PWLB which will require refinancing in early 2025/26 (see Table 7). This has increased the Council's refinancing interest rate risk as a greater proportion of its overall debt will mature in late 2024/25 and early 2025/26 (see figure 4) but this is still within the approved maturity limits set as part of Prudential Indicator 8. The decision to take short term debt from PWLB was felt prudent as forecasted borrowing rates at the point of the debt drawdown showed a decrease in the second half of 2024/25. As 2024/25 has progressed interest rates forecasts have been revised upwards and borrowing rates, while still forecasted to decrease over the medium and longer term, are forecasted to do so at a slower pace.
42. Current PWLB and temporary borrowing rates via local authorities remain elevated and are at similar levels to those seen last year. The reason for this is the current economic environment and the gilt market which PWLB rates are based on, and demand and supply in the local authority temporary borrowing market.

Borrowing Portfolio

43. The Councils long-term borrowing started the year at a level of £325.05m. The current borrowing portfolio position as at 30th September 2024 is £335.05m.

	30 th November 2024			31 st March 2024		
Institution Type	No. of Loans	Principal	Average Rate	No. of Loans	Principal	Average Rate
<u>Public Works Loan Board</u> PWLB – Money borrowed from the Debt Management Office (HM Treasury)	57	£322.70m	3.43%	59	£317.70m	3.38%
<u>Market Loans</u>	1	£5.00m	3.88%	1	£5.00m	3.88%

LOBO Loans – Lender Option Borrower Option						
<u>West Yorkshire Combined Authority</u> WYCA – Zero interest loans the purpose of which are to help to fund York Central infrastructure projects.	4	£2.35m	0.00%	4	£2.35m	0.00%
Total Borrowing (GF & HRA)	62	£330.05m	3.41%	64	£325.05m	3.37%

Table 6 Current borrowing position 30th November 2024

44. During the first half of 2024/25 financial year one new loan was taken totalling £10.00m. This is detailed in Table 7 below. This borrowing was anticipated because of continued capital expenditure, the increasing CFR and the decrease in cash balances as a result of internal borrowing.

Lender	Issue Date	Repayment Date	Amount	Rate	Duration (years)
PWLB	30/04/2024	30/04/2025	£10.00m	5.39%	1.00
			£10.00m		

Table 7 New loans up to 30th November 2024

45. During the 8 months of 2024/25 3 existing loans have matured totalling £5.00m, 1x £3.00m loan on 13th October 2024, and 2x £1.00m loans on 5th November 2024. These are set out in Table 8 below. The next loan maturity is due on 29th January 2025.
46. There are currently 9 scheduled repayments of long-term borrowing that will occur in financial year 2024/25 totalling £43.40m. These are detailed in Table 8 below.

Lender	Issue Date	Repayment Date	Amount	Rate	Duration (years)
PWLB	13/10/2009	13/10/2024	£3.00m	3.910%	15.00
PWLB	23/11/2000	05/11/2024	£1.00m	4.750%	23.95
PWLB	03/04/2001	05/11/2024	£1.00m	4.750%	23.59
PWLB	29/01/2024	29/01/2025	£10.00m	5.350%	1.00
PWLB	28/02/2024	28/02/2025	£10.00m	5.460%	1.00
PWLB	27/03/2024	27/03/2025	£5.20m	5.390%	1.00
PWLB	27/03/2024	27/03/2025	£4.80m	4.990%	1.00

PWLB	28/03/2012	31/03/2025	£4.00m	2.870%	13.01
PWLB	28/03/2012	31/03/2025	£4.40m	2.870%	13.01
			£43.40m		

Table 8 Maturing loans in 2024/25

47. No loan rescheduling was done during the 8 months of the 2024/25 financial year.
48. The Council's £330.05m of fixed interest rate debt, is split between £149.26m for HRA (£119.65m self-financing debt) and £180.79m for General Fund as shown in Figure 3.

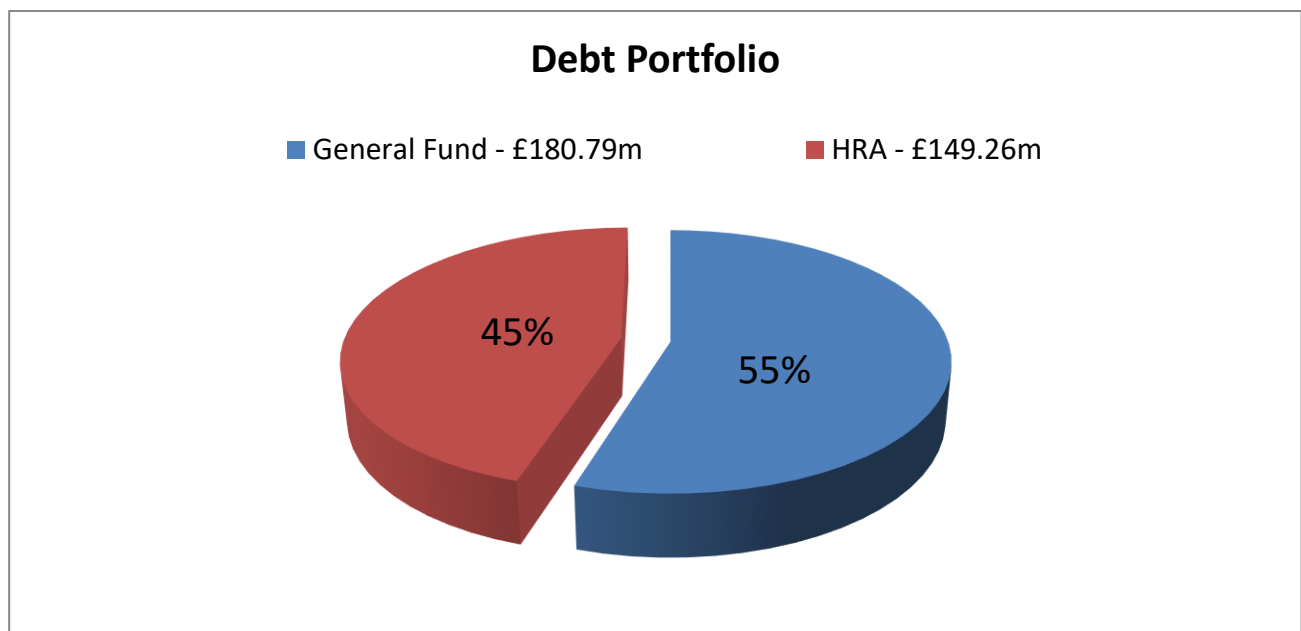


Figure 3 General Fund and HRA debt 30th November 2024

49. Figure 4 illustrates the 2024/25 maturity profile of the Council's debt portfolio at 30th November 2024. The maturity profile, aside from the £40m PWLB debt all taken with 1 year maturities in the final quarter of 2023/24 and the first quarter of 2024/25, shows that there is no large concentration of loan maturity in any one year, thereby spreading the interest rate risk dependency.

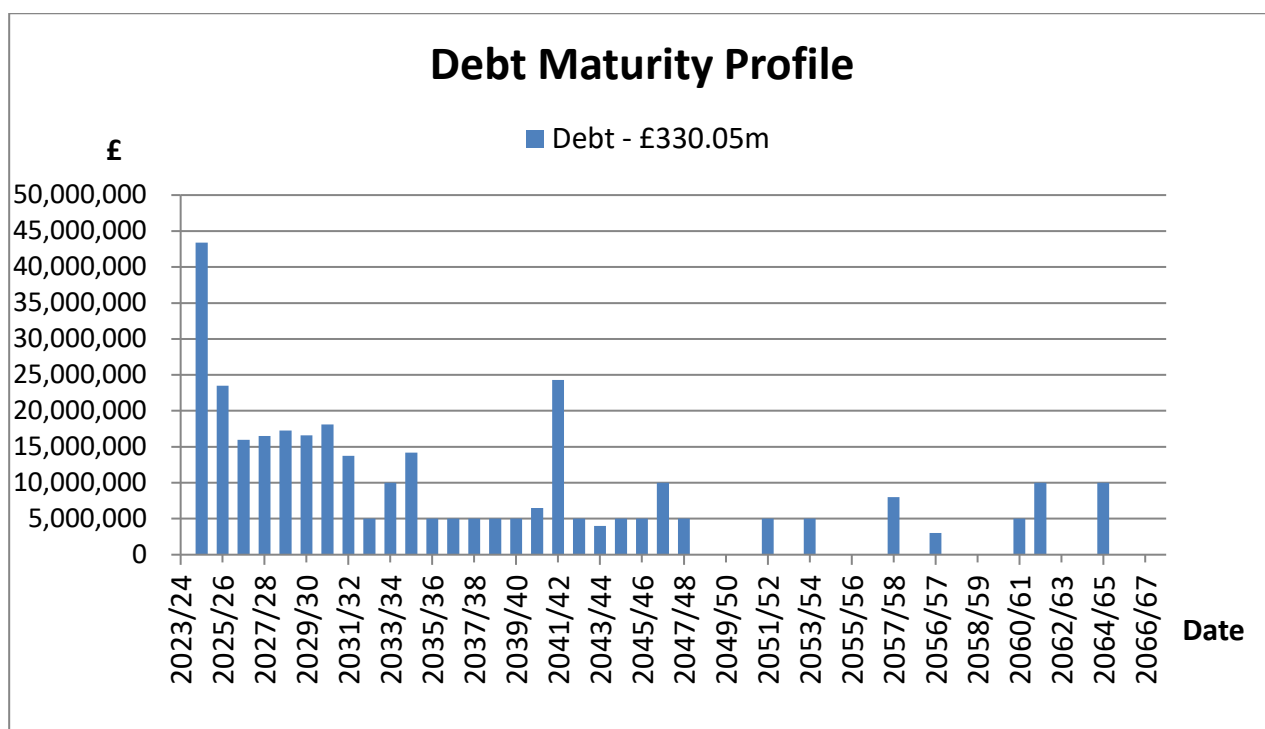


Figure 4 – Debt Maturity Profile 30th November 2024

50. The timing of when that debt is drawn down depends on the progress of the capital programme. Where greater value can be obtained in borrowing for shorter maturity periods the Council will assess its risk appetite in conjunction with budgetary pressures to minimise total interest costs. Temporary borrowing, including inter authority borrowing, is another borrowing option. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable, or for smoothing the maturity profile of debt repayments.
51. It is anticipated that the total of £40m PWLB loans with 1 year maturities will be re-financed in the last quarter of 2024/25, likely on the same 1 year maturity basis, while waiting for further falls in borrowing rates for longer term debt durations as the current market and Link Group forecasts show. This is because cash balances continue to be utilised and the Council will need to cover its under-borrowed position and replace its working cash balances.
52. There is a continued element of interest rate risk to this strategy as borrowing rates over the past 8 months of 24/25 financial year have not fallen as fast as previous market predictions had indicated and it is likely that the re-financing of these loans will now be done at similar borrowing rates to those originally taken in the final quarter of 2023/24 and the first quarter of 2024/25. In the current interest rate environment, with borrowing rates remaining elevated and at similar levels to last year financial year, it is still felt the most prudent course of action to look to renew maturing loans on short maturity durations as this is a better option for the longer-term Treasury Management budget, meaning that higher interest rate loans mature sooner.

53. Cash balances will continue to be used, where cash flow allows, to finance the capital programme and assessment on the longer-term financing of the under-borrowed position will be taken when borrowing rates are projected to fall towards their more neutral long-term forecast position.
54. Table 9 shows PWLB Certainty borrowing rates available for selected loan durations between 1st April 2024 and 30th November 2024 at the highest, lowest and average rates.

	PWLB Certainty borrowing rates by duration of loan				
	1 Year	5 Year	10 Year	25 Year	50 Year
High	5.61%	5.14%	5.35%	5.77%	5.53%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Average	5.20%	4.79%	4.94%	5.41%	5.19%

Table 9 – PWLB Borrowing Rates 1st April 2024 to 30th November 2024

Compliance with Treasury Policy and Prudential Indicators

55. The Prudential Indicators for 2024/25 included in the Treasury Management Strategy Statement (TMSS) are based on the requirements of the Council's capital programme and approved at Budget Council on 22nd February 2024 and can be viewed here <https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MID=13928#AI67008> and here <https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&Mid=13934&Ver=4>.
56. The Treasury Management budget was set in light of the council's expenditure plans and the wider economic market conditions based on advice from Link Group.
57. It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits" included in the Prudential Indicators. During the first 8 months of financial year 2024/25 the Council has operated within the Treasury limits and Prudential Indicators set out in the TMSS for 2024/25.
58. An update of the Prudential Indicators is shown in Annex A.

Consultation Analysis

59. At a strategic level, there are a number of Treasury Management options available that depend on the Council's stance on interest rate movements.

The Treasury Management function of any business is a highly technical area, where decisions are often taken at very short notice in reaction to the financial markets. As outlined in the Treasury Management Strategy Statement (TMSS) to enable effective treasury management, all operational decisions are delegated by the Council to the Director of Finance who operates within the framework set out in the TMSS and through the Treasury Management Policies and Practices. In order to inform sound treasury management operations, the Council works with its treasury management advisers, the Link Group.

Options Analysis and Evidential Basis

60. Treasury Management strategy and activity is influenced by the capital investment and revenue spending decisions made by the Council. Both the revenue and capital budgets have been through a corporate process of consultation and consideration by the elected politicians.
61. The Treasury Management quarter 3 report and Prudential Indicators detail the Treasury Management portfolio at 30th November 2024 and is for the review of the Executive Member for Finance to show compliance with Treasury policy and ensure the continued performance of the Treasury Management function.

Organisational Impact and Implications

62. The Treasury Management function aims to achieve the optimum return on investments commensurate with the proper levels of security, and to minimise the interest payable by the Council on its debt structure. It thereby contributes to all Council Plan priorities.
 - **Financial** - The financial details of the Treasury Management quarterly report are contained in the body of the report.
 - **Human Resources (HR)** - n/a
 - **Legal** – Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414),

which clarifies the requirements of the Minimum Revenue Provision guidance.

- ***Procurement*** - n/a
- ***Health and Wellbeing*** - n/a
- ***Environment and Climate action*** - n/a
- ***Affordability*** - The financial implications of the Treasury Management quarterly report are contained in the body of the report and as set out in the Prudential Indicators at Annex A.
- ***Equalities and Human Rights*** - n/a
- ***Data Protection and Privacy*** - n/a
- ***Communications*** - n/a
- ***Economy*** - n/a.
- ***Specialist Implications Officers*** - n/a

Risks and Mitigations

63. The Treasury Management function is a high-risk area because of the volume and level of large money transactions. As a result, there are procedures set out for day-to-day Treasury Management operations that aim to reduce the risk associated with high volume high value transactions as set out as part within the Treasury Management Strategy Statement at the start of each financial year. As a result of this the Local Government Act 2003 (as amended), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Wards Impacted

All

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Date:	19/12/2024

Background Papers

- Treasury Management Strategy Statement and Prudential Indicators for 2024/25 to 2028/29 and Annexes A, B, C and D to that report.
<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MId=13934&Ver=4>.

Annexes

- Annex A – Prudential Indicators 2024/25 Q3 (30.11.24)

Glossary of Abbreviations used in the report.

CIPFA	Chartered Institute of Public Finance & Accountancy
CFR	Capital Financing Requirement
CPI	Consumer Prices Index
CYC	City of York Council
GDP	Gross Domestic Product
GF	General Fund
HRA	Housing Revenue Account
MHCLG	Ministry of Housing, Communities and Local Government
MPC	Monetary Policy Committee

MRP	Minimum Revenue Provision
PWLB	Public Works Loan Board
SONIA	Sterling Overnight Index Average
TMSS	Treasury Management Strategy Statement

Prudential Indicators 2024/25 Q3 (30.11.24)

	Prudential Indicator		2024/25	2025/26	2026/27	2027/28	2028/29	
1	Capital Expenditure To allow the authority to plan for capital financing as a result of the capital programme and enable the monitoring of capital budgets.	GF HRA Other LT Total	£63.4m £39.5m £3.3m £106.2m	£109.1m £28.7m £0.5m £138.3m	£66.6m £12.7m £0.5m £79.8m	£49.0m £12.1m £0.5m £61.6m	£33.9m £12.3m £0.5m £46.7m	
2	CFR Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	GF HRA Other LT Total	£335.1m £136.1m £43.3m £514.5m	£387.7m £136.1m £41.9m £565.7m	£406.6m £136.1m £40.6m £583.3m	£418.8m £136.1m £39.3m £594.2m	£432.2m £136.1m £38.0m £606.3m	
3	Liability Benchmark The Liability Benchmark is based on current capital plans and cash flow assumptions, therefore giving the Council an indication of how much it needs to borrow, when it is likely to need to borrow, and where to match maturities to its planned borrowing needs. The liability benchmark makes no assumption about the level of future prudential borrowing in unknown capital budgets.	Liability Benchmark The chart displays the following series: - PWLB Loans (Blue line) - LOBO Loans (Black line) - Variable rate loans (Light blue line) - Net Loans Requirement (forecast net loan debt) (Orange line) - Liability Benchmark (Gross Loans Requirement) (Red dashed line) - Market Loans (excl LOBO loans) (Brown line) - Short Term inc LA Temporary Borrowing (<1 year) (Light orange line) - Existing Loan Debt Outstanding (Black line) - Loans CFR (Dark blue line)						
4	Ratio of Financing Costs to Net Revenue Stream An estimate of the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net	GF HRA Total	13.25% 13.51% 13.30%	15.92% 13.22% 15.40%	17.16% 12.89% 16.35%	17.61% 12.64% 16.68%	17.92% 12.40% 16.91%	

	Prudential Indicator		2024/25	2025/26	2026/27	2027/28	2028/29	
	revenue stream is the income from rents. <i>Note that financing costs include debt and other long-term liabilities such as PFI and Leases.</i>							
5	External Debt To ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose and so not exceed the CFR.	Gross Debt Invest Net Debt	£399.3m £5.0m £394.3m	£459.0m £5.0m £454.0m	£484.3m £5.0m £479.3m	£506.0m £5.0m £501.0m	£529.7m £5.0m £524.7m	
6 a	Authorised Limit for External Debt The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities.	Borrowing CFR / Other long-term liabilities	£602.3m £30.0m £632.3m (£632.3m set at 2024/25 Strategy)	£575.7m £30.0m £605.7m (Based on current CFR projection)	£593.3m £30.0m £623.3m (Based on current CFR projection)	£604.2m £30.0m £634.2m (Based on current CFR projection)	£616.3m £30.0m £646.3m (Based on current CFR projection)	

	Prudential Indicator		2024/25	2025/26	2026/27	2027/28	2028/29	
6 b	Operational Boundary for External Debt The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.	Borrowing CFR / Short Term Liquidity Requirement	£514.5m £87.8m £602.3m (£602.3m set at 2024/25 Strategy)	£565.7m £10.0m £575.7m (Based on current CFR projection)	£583.3m £10.0m £593.3m (Based on current CFR projection)	£594.2m £10.0m £604.2m (Based on current CFR projection)	£606.3m £10.0m £616.3m (Based on current CFR projection)	

	Prudential Indicator		2021/22	2022/23	2023/24	2024/25	2025/26	
7	Maturity Structure of Borrowing To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long-term loans mature in different periods thus spreading the risk.	Maturity profile of debt against approved limits	Maturity Profile Less than 1 yr 1 to 2 yrs 2 to 5 yrs 5 to 10 yrs 10 yrs and above Total	Debt (£) £57.4m £12.5m £46.7m £77.7m £135.8m £330.1m	Debt (%) 17% 4% 14% 24% 41% 100%	Approved Minimum Limit 0% 0% 0% 0% 30% -	Approved Maximum Limit 30% 30% 40% 40% 90% -	In line with the TMSS Lobo loans are shown as due at their next call date as this is the date the lender could require payment.
7	Upper Limit for Total Principal Sums Invested for Over 364 Days The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year.	Limit / (Current investments greater than 364 days maturing in year)	£15.0m (£0.0m)	£15.0m (£0.0m)	£15.0m (£0.0m)	£15.0m (£0.0m)	£15.0m (£0.0m)	



Audit and Governance Committee**29 January 2025**

Report of the Director of Finance

Portfolio of the Executive Member for Finance, Performance, Major Projects, Equalities and Inclusion

Scrutiny of the Treasury Management Strategy Statement and Prudential Indicators for 2025/26 to 2029/30**Summary**

1. This report is a statutory requirement setting the strategy for treasury management and specific treasury management indicators for the financial year 2025/26. The strategy is set against a context of projected interest rates and the Council's capital expenditure programme and leaves investment criteria and limits largely unchanged.
2. The Council has significant investments and borrowing which bring with them financial risk including the loss of invested funds and the revenue impact of changes in interest rates. It therefore requires an overall strategy as well as practices and procedures to identify, monitor and control the risks.

Recommendations

3. Audit and Governance Committee is asked to scrutinise the treasury management strategy statement and prudential indicators for 2025/26 to 2029/30 at annex A.

Reason: So that those responsible for scrutiny and governance arrangements are properly updated and able to fulfil their responsibilities in scrutinising the strategy and policy

Background

4. The Treasury Management Strategy Statement and Prudential Indicators 2025/26 to 2029/30 are attached at annex A and cover the:

- Integrated treasury management strategy statement including the annual investment strategy and the minimum revenue provision policy statement;
- Prudential indicators
- Revised treasury management policy statement
- Specified and non-specified investments schedule
- Treasury management scheme of delegation and role of the section 151 officer

5. This Treasury Management Strategy Statement has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and Prudential Code.

Consultation

6. Not applicable.

Options

7. Not applicable. It is a statutory requirement for Council to operate in accordance with the CIPFA Prudential Code.

Council Plan

8. The treasury management strategy statement and prudential indicators are aimed at ensuring the council maximises its return on investments and minimises the cost of its debts whilst operating in a financial environment that safeguards the council's funds. This will allow more resources to be freed up to invest in the council's priorities, values and imperatives as set out in the Council Plan.

Implications

Financial

9. The security of council funds is a priority, maximising returns on investments and along with minimising the finance costs of debt.

Legal Implications

10. Treasury Management activities have to conform to the Local Government Act 2003 and statutory guidance issued under that Act, the

Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

Other Implications

11. There are no other implications as a result of this report

Risk Management

12. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Contact Details	
Author	Chief Officer responsible for the report
Debbie Mitchell Director of Finance	Debbie Mitchell Director of Finance
Tony Clark Senior Accounting Technician	
	Report approved 17.1.25
Wards affected	All

Annexes

Annex A – Treasury Management Strategy Statement and Prudential Indicators for 2025/26 to 2029/30

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Meeting:	Executive
Meeting date:	21 January 2025
Report of:	Debbie Mitchell Director of Finance.
Portfolio of:	Councillor Katie Lomas. Executive Member for Finance, Performance, Major Projects, Human Rights, Equality & Inclusion.

Decision Report: Treasury Management Strategy Statement and Prudential Indicators for 2025/26 to 2029/30

Subject of Report

1. The purpose of this report is to seek the recommendation of Executive to Full Council for the approval of the Treasury Management Strategy and Prudential Indicators for the 2025/26 financial year.

Benefits and Challenges

2. Treasury Management is the effective management of the Council's cash flow. Doing this effectively protects the Council from risks and ensures the ability to meet spending commitments as they fall due.

Policy Basis for Decision

3. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 requires that full Council be updated with, review and approve, as a minimum three reports annually. These reports are the Treasury Management Strategy Statement setting out policy for the forthcoming year, a mid-year review report, and an annual report detailing the treasury activities and performance for the previous year. Quarterly reports are also required to provide an update on treasury management activities and can be assigned to a designated committee or member as deemed appropriate.

4. This report is the Treasury Management Strategy Statement setting out policy and the Prudential Indicators for the forthcoming year 2025/26. The Council is required through legislation to have these policies and Prudential Indicators approved by members; therefore, this report ensures this Council is implementing best practice in accordance with the Code.

Financial Strategy Implications

5. The Treasury Management function is responsible for the effective management of the Council's investments, cash flows, banking, and money market transactions. It also considers the effective control of the risks associated with those activities and ensures optimum performance within those risk parameters.

Recommendation and Reasons

6. Executive are asked to recommend that Council, in accordance with the Local Government Act 2003 (revised), approve:
 - The proposed Treasury Management Strategy for 2025/26 including the Annual Investment Strategy and the Minimum Revenue Provision policy statement.
 - The prudential indicators for 2025/26 to 2029/30 in the main body of the report.
 - The specified and non-specified investments schedule (Annex B).
 - The scheme of delegation and the role of the Section 151 officer (Annex D).

Reason: To ensure the continued effective operation and performance of the Council's Treasury Management function and ensure that all Council treasury activity is prudent, affordable and sustainable and complies with policies set.

Background

7. This Treasury Management Strategy Statement has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and Prudential Code.
8. CIPFA published the revised Codes on 20th December 2021 and stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Council, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and

Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

9. As part of the updated code the Council is required to ensure that it has appropriate risk, investment, governance and reporting processes in place:
 - A new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement (CFR) is introduced and is included in this report (Prudential Indicator 3).
 - There is a renewed emphasis that increases in CFR and borrowing should only be undertaken where related to the functions of the Council; any returns related to the financial viability of an asset or scheme should be incidental to the primary purpose.
 - Capital and investments plans should be affordable and proportionate with all borrowing and other long-term liabilities within prudent and sustainable levels.
 - All Treasury Management decisions should be made in accordance with good professional practice and the Council should have access to the appropriate level of expertise across all areas of investments and capital expenditure in order to make properly informed decisions.
10. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. The first function of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
11. The second main function of the treasury management service is funding of the Council's capital programme. The capital programme provides a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
12. The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

13. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.
14. CIPFA (Chartered Institute of Public Finance and Accountancy) defines treasury management as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Reporting requirements – Capital Strategy

15. The CIPFA revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:
- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
 - An overview of how the associated risk is managed.
 - The implications for future financial sustainability.
16. The aim of the Capital Strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
17. The Capital Strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy will show:
- The corporate governance arrangements for these types of activities.
 - Any service objectives relating to the investments.
 - The debt related to the activity and the associated interest costs.
 - The payback period (MRP policy).
 - The risks associated with each activity.
18. Where a physical asset is being bought, details of market research, advisers used, ongoing costs and investment requirements will be disclosed, including the ability to sell the asset and realise the investment cash.

19. Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance and CIPFA Prudential Code have not been adhered to.
20. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

Reporting requirements – Treasury Management

21. The CIPFA revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare a number of treasury reports. The Council is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. The three reports are:
 - **Treasury Management Strategy Statement and Prudential Indicators report** (this report) – this covers the capital plans including Prudential Indicators, the Minimum Revenue Provision policy, the Treasury Management Strategy and the Annual Investment Strategy.
 - **Treasury Management Mid-year report** – this covers whether the treasury activities are meeting the strategy, whether any policies require revision, amending Prudential Indicators if necessary.
 - **Treasury Management Annual report** – this covers treasury activity and operations for the year and compares actual Prudential Indicators with estimates from the strategy.
22. These reports are required to be scrutinised before being recommended to the Council. This scrutiny role is undertaken by Audit & Governance Committee.
23. In addition to the three major reports detailed above, from 2023/24 quarterly reporting is also required as part of the Council's general revenue and capital monitoring and will comprise updated Treasury and Prudential Indicators. While it is not a requirement for these quarterly reports to be reported to full Council they will be reported to the Audit and Governance Committee to ensure adequate scrutiny.

Treasury Management Strategy for 2025/26

24. The Treasury Management Strategy for 2025/26 covers two main areas:

Capital issues:

- The Capital Programme and Prudential Indicators.
- Minimum Revenue Provision (MRP) policy.

Treasury management issues:

- Prudential Indicators which will limit the treasury management risk and activities of the Council.
- The current treasury position.
- Prospects for interest rates.
- The borrowing strategy.
- Policy on borrowing in advance of need.
- Debt rescheduling.
- Investment strategy.
- Creditworthiness policy.
- Policy on use of external service providers.
- Scheme of delegation and the role of the S151 officer.

25. These elements cover the statutory and regulatory requirements of the Local Government Act 2003 and statutory guidance on local government investments, the CIPFA Prudential Code and the CIPFA Treasury Management Code, and the Ministry of Housing, Communities and Local Government (MHCLG) Minimum Revenue Provision (MRP) guidance.

26. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

Training

27. The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for Treasury Management receive adequate training in Treasury Management. This especially applies to members responsible for scrutiny. The training needs of Treasury Management members and officers is periodically reviewed to ensure the relevant knowledge and skills are kept up to date.

Treasury Management Consultants

28. The Council uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

29. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

The Capital Prudential Indicators 2025/26– 2029/30

30. The Council's capital expenditure plans are the key driver of treasury management activity and are the subject of a separate report on this agenda. The output of the capital programme is reflected in the Capital Prudential Indicators, which are designed to assist member's overview of the Council's capital programme to ensure that the capital expenditure plans are affordable, sustainable and prudent.
31. The Capital Prudential Indicators along with the Treasury Management Prudential Indicators are included throughout the report:
- PI 1: Capital Expenditure.
 - PI 2: Capital Financing Requirement (CFR).
 - PI 3: Liability Benchmark.
 - PI 4: Ratio of Financing Costs to Net Revenue Stream.
 - PI 5: External Debt.
 - PI 6a: Authorised Limit for External Debt.
 - PI 6b: Operational Boundary for External Debt.
 - PI 7: Maturity Structure of Debt.
 - PI 8: Funds Invested >364 days.
32. **Prudential Indicator 1 - Capital Expenditure.** This Prudential Indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Detailed information on the individual schemes is provided in the Capital Monitor 3 and Capital Strategy report. Members are asked to approve the capital expenditure forecasts as part of the Treasury Management Strategy Statement.

Capital Expenditure	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
General Fund (Non HRA)	63.4	114.1	69.0	50.9	35.8	28.1
Housing Revenue Account (HRA)	39.5	30.6	15.0	15.9	13.1	13.0
Sub Total	102.9	144.7	84.0	66.8	48.9	41.1

Other Long-Term Liabilities	3.3	0.5	0.5	0.5	0.5	0.5
Total	106.2	145.2	84.5	67.3	49.4	41.6

Table 1: Capital Expenditure

33. Table 1 details the capital expenditure of the Council, based on the Capital Programme report, including other long-term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.
34. There are no new PFI schemes forecast to be entered into in 2025/26. The adoption of the IFRS 16 Leases accounting standard occurred on 1st April 2024 and forms part of the 2024/25 Code, meaning existing lessee leases which were previously off-balance sheet, were brought onto and included on the balance sheet from 1st April 2024. The Prudential Indicators for capital expenditure, the Capital Financing Requirement (CFR) and external debt make an estimate within other long-term liabilities for this, as do the Authorised Limit and Operational Boundary.
35. Further details on this capital expenditure, and how it is funded, are included within the Capital Programme report elsewhere on this agenda.
- 36. Prudential indicator 2 - the Capital Financing Requirement (CFR) (Council's borrowing need).** The second Prudential Indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
37. The CFR does not increase indefinitely, because the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.
38. The CFR includes any other long-term liabilities which includes PFI schemes, and leases on balance sheet from 1st April 2024 under IFRS 16. Whilst these increase the CFR, and therefore the Council's overall borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. As set out in paragraph 63 table 5 the projected level of debt is below the CFR over the 5 year period.

39. Table 2 below, shows the CFR, including other long-term liabilities. Members are asked to approve the CFR forecasts as part of Treasury Management Strategy Statement.

Capital Financing Requirement	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
General Fund (Non HRA)	335.1	391.4	411.4	424.2	438.3	446.4
Housing Revenue Account (HRA)	136.1	137.2	138.7	141.7	141.7	141.7
Other Long-term Liabilities*	43.3	41.9	40.6	39.3	38.0	36.7
Total CFR	514.5	570.5	590.7	605.2	618.0	624.8

*Other Long-term is for PFI/PPP & Leases

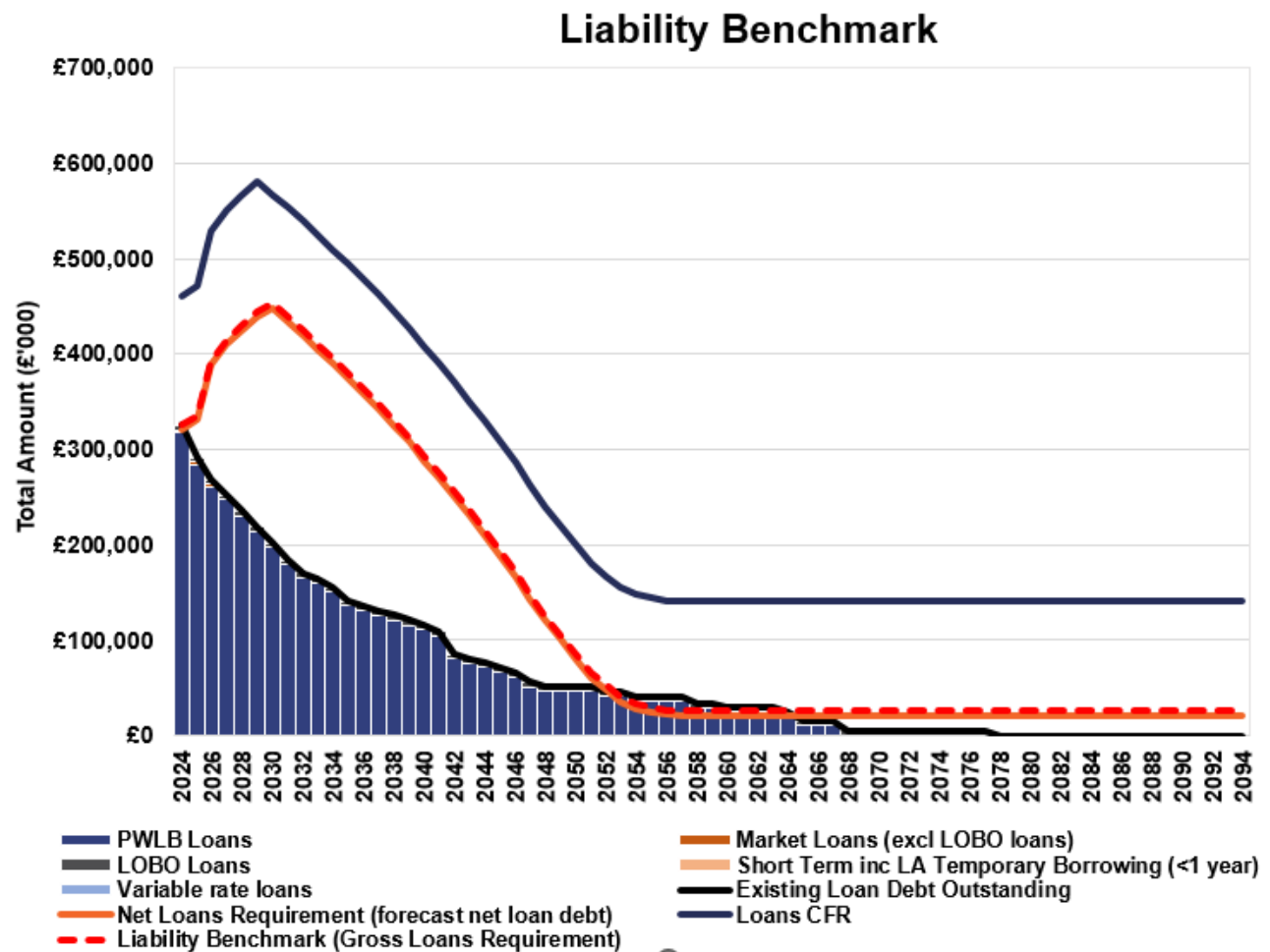
Table 2: Capital financing requirement (CFR)

40. **Prudential indicator 3 - Liability Benchmark.** The Liability Benchmark, based on current capital plans and cash flow assumptions, gives the Council an indication of how much it needs to borrow, when it is likely to need to borrow, and where to match maturities to its planned borrowing needs. The liability benchmark makes no assumption about the level of future prudential borrowing in unknown capital budgets. There are four components that make up the Liability Benchmark:

- **Existing loan debt outstanding:** the Councils existing loans that are still outstanding in future years.
- **CFR:** as per Prudential Indicator 2, this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

41. The purpose of this Prudential Indicator is to compare the authority's existing loans outstanding against its future need for loan debt; the liability benchmark (the red dotted line). If the loans outstanding are below the liability benchmark (the red dotted line), the existing debt outstanding is less than the loan debt required, and the authority will need to borrow in the future to meet the shortfall. If the loans outstanding are above the liability benchmark (the red

dotted line), the authority will have more debt than it needs based on current plans and the excess will have to be invested.



Graph 1: Liability Benchmark

42. As can be seen from the Council's liability benchmark graph, the loans outstanding, CFR, liability benchmark and net loans requirement broadly follow the same trend lines. Based on the CFR position and loans outstanding at 31st March 2024 we see the Council's current under borrowed position. In the next 5 years the CFR increases in line with prudential borrowing expectations (seen by the peak of the CFR line) to fund increases to the capital programme before gradually starting to decrease. The liability benchmark and net loans requirement also increase to indicate the additional borrowing need before gradually starting to decrease. The liability benchmark makes no assumptions past the 5-year prudential borrowing forecasts. Existing loans start to decrease as maturities occur and loans are paid back.
43. Taking into account the current under borrowed position and with no assumptions on future borrowing requirements beyond the current capital programme, the gap between the CFR and loans outstanding remain broadly similar over the term indicted on the liability benchmark graph. When taking into account the liability benchmark and net loans requirement this gives an

indication of how much future loan debt may need be taken and on what maturity term to assist with long term planning and reduce risk.

44. Actual future debt taken may not exactly follow the liability benchmark as this is only a guide at a specific point in time, and one of several considerations when drawing down long term debt, to be determined by the S.151 Officer.

Minimum Revenue Provision (MRP) Policy Statement

45. In accordance with Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 the Council is required to pay off an element of the accumulated General Fund capital expenditure each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP).
46. The Council is required to determine a level of MRP it considers to be prudent, whilst having regard to the current MRP Guidance issued in April 2024 (the 5th edition) amended with full effect from April 2025. The overriding requirement of the MRP Guidance is to set a prudent provision which ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The 5th edition update notes that in determining a prudent provision MRP should not exclude any amount of CFR, and that capital receipts cannot be used to replace MRP.
47. The Council is also allowed to undertake additional voluntary payments (Voluntary Revenue Provision - VRP) should the Council wish to do so.
48. MHCLG regulations require full Council to approve an MRP statement in advance of each year. The Policy may be revised during the year by full Council, or the appropriate body of Members where required.
49. The regulations allow the Council to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy will be kept under regular review in order to ensure that the annual provision is prudent.
50. Full Council is recommended to approve the following MRP statement for the 2025/26 financial year as part of Treasury Management Strategy statement:
1. For supported borrowing MRP will be calculated using an Asset Life annuity basis on the remaining average life of the overall asset base.

2. For all unsupported borrowing MRP will be calculated using an Asset Life annuity basis. Estimated asset life periods will be determined under delegated powers.
3. MRP in respect of PFI contracts will be calculated by the amount that writes down the balance sheet liability unless the asset life is considerably longer than the PFI contract, where MRP will be calculated on an asset life basis.
4. MRP in respect of leases where a right of use asset is on the balance sheet will equal the repayment amount in year that writes down the balance sheet liability.
5. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.
6. MRP Guidance allows any charges made in excess of the statutory MRP, i.e. Voluntary Revenue Provision (VRP) or overpayments, to be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.
 - To date, cumulative VRP overpayments are £0m.
 - In 2024/25 so far, no VRP has been made and none is expected to be made.
 - No VRP is planned for 2025/26.VRP will be kept under review, and should it be deemed prudent to make any VRP at any point this will be the decision of the S.151 Officer and reported to Executive and Audit & Governance Committee at the next available opportunity.
7. MRP will generally commence in the financial year following the one in which the expenditure was incurred. However, for long life assets, the authority will postpone the commencement of MRP until the financial year following the one in which the asset becomes operational.
8. The Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.
9. In terms of application of capital receipts, these cannot be used to replace an in year MRP charge (unless under the exceptions provided for by regulation 28(5)), however the Council reserves the right to apply a capital receipt in year, alongside the calculated MRP charge, to reduce its CFR leaving the residual CFR as the basis for the future MRP calculation.

10. In respect of any capital loans, MRP will be decided with reference to the type of capital loan, commercial or non-commercial, and the current MRP regulations and guidance in place. Where required, MRP will be provided for using an Asset Life annuity basis with reference to the asset life the expenditure will ultimately finance (as per the Capitalised Expenditure regulations), or, based on an amount equal to impairment or the expected credit loss in the year of occurrence. Where an MRP charge has been made in respect of an expected credit loss that is reversed in a future financial year, the MRP charge can be treated as an overpayment in the same way a VRP and be used to reduce future MRP charges.

11. Where the Council incurs expenditure financed by borrowing that can be capitalised under section 16(2)(b) of the 2003 Act or Regulation 25(1) of the 2003 regulations, MRP will be calculated in accordance with Option 3 of the MRP guidance.

51. The Council's MRP policy is considered to be prudent as it complies with current regulations, making use of Option 3 Asset Life Method, for supported and unsupported borrowing, and following guidance for all other capital expenditure making up the CFR.

Affordability Prudential Indicators

52. The prudential indicators mentioned so far in the report cover the overall capital programme and the control of borrowing through the Capital Financing Requirement (CFR), but within this framework Prudential Indicators are required to assess the affordability of capital investment plans. These provide an indication of the impact of the Capital Programme investment plans on the Council's overall finances.

53. Prudential Indicator 4 - Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (including debt and other long-term liabilities such as PFI and Leases) and compares it to the Council's net revenue stream.

Financing Costs	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %	2029/30 Estimate %
General Fund (Non HRA)	13.25	16.05	17.41	17.97	18.30	19.31
Housing Revenue	13.51	13.22	12.89	12.64	12.40	12.14

Account (HRA)						
Total	13.30	15.50	16.55	16.97	17.22	17.98

Table 3: Ratio of financing costs to net revenue stream.

54. The estimates of financing costs include current commitments and the proposals in the capital budget report considered elsewhere on this agenda.
55. The Capital Prudential Indicators set out above ensure that the Council's capital expenditure plans are affordable, sustainable and prudent. The Treasury Management function ensures that cash is available to meet the Council's requirements in accordance with the Local Government Act 2003 and relevant professional codes.
56. The Treasury Management function involves both the forecasting of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the Prudential and Treasury Indicators, the current and projected debt positions, and the Annual Investment Strategy.

Current Treasury Portfolio Position

57. The Council's treasury investment and debt portfolio position at 31st December 2024 is detailed below in table 4:

	31 st December 2024		
Institution Type	No. of Loans	Principal	Average Rate
<u>Public Works Loan Board</u> PWLB – Money borrowed from the Debt Management Office (HM Treasury)	57	£322.70m	3.43%
<u>Market Loans</u> LOBO Loans – Lender Option Borrower Option	1	£5.00m	3.88%
<u>West Yorkshire Combined Authority</u> WYCA – Zero interest loans the purpose of which are to help to fund York Central infrastructure projects.	4	£2.35m	0.00%
Total Borrowing (GF & HRA)	62	£330.05m	3.41%
Total Investments		£10.91m	5.00%
Net Treasury Position		£319.14m	

Table 4: Treasury position at 31st December 2024

58. Of the Council's £330.05m of fixed interest rate debt, £149.26m was HRA and £180.79m was General Fund. The cash balance available for investment was £10.91m. Over the long term as the Capital Programme progresses the level of cash available for investment is gradually decreasing as expected as the Council is internally borrowing using cash balances to fund the programme, maintaining an under-borrowed position.
59. The level of cash balances available is largely dependent on the timing of the Council's cash flow as a result of precept payments, receipt of grants, receipt of developers contributions, borrowing for capital purposes, payments to its suppliers of goods and services and spend progress on the Capital Programme. Cash balances are therefore only available on a temporary basis depending on cash flow movement.
60. At 31st December 2024 £10.00m of new borrowing has been taken in 2024/25 to replace cash balances and support the capital programme. This borrowing was required due to continued capital expenditure, the increasing CFR, and the decrease in cash balances as a result of internal borrowing.
61. The Council is currently maintaining an under-borrowed position in relation to the Capital Financing Requirement and the policy of using cash balances to delay long-term borrowing will be kept under review during the remainder of 2024/25 and into 2025/26 as borrowing rates have remained elevated across the curve in 2024/25.
62. The Council's forward projections for borrowing are summarised below. The table shows the actual external gross debt (including other long-term liabilities) against the CFR, highlighting any over or under borrowing.
63. **Prudential indicator 5 – External debt.** Table 5 shows that the estimated gross debt position of the Council does not exceed the underlying capital borrowing need. The Chief Finance Officer (S.151 Officer) confirms that the Council complies with this prudential indicator and does not envisage difficulties for the future.

	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Gross Projected Debt*	399.3	463.1	490.9	516.6	541.3	577.6
Total CFR	514.5	570.5	590.7	605.2	618.0	624.8
Under/(over) borrowed	Under	Under	Under	Under	Under	Under

*Gross projected debt includes Other Long-term Liabilities such as PFI/PPP & Leases

Table 5: External Debt

64. Table 5 shows a gap between actual and estimated borrowing and the CFR (driven by the use of internal funds to finance capital expenditure). The decision as to whether to continue to do this will take into account current assumptions on borrowing rates and levels of internal reserves and balances held by the Council. The figures above show a decrease in the gap between CFR and external debt as borrowing is taken to support capital expenditure, however this will be determined by the Section 151 officer and the figure above is a current broad assumption. Actual borrowing will be determined by the circumstances that prevail at the time, spend progress on the capital programme, borrowing rates and levels of cash balances.
65. Within the Prudential Indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. One of these is that the Council needs to ensure that its total gross debt does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the preceding year plus the estimates of any additional CFR for 2025/26 and the following two financial years. This allows the flexibility to borrow in advance of need but ensures that borrowing is not undertaken for revenue purposes.
66. The Section 151 officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

Treasury Prudential Indicators: Limits to Borrowing Activity

67. **Prudential Indicator 6A – Authorised Borrowing Limit** - It is a statutory duty under Section 3 (1) of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. This amount is termed the “Authorised Borrowing Limit” and is a key Prudential Indicator representing a control on the maximum level of debt. This is a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt, which, while not desired, could be afforded in a short-term period of 12 months, but is not sustainable in the longer-term.
68. Members are asked to approve the following Authorised Limit for 2025/26 as part of Treasury Management Strategy statement.

Authorised Limit	2024/25 £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Gross Projected Debt	470.3 (TMSS 2024/25)	463.1	490.9	516.6	541.3	577.6
Total CFR	592.3 (TMSS 2024/25)	570.5	590.7	605.2	618.0	624.8
Operational Boundary	602.3 (£602.3m set at TMSS 2024/25)	580.5 (Based on current CFR projection)	600.7 (Based on current CFR projection)	615.2 (Based on current CFR projection)	628.0 (Based on current CFR projection)	634.8 (Based on current CFR projection)
Other Long-term liabilities	30.0	30.0	30.0	30.0	30.0	30.0
Total	632.3 (£632.3m set at TMSS 2024/25)	610.5 (Based on current CFR projection)	630.7 (Based on current CFR projection)	645.2 (Based on current CFR projection)	658.0 (Based on current CFR projection)	664.8 (Based on current CFR projection)

Table 6: Authorised Borrowing Limit

69. Prudential Indicator 6B – Operational Boundary. In addition to the “Authorised Borrowing Limit”, the Operational Boundary is the maximum level of debt allowed for on an ongoing operational purpose and a limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary	2024/25 £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Gross Projected Debt	470.3 (TMSS 2024/25)	463.1	490.9	516.6	541.3	577.6
Total CFR	592.3	570.5	590.7	605.2	618.0	624.8

	(TMSS 2024/25)					
Short term liquidity	10.0	10.0	10.0	10.0	10.0	10.0
Total	602.3	580.5	600.7	615.2	628.0	634.8
	(£602.3m set at 2023/24 Strategy)	(Based on current CFR projection)	(Based on current CFR projection)	(Based on current CFR projection)	(Based on current CFR projection)	(Based on current CFR projection)

Table 7: Operational Boundary

Prospects for Interest Rates

70. Current interest rates and the future direction of both long term and short term interest rates have a major influence on the overall treasury management strategy and affects both investment and borrowing decisions. To facilitate Treasury Management officers in making informed investment and borrowing decisions, the Council has appointed Link Group as its treasury adviser. Part of their service is to assist the Council in formulating a view on interest rates. Table 8 below gives Link's central view. These are forecasts for bank rate and PWLB certainty rates, gilt yields plus 80 bps. (See also Annex A):

	Bank rate %	PWLB borrowing rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Dec 2024	4.75	5.00	5.30	5.60	5.40
Mar 2025	4.50	4.90	5.10	5.50	5.30
Jun 2025	4.25	4.80	5.00	5.40	5.20
Sep 2025	4.00	4.60	4.80	5.30	5.10
Dec 2025	4.00	4.50	4.80	5.20	5.00
Mar 2026	3.75	4.50	4.70	5.10	4.90
Jun 2026	3.75	4.40	4.50	5.00	4.80
Sep 2026	3.75	4.30	4.50	4.90	4.70
Dec 2026	3.50	4.20	4.40	4.80	4.60
Mar 2027	3.50	4.10	4.30	4.70	4.50
Jun 2027	3.50	4.00	4.20	4.60	4.40
Sep 2027	3.50	4.00	4.20	4.50	4.30
Dec 2027	3.50	3.90	4.10	4.50	4.30

Table 8 – Link's interest rate forecast at 11th November 2024

71. Link Groups Bank Rate forecast is now 50bps – 75bps higher than previous, and PWLB forecasts have been increased to reflect increased concerns around the future path of inflation and the increased level of UK Government

borrowing over the term of the current Parliament. Link Group's current view is that further rate cuts will be data dependant and any movement below 4% Bank Base Rate will be dependent on inflation data in the second half of 2025.

72. Markets are predicting fewer base rate cuts in the year ahead and Market expectations are that there will be more gradual cuts to the base rate in the next couple of years. On 19th December 2024 the Bank of England's Monetary Policy Committee (MPC) voted 6-3 to maintain base rate at 4.75%, following the previous meetings base rate cut of 0.25% from 5.00% to 4.75% on 7th November 2024 (where the MPC voted 8–1 in favour of the cut). The MPC's message in its 19th December 2024 report minutes was that it would closely monitor the risks of inflation persistence and continue its gradual approach to cutting base rate, deciding the appropriate *'degree of policy restrictiveness at each meeting'*, with monetary policy needing *'to continue to remain restrictive for sufficiently long until the risks to inflation returning sustainably to the 2% target in the medium term have dissipated further.'*

Investment Rates

73. Investment returns have started to decrease during 2024/25 as the Bank of England have started to gradually reduce Bank Base Rate. With interest rates expected to continue to decrease it is likely that longer dated fixed term investments prior to rate cuts where available would help to keep investment earnings higher in 2025/26. However, pursuing a policy of placing longer term fixed investments, is dependent on the level of cash held for investment purposes, cash backed reserves and cash flow requirements (see paragraphs 57 - 61). While a degree of liquidity is required to cover cash flow needs, opportunities to place fixed term investments will be monitored.
74. It is anticipated that the Council will continue to hold liquid or short-term investments in 2025/26 foregoing any higher interest rates that may be obtained from longer term investments. The reason for this is that the Council is currently maintaining an under-borrowed position in relation to the Capital Financing Requirement and the policy of using cash balances to delay long-term borrowing to fund the capital programme has served well over the last few years. Where this policy continues, should cash balances allow, cash kept in more liquid short-term investments will mean overall average returns are not as high as market averages.

Borrowing Rates

75. Link Group's long-term (beyond 10 years) forecast for Bank Rate has increased to 3.50% (from 3.00% in 2023/24). Currently all PWLB certainty

rates are significantly above this level. Better value can be obtained with shorter dated borrowing. Where borrowing is required and should greater value be obtained in borrowing for shorter maturity periods, the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Temporary borrowing rates, including inter authority borrowing, are likely to remain elevated in the near term. Longer-term borrowing could be undertaken for the purpose of certainty, where that is desirable, or for flattening the profile of a heavily unbalanced maturity profile.

76. Where the Council will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

Borrowing Strategy

77. The borrowing strategy takes into account the borrowing requirement, the current economic and market environments and is also influenced by the interest rate forecasts. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This can be seen on the Liability Benchmark graph as shown by the gap between the loans outstanding and CFR (see paragraphs 40-44 and graph 1 Liability Benchmark). The CFR and external debt forecasts are also shown at Prudential Indicators 2 and 5.
78. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by restrictive near-term monetary policy. Bank Rate is expected to remain elevated in 2025 even if some rate cuts arise.
79. Against this background and the risks within the economic forecast, caution will be adopted with the treasury operations. The S.151 officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- If it was felt that there was a significant risk of a sharp fall in long- and short-term borrowing rates, then long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered in the interim period.
 - If it was felt that there was a significant risk of a much sharper rise in long-term and short-term rates than that currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate

funding will be drawn down whilst interest rates are lower than they are projected to be in the next few years.

80. The HRA strategy for borrowing will be the same as the borrowing strategy described above for the whole Council. The HRA Business Plan will guide and influence the overall HRA borrowing strategy.
81. All decisions will be reported to the appropriate decision-making body (Executive and Audit & Governance Committee) at the next available opportunity.

Prudential Indicator 6 – Maturity of Borrowing

82. Officers will monitor the balance between variable and fixed interest rates for borrowing and investments to ensure the Council is not exposed to adverse fluctuations in fixed or variable interest rate movements. This is likely to reflect higher fixed interest rate borrowing if the borrowing need is high or fixed interest rates are likely to increase, or a higher variable rate exposure if fixed interest rates are expected to fall. Conversely if shorter term interest rates are likely to fall, investments may be fixed earlier, or kept shorter if short term investment rates are expected to rise.
83. The balance between variable rate debt and variable rate investments will be monitored as part of the overall treasury function in the context of the overall financial instruments structure and any under or over borrowing positions. The Council does not currently have any variable rate debt.
84. The upper and lower limits for the maturity structure of fixed rate borrowing are set out below (with actual split for the current financial year included for comparison). This gross limit is set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing in a confined number of years.

Maturity structure of borrowing				
	Lower Limit	Upper Limit	2024/25 Debt	2024/25 Debt
Under 12 months	0%	30%	17%	£57.4m
12 months to 2 years	0%	30%	4%	£12.5m
2 years to 5 years	0%	40%	14%	£46.7m
5 years to 10 years	0%	40%	24%	£77.7m
10 years and above	30%	90%	41%	£135.8m
Total Borrowing			100%	£330.1m

Table 9: Maturity structure of borrowing at 31st December 2024

Policy on Borrowing in Advance of Need

85. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
86. Borrowing in advance will be made within the constraints of the CIPFA Prudential Code that:
- It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three-year planning period; and
 - The authority would not look to borrow more than 36 months in advance of need.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

87. Debt rescheduling opportunities will be monitored and rescheduling of current borrowing in the Council's debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate. In a high interest rate environment premature repayment of debt is likely to incur a lower premium or discount whereas when in a low interest rate environment, the cost of prematurely repaying debt would likely come with a higher premium cost to exit any loans.
88. If rescheduling was undertaken, it will be reported to the Executive and Audit & Governance Committee at the earliest meeting following its action.

PWLB and Other Borrowing Sources

89. In March 2020, the Government started a consultation process for reviewing PWLB borrowing terms for different types of local authority capital expenditure. Revised guidance was published in November 2020 and updated in May 2022 and June 2023. Capital spending committed to from 26th November 2020 has to comply with the revised borrowing terms which provides permissible categories of capital spending in line with the prudential system and denies access to borrowing from the PWLB for any local authority which has the purchase of investment assets for yield in its three-year capital programme.

90. Currently the PWLB Certainty Rate is set at gilts + 80 basis points for non-HRA borrowing and Councils are required to provide annual information on their capital plans and borrowing projections. From 15th June 2023 a new rate of gilts + 40 basis points was introduced for HRA borrowing. The Autumn Budget 2024 confirmed that the availability of this rate has now been extended to March 2026.
91. Consideration may still need to be given to sourcing funding from other sources such as Local Authorities (e.g. for shorter dated maturities), Banks and other Financial Institutions (e.g. for forward dates where the objective is to avoid a “cost of carry”). Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Municipal Bond Agency

92. The establishment of the UK Municipal Bonds Agency was led by the Local Government Association (LGA) following the 2010 Autumn Statement which resulted in higher PWLB rates, greatly increasing the cost of new borrowing and refinancing. The purpose of the Agency is to deliver cheaper capital finance to local authorities. It will do so via periodic bond issues and by facilitating greater inter-authority lending. The Agency is wholly owned by 56 local authorities and the LGA. The Council will make use of this source of borrowing if appropriate.

Annual Investment Strategy

Investment Policy – Management of Risk

93. The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).
94. The Council’s investment policy has regard to the following:
- MHCLG Guidance on Local Government Investments (“the Guidance”).
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”).
 - CIPFA Treasury Management Guidance Notes 2021.

95. The Council's investment priorities will be security first, portfolio liquidity second and then yield (return). The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Authority's risk appetite. Environmental, Social & Governance (ESG) criteria will be considered as a fourth criteria.
96. The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:
- i. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - ii. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
 - iii. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
 - iv. This Council has defined the list of **types of investment instruments** that the Treasury Management team are authorised to use. There are two lists in Annex B under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
 - v. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix tables in Annex B.

- vi. **Transaction limits** are set for each type of investment (see Annex B).
- vii. This Council will set a limit for its investments which are invested for longer than 365 days (see Prudential Indicator 8),
- viii. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see Annex C).
- ix. This authority has engaged **external consultants**, (see paragraphs 28 to 29), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- x. All investments will be denominated in **sterling**.
- xi. As a result of the change in accounting standards for 2023/24 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, (MHCLG), concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31st March 2023. More recently, a further extension to the override to 31st March 2025 was agreed by Government.).

97. However, this Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 110). Regular monitoring of investment performance will be carried out during the year, and this will be reported in the appropriate mid-year, outturn and quarterly reports.

98. In line with the Council's current treasury policy of delaying long-term borrowing and using cash balances to cover capital programme spending, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs, which may result in lower investment returns due to lower rates being offered for short term investments.

Creditworthiness Policy

99. This Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach with credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

100. This modelling approach combines credit ratings, credit watches, and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS (Credit Default Swap) spreads for which the end product is a series of colour code bands, which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years*
- Dark pink 5 years (for Ultra-Short Dated Bond Funds with a credit score of 1.25)
- Light pink 5 years (for Ultra-Short Dated Bond Funds with a credit score of 1.5)
- Purple 2 years
- Blue 1 year (only applies to nationalised or part nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour Not to be used

**The yellow category is for UK Government debt or its equivalent (government backed securities), and money market funds.*

101. The Link creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue weighting to just one agency's ratings.

102. Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and Long Term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

103. All credit ratings are monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link Group creditworthiness service:

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a daily basis by Link. Extreme

market movements may result in the downgrade of an institution or removal from the Councils lending list.

104. Although sole reliance is not placed on the use of this external service, as the Council uses market data and market information, as well as information on external and government support for banks (and the credit ratings of that supporting government), the suitability of each counterparty is based heavily on advice from Link.
105. Whilst the Council has determined that it will not limit investments to UK banks, due care will be taken to consider the country, group and sector exposure of the Council's investments. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign rating of AA- (excluding the UK) from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex C. This list will be added to or deducted from by officers should ratings change during the year in accordance with this policy.

Investment Strategy

106. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
107. If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments short term or variable. Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates where available and obtainable, for longer periods. Any investment decisions will take account of the cash flow requirements in accordance with the creditworthiness policy.
108. For its cash flow generated balances, the Council will seek to use a combination of business reserve instant access and notice accounts (call accounts), short dated fixed term deposits and Money Market Funds. In addition, the Council will look for investment opportunities in longer dated fixed term deals with specific counterparties that offer enhanced rates for Local Authority investment. All investments will be undertaken in accordance with the creditworthiness policy set out above.

109. **Prudential Indicator 8 - Total Principal Investment Funds Invested for Greater than 364 Days.** These limits are set with regard to the Council's liquidity requirements and are based on the availability of funds after each year-end. A maximum principal sum to be invested for greater than 364 days is £15m. Members are asked to approve the following Treasury Prudential Indicator and limit as part of Treasury Management Strategy statement:

	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Maximum limit per year for Investments > 364 days	15.0	15.0	15.0	15.0	15.0	15.0
Current investments as at 31/12/24 invested > 364 days maturing in each year	0.00	0.00	0.00	0.00	0.00	0.00

Table 10: Investments over 364 days

110. The Council will use an investment benchmark to assess the performance of its investment portfolio, this will be the average SONIA (Sterling Overnight Index Average) rate. The benchmark is a simple guide with the purpose to allow officers to monitor the current and trend position and amend the operational strategy of investments, cash flow permitting, while maintaining compliance with the investment priorities set out in paragraphs 94 - 97.
111. At the end of the financial year, the Council will report on its investment activity as part of its annual treasury outturn report. Investments will also be reported in the quarterly and mid-year reports. It should be noted that the Investment Policy, Creditworthiness Policy and Investment Strategy are applicable to the Council's overall surplus funds and are also applicable to the HRA.

Consultation Analysis

112. At a strategic level, there are a number of Treasury Management options available that depend on the Council's stance on interest rate movements. The Treasury Management function of any business is a highly technical area, where decisions are often taken at very short notice in reaction to the

financial markets. Therefore, to enable effective treasury management, all operational decisions are delegated by the Council to the Chief Finance Officer (see Appendix D), who operates within the framework set out in this strategy and through the Treasury Management Policies and Practices. In order to inform sound treasury management operations, the Council works with its treasury management advisers, the Link Group. Link offers the Council a comprehensive information and advisory service that facilitates the Council in maximising its investment returns and minimise the costs of its debts.

Options Analysis and Evidential Basis

113. Treasury Management Strategy and activity is influenced by the capital investment and revenue spending decisions made by the Council. Both the revenue and capital budgets have been through a corporate process of consultation and consideration by the elected politicians.
114. The Treasury Management Strategy Statement and Prudential Indicators are aimed at ensuring the Council maximises its return on investments and minimises the cost of its debts whilst operating in a financial environment that safeguards the Council's funds. This will allow more resources to be freed up to invest in the Council's priorities as set out in the Council Plan.

Organisational Impact and Implications

115. The Treasury Management function aims to achieve the optimum return on investments commensurate with the proper levels of security, and to minimise the interest payable by the Council on its debt structure. It thereby contributes to all Council Plan priorities.
- **Financial** - The financial implications of the Treasury Management Strategy are contained in the body of the report and set out in the Financial Strategy and Capital Strategy reports also on this agenda.
 - **Human Resources (HR)** - n/a
 - **Legal** – Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414),

which clarifies the requirements of the Minimum Revenue Provision guidance.

- ***Procurement*** - n/a
- ***Health and Wellbeing*** - n/a
- ***Environment and Climate action*** - n/a
- ***Affordability*** - The financial implications of the Treasury Management Strategy are contained in the body of the report and set out in the Financial Strategy and Capital Strategy reports also on this agenda.
- ***Equalities and Human Rights*** - n/a
- ***Data Protection and Privacy*** - n/a
- ***Communications*** - n/a
- ***Economy*** - n/a.
- ***Specialist Implications Officers*** - n/a

Risks and Mitigations

116. The Treasury Management function is a high-risk area because of the volume and level of large money transactions. As a result, there are procedures set out for day-to-day Treasury Management operations that aim to reduce the risk associated with high volume high value transactions as set out as part within the Treasury Management Strategy Statement at the start of each financial year. As a result of this the Local Government Act 2003 (as amended), supporting regulations, the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice (the code) are all adhered to as required.

Wards Impacted

All

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Background papers

- None

Annexes

- Annex A – Interest Rate Forecast.
- Annex B – Specified and Non-Specified Investment Categories Schedule.
- Annex C – Approved Countries for Investments.
- Annex D – Scheme of Delegation and the role of the Section 151 Officer.

Glossary of Abbreviations used in the report

CIPFA	Chartered Institute of Public Finance & Accountancy
CFR	Capital Financing Requirement
CPI	Consumer Prices Index
CYC	City of York Council
GDP	Gross Domestic Product
GF	General Fund

HRA	Housing Revenue Account
MHCLG	Ministry of Housing, Communities and Local Government
MPC	Monetary Policy Committee
MRP	Minimum Revenue Provision
PWLB	Public Works Loan Board
SONIA	Sterling Overnight Index Average
TMSS	Treasury Management Strategy Statement

Interest Rate Forecasts 2025 – 2027.

Appendix A

PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 basis points) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

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Specified and Non-Specified Investments Categories

Annex B

A variety of investment instruments will be used, subject to the credit quality of the institution, to place the council's surplus funds. The criteria, time limits and monetary limits applying to institutions or investment vehicles are listed in the tables below.

Investments are split into two categories of specified investments and non-specified Investments. Specified investments are relatively high security and high liquidity investments, which must be sterling denominated and with a maturity of no more than a year. Non-specified investments are those investments with a maturity period of greater than one year or are still regarded as prudent but may require more detailed scrutiny and assessment procedures.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this council. To ensure that the council is protected from any adverse revenue impact, which may arise from these differences, treasury officers will review the accounting implications of new transactions before they are undertaken.

Specified Investments:

Counterparty type	Minimum 'high' credit criteria/colour band	Maximum investment limit per counterparty institution	Maximum maturity period
<i>DMADF – UK Government</i>	<i>UK sovereign rating Yellow</i>	<i>£15m</i>	<i>6 months*</i>
<i>UK Government Treasury Bills</i>	<i>UK sovereign rating Yellow</i>	<i>£15m</i>	<i>364 days*</i>
<i>UK Government Gilts</i>	<i>UK sovereign rating Yellow</i>	<i>£15m</i>	<i>1 year</i>
<i>Term deposits - local authorities</i>	<i>UK sovereign rating Yellow</i>	<i>£15m</i>	<i>1 year</i>
<i>Part-nationalised UK Banks</i>	<i>Blue</i>	<i>£15m</i>	<i>1 year</i>
<i>Term Deposits - UK Banks and Building Societies</i>	<i>Orange Red Green</i>	<i>£15m £15m £8m</i>	<i>1 year 6 months 100 days</i>
<i>Term Deposits - Non-UK Banks</i>	<i>Sovereign rating of AA- Orange Red Green</i>	<i>£15m £15m £8m</i>	<i>1 year 6 months 100 days</i>

<i>Certificates of Deposits issued by Banks and Building Societies</i>	<i>Blue Orange Red Green</i>	<i>£15m £15m £15m £8m</i>	<i>1 year 1 year 6 months 100 days</i>
<i>Collective investment schemes structured as open ended investment companies (OEICs) as below:-</i>			
<i>1. Money Market Funds (CNAV**)</i>	<i>AAA</i>	<i>£15m</i>	<i>Liquid</i>
<i>2. Money Market Funds (LVNAV**)</i>	<i>AAA</i>	<i>£15m</i>	<i>Liquid</i>
<i>3. Money Market Funds (VNAV**)</i>	<i>AAA</i>	<i>£15m</i>	<i>Liquid</i>
<i>4. Ultra-Short Dated Bond Funds</i>	<i>AAA</i>	<i>£15m</i>	<i>Liquid</i>
<i>5. Bond Funds</i>	<i>AAA</i>	<i>£15m</i>	<i>Liquid</i>
<i>6. Gilt Funds</i>	<i>UK sovereign rating</i>	<i>£15m</i>	<i>Liquid</i>

* Maximum set by the UK Debt Management Office of HM Treasury

**CNAV – constant net asset value

**LVNAV – low volatility net asset value

**VNAV – variable net asset value

Non-Specified Investments:

A maximum of 100% can be held in aggregate in non-specified investments.

1. Maturities of ANY period.

Counterparty type	Minimum credit criteria	Maximum investment limit per counterparty institution	Maximum Maturity Period
<i>Fixed term deposits with variable rate and variable maturities: - Structured deposits</i>	<i>UK sovereign rating or Sovereign rating of AA- Yellow Purple Blue Orange Red Green</i>	<i>£15m £15m £15m £15m £15m £15m £8m</i>	<i>5 year 2 year 1 year 1 year 6 months 100 days</i>
<i>Certificates of Deposits issued by Banks and Building Societies</i>	<i>UK sovereign rating or Sovereign rating of AA- Yellow Purple Blue Orange Red Green</i>	<i>£15m £15m £15m £15m £15m £15m £8m</i>	<i>5 year 2 year 1 year 1 year 6 months 100 days</i>

<i>Floating Rate Notes</i>	<i>Long-term AAA</i>	<i>£15m</i>	<i>1 year</i>
<i>Collective investment schemes structured as open ended investment companies (OEICs) as below:-</i>			
<i>Property Funds: the use of these investments may constitute capital expenditure</i>	<i>AAA-rated</i>	<i>£15m</i>	<i>5 years</i>

2. Maturities in excess of 1 year.

<i>Term Deposits– local authorities</i>	<i>UK Sovereign Rating</i>	<i>£15m</i>	<i>> 1 year & < 5 years</i>
<i>Term deposits – Banks and Building Societies</i>	<i>UK sovereign rating or Sovereign rating of AA- Yellow Purple Blue Orange Red Green</i>	<i>£15m £15m £15m £15m £15m £15m £8m</i>	<i>5 year 2 year 1 year 1 year 6 months 100 days</i>
<i>Certificates of Deposits issued by Banks and Building Societies</i>	<i>UK sovereign rating or Sovereign rating of AA- Yellow Purple Blue Orange Red Green</i>	<i>£15m £15m £15m £15m £15m £15m £8m</i>	<i>5 year 2 year 1 year 1 year 6 months 100 days</i>
<i>UK Government Gilts</i>	<i>UK sovereign rating</i>	<i>£15m</i>	<i>> 1 year & < 5 years</i>
<i>Collective investment schemes structured as open ended investment companies (OEICs) as below:-</i>			
<i>1. Bond Funds</i>	<i>Long-term AAA</i>	<i>£15m</i>	<i>> 1 year & < 5 years</i>
<i>2. Gilt funds</i>	<i>UK sovereign rating</i>	<i>£15m</i>	<i>> 1 year & < 5 years</i>

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Approved countries for investments**Annex C**

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

This list is as at 25/11/24

Based on lowest available rating**AAA**

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA**AA-**

- Belgium
- France
- U.K

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Treasury Management Scheme of Delegation.**Annex D****(i) Executive / Full Council**

- Receiving and reviewing reports on Treasury Management policies, practices and activities.
- Approval of annual strategy and annual outturn.

(ii) Executive

- Approval of/amendments to the organisation's adopted clauses, Treasury Management policy statement and Treasury Management practices.
- Budget consideration and approval.
- Approval of the division of responsibilities.

(iii) Audit & Governance Committee

- Receiving and reviewing reports on Treasury Management policies, practices and activities.
- Reviewing the annual strategy, annual outturn and mid-year review.

(iv) Chief Finance Officer (Section 151 Officer)

- All operational decisions are delegated by the Council to the Chief Finance Officer, who operates within the framework set out in this strategy and through the Treasury Management policies and practices.
- Reviewing the Treasury Management policy and procedures and making recommendations to the responsible body.
- Approving the selection of external service providers and agreeing terms of contract in accordance with the delegations in financial regulations.

The Treasury Management role of the Section 151 Officer.

- All operational decisions delegated by the Council to the Chief Finance Officer (Section 151 Officer), who operates within the framework set out in this strategy and through the Treasury Management policies and practices.
- Recommending clauses, Treasury Management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular Treasury Management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the Treasury Management function.
- Ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function.
- Ensuring the adequacy of internal audit and liaising with external audit.

- Recommending the appointment of external service providers.
- Preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and Treasury Management, with a long term timeframe.
- Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
- Ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- Ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources.
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities.
- Provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- Ensuring that members are adequately informed and understand the risk exposures taken on by an authority.
- Ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- Creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
 - *Risk management, including investment and risk management criteria for any material non-treasury investment portfolios;*
 - *Performance measurement and management, including methodology and criteria for assessing the performance and success of non-treasury investments;*
 - *Decision making, governance and organisation, including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*
 - *Reporting and management information, including where and how often monitoring reports are taken;*
 - *Training and qualifications, including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*



Meeting:	Audit & Governance Committee
Meeting date:	29/01/2025
Report of:	Debbie Mitchell, Director of Finance (S151 Officer)
Portfolio of:	Councillor Katie Lomas Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Audit and Governance Committee Report: Statement of Accounts 2023/24

Subject of Report

1. The purpose of this report is to present for information the amended draft 2023/24 Statement of Accounts following near completion of the audit.

Policy Basis

2. The production of the Council's statement of accounts results from all of the council's business processes and helps support the administration's key commitments and priorities as outlined in the Council Plan 2023-2027.

Recommendation and Reasons

3. Members are asked to;
 - (a) Note the matters set out in the Audit Completion Report presented by the external auditor in the previous agenda item and summarised in this report.

Reason

To ensure the proper consideration of the opinion and conclusions of the external auditor in respect of the annual

audit of accounts and review of the council's arrangements for ensuring value for money.

- (b) Delegate authority to the Chair in consultation with the Vice Chair to approve and sign the final Statement of Accounts by resolution of this Committee in accordance with the Accounts and Audit regulations 2015 - subject to the only amendments being related to the matters outlined in the Audit Completion report.

Reason

To ensure compliance with the International Auditing Standards and other relevant legislative requirements.

- 4. Audit & Governance Committee note the draft pre-audit statement of accounts, for the financial year ended 31 March 2024.

Reason: To ensure that, in line with best practice, Members have had the opportunity to review the draft pre-audit Statement of Accounts.

Background

- 5. The International Standard on Auditing (ISA) 260 requires the Council's External Auditor to report to those charged with governance any issues arising from the audit of the financial statements. It is also a statutory requirement that the Council approves the final statement of accounts after the audit and by a government set date each year.
- 6. On 30th July 2024 the government made a statement on how they intend to address the national issue of significant local audit backlogs. A link to this statement can be found at the end of this report, but in summary it introduced a series of backstop dates by which Audit firms must complete their audit work by, to enable a final version of the Accounts to be signed by the Chief Finance officer (CFO) and Chair of the Audit & Governance Committee.

7. Bodies that have failed to comply with a backstop date will be required to publish an explanation, to send a copy of this to the Secretary of State (to facilitate scrutiny) and publish audited accounts as soon as practicable. The Government also intends to publish a list of bodies and auditors that do not meet the proposed backstop dates, which will make clear where 'draft' (unaudited) accounts have also not been published. The government may explore further mechanisms to take appropriate action, should reasons given be inadequate.
8. The Council is in a positive position in that our Accounts for 2022/23 were signed off before the backstop date of 13th December 2024.
9. For 2023/24 this backstop date is 28th February 2025. At the time of writing, Mazars still have some minor work to complete, as outlined in their report also on this Agenda. It is not anticipated that there will be any further changes required as a result of this work, and members are asked to delegate authority to the Chair to sign the Accounts outside of this meeting before 28th February 2025, on the condition any necessary amendments made are in relation to the areas listed in Mazar's report.
10. The accounts attached at Annex A have been revised since the unaudited version was reported to the Audit & Governance Committee meeting in July 2024. A number of amendments have been made to the financial statements and supporting notes, mostly to try and improve the information contained within the accounts. The main changes related to the valuations of Council assets, held on the balance sheet. Notably for car parks where an exercise we undertook to review assets that had not been revalued during 2023/24, highlighted that there was likely to have been a significant movement in this group of assets. We raised this with Audit and agreed that the valuations for car parks would be updated on the balance sheet and related notes. All the changes made have been highlighted in the accounts attached at Annex A.
11. It should also be noted that these changes have no impact on the outturn position of the council as all the changes made are technical accounting and presentational adjustments.

12. The details of changes made are included in appendix A of the Audit Completion Report also on this agenda, which highlights the auditor's view on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in our use of resources. This is split into two parts, the Statement of Accounts, and Value for money assessment.
13. The annual production of the accounts is the subject of a continuous review and as usual, areas for improvement will be identified as a result of any issues identified this year.

Conclusion

14. The content of the report of the external auditor has been discussed with the relevant responsible officers. It is reported here for due consultation with those members charged with governance at the council.

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Report approved:	Yes
Date:	20/01/2025

Annexes

A – Draft Statement of Accounts 2023/24

Abbreviations used in this report:

IFRS – International Financial Reporting Standards

CIPFA – Chartered Institute of Public Finance and Accountancy

IAS - International Accounting Standard

AGS – Annual Governance Statement

Web links referenced in this report:

<https://questions-statements.parliament.uk/written-statements/detail/2024-07-30/hcws46>

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Statement of Accounts

2023/24

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STATEMENT OF ACCOUNTS

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NARRATIVE REPORT

1. INTRODUCTION

These accounts set out the financial results of the City of York Council activities for the year ending 31st March 2024. They are prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) which requires that the accounts show a true and fair view of the financial position of the Council. Suitable accounting policies have been adopted and applied consistently. Where necessary judgements and estimates have been made which comply with the Code.

This narrative report explains the main information included in the accounts, gives an overview of the Council as at 31st March 2024 and provides further information about the most significant matters reported in the accounts, along with an analysis of the pressures and risks that may impact on future financial performance.

The structure of the accounts is as follows:

Statement of Responsibilities

This discloses the respective responsibilities of the Council and the Chief Finance Officer in relation to the proper administration of the Council's financial affairs.

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves and other unusable reserves.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Council during the reporting period.

Notes and Accounting Policies

The notes to the financial statements are important in the overall presentation of the accounts. They aim to assist understanding and have 3 key roles;

- Presenting information about the basis of preparation of the statements and the accounting policies used
- Disclosing information required by the Code that is not presented elsewhere

- Disclosing information that is not presented elsewhere but is relevant to understanding the statements

Expenditure and Funding Analysis (EFA)

The objective of the EFA is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

Movement on the Housing Revenue Account Statement

This statement shows how the surplus or deficit on the Housing Revenue Account Income and Expenditure Account for the year reconciles to the movement on the Statutory Housing Revenue Accounts balance for the year.

Collection Fund

This 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 Council in relation to the collection from taxpayers and distribution to the Council, the Police and Crime Commissioner for North Yorkshire, North Yorkshire Fire and Rescue Authority, parish councils and central government of council tax and national non-domestic rates.

Annual Governance Statement (AGS)

This statement gives assurance that the Authority has conducted a review of the effectiveness of its systems of internal control and that the appropriate mechanisms are in place for the maintenance of good governance across the activities of the Authority.

Glossary

This is included to explain the technical terms used in the financial statements.

2. ABOUT THE COUNCIL

The policies of the Council are directed by the political leadership and implemented by the Corporate Management Team and officers of the Council. There are 47 Councillors who are elected every four years by local residents on a ward by ward basis. The May 2023 elections resulted in a new administration with the Labour party now forming the Executive to lead the council from 2023/24.

The Council Plan 2023 – 2027 'One City for All' sets out our vision that over the next 4 years, we will establish the conditions that would make the city of York a healthier, fairer, more affordable, more sustainable and more accessible place, where everyone feels valued, creating more regional opportunities to help today's residents and benefit future generations. We've focused our plan on our core commitments which are the 4 outcomes we believe will achieve our vision of a healthier, fairer, more affordable, more sustainable, and more accessible city where everyone feels valued. They inform the decisions we make, and describe how we then work with partners, residents and communities to deliver our priorities for residents, communities and businesses; they're the tests we'll use to ensure we move ever closer to achieving our vision:

- Equalities & Human Rights – equality of opportunity
- Affordability – tackling the cost-of-living crisis
- Climate - Environment and the climate emergency
- Health & Wellbeing

These 4 core commitments run through each of our 7 priorities:

- Health and wellbeing: A health generating city, for children and adults
- Education and skills: High quality skills and learning for all
- Economy and good employment: A fair, thriving, green economy for all
- Transport: Sustainable accessible transport for all
- Housing: Increasing the supply of affordable housing
- Sustainability: Cutting carbon, enhancing the environment for our future
- How the council operates

3. REVIEW OF THE FINANCIAL POSITION

Funding Context and Financial Planning

The Council's Medium Term Financial Strategy is set within a robust and well established planning framework and is based on an analysis of the key influences on the financial position and an assessment of the main financial risks facing the Council. This framework has enabled the Council to deliver significant performance improvements in many areas, whilst maintaining effective control and use of its limited financial resources. As part of the financial strategy, consideration is given to the likely savings required in future years and services are actively working to develop plans which will change the way services are provided, and deliver budget reductions in the future.

However, the council will need to continue to secure further savings and to manage cost pressures effectively. In doing so, the council will also need to provide capacity for additional investment in unavoidable costs and priorities. The continued development of the Medium Term Financial Strategy will ensure that the Council prepares effectively for these challenges.

Locally demand for council services continues to increase, with an ageing population and increased complex needs in respect of elderly care and there is continued pressure on many of the council's income budgets. There are also significant challenges in the health sector, including challenging financial positions for health partners which are in turn a significant financial risk to the Council.

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The cost of living crisis has deepened during 2023/24 and levels of inflation remained stubbornly high for much of the financial year, both of which continue to have a significant impact on the Council's financial position. And the financial impact was felt directly by residents, businesses and local authorities across the country.

After starting the year at 4.25%, interest rates continued to rise until August 2023, when they levelled off at 5.25% for the remainder of 2023/24. Although inflation rates have now come down to 2.3% (at the time of writing, May 2024) as the reductions have taken longer than anticipated, the expected cuts to interest rates have been delayed and are now forecast later in 2024.

In shaping the budget all the issues are carefully considered to ensure a budget that is both prudent and protects vulnerable people. Ensuring that there is the capacity to invest is a critical part of the budget deliberations. In relation to council tax, in the 2023/24 settlement, the Government allowed Council's to increase council tax up to 5% and therefore York's 2023/24 budget included a council tax increase in of 2.99%, plus an additional increase of 2% in line with the Government's Adult Social Care precept.

Revenue Outturn 2023/24

The Council's General Fund budget for its own net expenditure was set at £142m. To this sum the parish precepts added a further £0.9m. Band D Council Tax, including both Police and Fire Authority precepts, was set at £1,946.12. This was a 4.99% increase on the previous year.

Comprehensive revenue and capital budget monitoring is carried out during the year and is supplemented by quarterly combined finance and performance reports presented to the Executive. This robust financial management has helped the Council to maintain good financial health, despite the continuing pressures on the public sector.

As outlined in reports to Executive throughout the year, the Council is experiencing financial pressures across all service areas, but especially across social care. The outturn improved slightly from the Quarter 3 forecast, predominantly because of significant work by officers across the Council to control and reduce costs.

However, there again remain considerable financial challenges looking ahead into 2024/25 and beyond due to the underlying pressures in both adults and children's social care alongside the delivery of £14m of ongoing savings as outlined in the annual budget report considered by Executive in February of this year. The 2024/25 budget provides for significant growth in adults and children's services budgets and made proper provision for all known cost increases at that time.

Full details on the individual service areas position for 2023/24 will be reported to Executive in June 2024.

The overall outturn position for the Council is shown below (note that + indicates an overspend against budget):

Directorate	2023/24 Net Budget	Outturn
	£'000	£'000
Children & Education	32,701	+2,609
Adult Social Care & Integration	50,093	+6,051
Place	33,206	-2,310
Customers & Communities, Public Health and Corporate Services	8,935	-89
Central budgets	17,189	-2,600
Use of contingency	-500	-500
Use of earmarked reserves		-3,161
Total	141,624	nil

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Reserves

At the end of the financial year 2023/24 the useable reserves stood at £142m, compared to £154m at the end of 2022/23. Further details can be found in note 8. The table below summarises the position on useable reserves (note brackets indicate a reduction in reserve):

	Opening Balance	Net movement in year	Closing Balance at 31/03/2024
	£'000	£'000	£'000
General Fund balance	11,875	(2,247)	9,628
Earmarked General Fund Reserves	44,305	5,678	49,983
Housing Revenue Account	29,427	538	29,965
Earmarked Housing Revenue Account Reserves	4,271	(983)	3,288
Major Repairs Reserve	1,506	2,448	3,954
Capital Receipts Reserve	14,665	(1,731)	12,934
Capital Grants Unapplied	48,485	(16,541)	31,944
Total	154,534	(12,838)	141,696

The Council takes a risk based approach to the management of useable reserves and as part of setting the annual budget, the s151 Officer undertakes a review of risks and known commitments to calculate a minimum level for the General Fund reserve, and this was incorporated into the Council budget reports. For 2023/24, it was determined that a level of £6.8m is an appropriate figure. However in light of the risks facing the council, in particular the scale of future reductions on top of those already made, it was also considered that headroom should remain above the minimum level.

The General Fund reserve balance of £9.6m in the table above also includes individual school balances of £2.2m. These earmarked reserves are not for Council use and the level of reserve, in accordance with the Code, forms part of the Movement in Reserves Statement. In compliance with the Education Reform Act 1988, individual school balances will be carried forward into 2024/25.

The other usable reserves are set aside to cover future expenditure, including capital schemes. Capital grants unapplied are grants received but not yet used and the capital receipts reserve holds the balance of receipts from the disposal of assets. These funds are considered in the annual capital programme report presented to Executive and Full Council in February each year.

The Housing Revenue Account, Major Repairs Reserve and Earmarked Housing Revenue Reserves are considered as part of the business planning process and are held for future use on maintaining existing council homes, as well as investment in developing new build schemes.

Risks and opportunities

The Council has continued to support economic growth, recognising the significant financial benefits in the form of retained business rates, and creation of jobs. Ensuring that there is a strong link between the capital and revenue budgets to support the delivery of council priorities is essential. The Capital Strategy sets out continuing significant capital investment, and details regarding some of the major capital schemes that will impact on the economy of the city.

At a time of significant reductions in grants and rising demand it is absolutely essential to set a prudent, stable and achievable budget. Many councils across the country are now experiencing very severe financial challenges. Whilst the challenges for this council are significant, through sound financial planning, and in year management, the council retains strong financial health. In response to a shift in demand led expenditure pressures and reductions in grant funding, the council is taking

steps to enable itself, residents and communities to work together as equal partners to meet their future needs and priorities.

The scale of future budget reductions required will inevitably affect all services and all residents to some extent. In considering what savings can be made we have taken long term approaches to the development of future services and this approach will help to protect the needs of the most vulnerable people in York.

Alongside the revenue budget, there are proposals for further major investment in a variety of schemes. These continue the council's approach to prioritise investment in the economy, housing, transport, and to invest to save. In addition, the council is continuing to make a significant investment in Information and Communications technology (ICT), recognising that the need for high quality technology will be crucial to delivering services in the most effective manner in the future, particularly in relation to continued hybrid working.

Key performance indicators

In relation to the new Council Plan (2023-27), the Executive agreed a core set of indicators to help monitor the council priorities and these provide the structure for performance updates in this report. The indicators have been grouped around the eight outcome areas included in the Council Plan

Further detailed performance information is provided on a quarterly basis via www.yorkopendata.org.uk

4. HOUSING REVENUE ACCOUNT (HRA)

In April 2012 the Localism Act introduced a significant change to the way that council housing is financed by replacing the old HRA subsidy system with a new system of self-financing. This resulted in a number of changes which have had a significant impact on the Council's HRA business plan and its stock retention strategy and involved the Council borrowing £122m to pay central government. This was a one off payment and in return the Council obtained greater independence and responsibility for the management of its housing stock as it now has the ability to actively manage the debt and its financial impact on the HRA.

The 2023/24 HRA budget was set as a surplus of £342k prior to debt repayment of £1,900k. The 2022/23 outturn report agreed to carry forward underspends in that year totalling £1,611k leaving a revised deficit budget totalling £3,169k. The year end position was a surplus of £537k which was an underspend of £3,706k compared to budget. However, this position includes £1,926k underspend relating to capital financing that has slipped into 2024/25 which means the adjusted year end position is therefore a deficit of £1,389k giving an underspend of £1,780k compared to budget. The underspend is made up of credit interest on the HRA balances (£2.2m) planned repairs (external painting) (£366k) and general management (£627k) offset by higher depreciation charges (£1.1m) and a shortfall in rental income due to voids (£721k).

5. BUSINESS RATES AND COUNCIL TAX

The main aim of the Business Rates scheme is to give Councils a greater incentive to grow business in their area. However, it also increases financial risk to the Council through additional liabilities in respect of backdated appeals and risks from non-collection.

The Council is a member of the Leeds City Region Business Rates Pool. The pool is a voluntary arrangement which allows local authorities to retain locally a proportion of any growth in business rates income. The pool was established on 1st April 2021 with the aim of furthering economic development activities across the region. It is funded from "levies" on business rates growth which

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would otherwise be paid over to central government. In this scheme the pool retain 50% of retained business rates.

The operation of the pool is governed by a formal agreement between the authorities. The pool is led by a Joint Committee made up of the leaders from some of the authorities and is administered by Leeds City Council. The Joint Committee is responsible for making decisions about the use of pool receipts.

As outlined in the introduction, the Collection Fund is an agent's statement. The Council is required by statute to maintain this separate fund for the collection and distribution of amounts due in respect of Council Tax and Business Rates.

The account shows a deficit on Council Tax and Business Rates at 31 March 2024; as it did on 31 March 2023. Collection rates have continued to improve since the pandemic, particularly on Business Rates, with 98% of the total sum collectable for 2023/24. 2023 saw the implementation of a national ratings revaluation, which resulted in a 3.7% reduction in York's gross rateable value. This year also saw a large number of outstanding appeals to the previous list (from 2017) settled, resulting in a reduction of net rates collectable as a result of prior year adjustments. This has been the main driver in the increase in the deficit for Business Rates. The collection rate for Council Tax was 97% which was a small improvement on last year. However, overall the deficit on Council Tax has increased, largely as a result of write offs of uncollectable amounts and an increase in the impairment allowance. This is as a result of the large reduction in arrears during the year which had increased significantly during the pandemic, as well as the ongoing impact from the cost of living crisis. This is covered in further detail in the Collection Fund notes section of the Accounts.

6. CAPITAL EXPENDITURE

Capital expenditure for the year totalled £98.377m (2022/23 £79.321m). This was funded by capital receipts, internal borrowing, Government Grants and other contributions and revenue contributions.

A summary of where the money was spent in 2023/24 and how it was funded is shown below:

	2023/24 Outturn £m
Capital Expenditure	
Children's services	7.685
Adult Social Care	0.804
Housing & Community Safety	34.155
Transport, Highways & Environment	46.773
Property Services	1.682
Community Stadium & other major projects	0.000
Customer & Corporate Services	0.006
ICT	3.619
Communities, Culture & Public Realm	3.630
Climate Change	0.023
Total expenditure	98.377
Funding	
Prudential Borrowing	30.467
HRA & RTB Receipts	12.966
Capital Receipts	0.000
Grants and other contributions	45.559
Earmarked Reserves	9.385
Total Funding	98.377

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Over the last year there has been significant progress made on a number of major projects.

York Outer Ring Road Dualling - The planning application to dual the York Outer Ring Road was heard at Planning Committee on Tuesday 19th March 2024. Committee were unanimously minded to approve the application, and as per the planning processes the application has been sent to the Secretary of State for consideration. A milestone review will now be undertaken, and other work is continuing for example on the business case.

York Station Gateway - The York Station Gateway scheme is now progressing with delivery, with Package 1 (Utility Diversionary Works) now complete, and Package 2 (Highways Works) midway through construction. A further highways package 4 (Loop Road Works) is expected to commence in Summer 2024 and Packages 2 and 4 programmed for completion in March 2025. The Package 3 (Station Works) will commence in March 2025 and run for approximately two years. Meanwhile, the multi-storey car park that is funded and will be delivered by Network Rail will commence delivery in August 2024 with a one-year delivery programme.

Package 2 of the scheme required the acquisition of two areas of land: an area of the station long stay car park owned by Network Rail; and an area of land to the front of George Stephenson House owned by Canada Life. Both parcels of land have been acquired in August and September 2023 at a total cost of £2.54m (excluding fees). A further parcel of land currently in the station car park is required for the delivery of Packages 3 and 4 of the scheme and negotiations are taking place for completion in Spring 2024.

Haxby Station - The year 2023/24 saw some significant progress, including approval of the outline business case by DfT and the subsequent commitment to fund the scheme (to delivery) by Government, in a series of announcements pertaining to Network North and the Local Transport Fund. The Prime Minister visited the proposed site of the new station in February 2024 and which coincided with the planning application for this scheme being formally submitted (expected determination summer 2024). Outline design has now been concluded, with procurement for a detailed design and build contractor taking place during the spring/summer 2024. Subject to planning consent, construction work on-site is now expected to proceed from the beginning of 2025, with the station being complete and open for public use by the beginning of 2026.

York Central - The York Central scheme has seen good progress on the delivery of the access infrastructure, with significant works evident on site and with Homes England / Network Rail managing the construction contract which includes; the new bridge across the East Coast Main Line; the spine road with access into the site from Water End; dedicated / segregated pedestrian and cycle routes along the full length of the route, and associated landscaping. The Funding Agreement for allocating £35m of Enterprise Zone (EZ) backed borrowing to the delivery of the York Central Infrastructure is still pending, however a review of the business case shows that the income assumptions and risks are broadly comparable with previous decisions. The York and North Yorkshire devolution deal has also provided a further 10 years of business rates retention which gives a significant benefit to the council. Spend against the Enterprise Zone funding is not anticipated until Q2 2024/25 and later years.

Good progress continues to be made on the delivery of site access infrastructure by Homes England and Network Rail. A formal developer agreement is now in place with McLaren Property and Arlington Real Estate, which represents a really significant milestone for the project and the City.

Castle Gateway - In November 2023 Executive agreed the way forward to deliver some of the masterplan proposals, and work has now commenced to revise designs for the Castle / Eye of York and assess the potential for the delivery of Affordable Housing at Castle Mills. The strategic importance of St George's Field as a parking location was acknowledged and proposals for improving

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parking provision there, with coach drop off facilities, are being progressed. The proposals, including a business case, must be reported back to Executive for approval prior to delivery.

Following the Executive decision in November 2023 approving the write off of up to £1million for the St George's field car park project (SGF), a detailed review of the total costs for SGF from 2016/17 to 2022/23 was carried out and an analysis made of any costs which could definitely be useful against retained capital asset. The final calculated amount to be written off for St. George's Field in the 2023/24 financial statements is £778k.

Lowfield Green – Final works to complete the adoptable highways at Lowfield Green are ongoing, with final road surfacing expected in late Spring/early Summer. This work has been delayed due to pending Yorkshire Water approval. Works to widen the site access via Dijon Avenue will follow on from the completion of the highways surfacing. All 140 homes at the Lowfield Green site are now complete along with two areas of public open space for the enjoyment of new and existing residents. There remain a small number of market sales properties that are expected to be sold in 2024/25.

Duncombe Barracks and Burnholme - Construction continues to progress on the two certified Passivhaus sites, Duncombe Barracks and Burnholme led by contractor Caddick Construction. Duncombe Barracks commenced in late 2022 and the construction of the superstructure is now significantly advanced. The site team have successfully achieved the required airtightness on a number of plots which is significant milestone in the delivery of Passivhaus projects and progress to internal fit-out is imminent. The site will deliver 34 new homes with first handovers anticipated in late 2024. Burnholme will deliver 78 new homes across 11 terraces. This site is also anticipated to handover the first homes in 2024. Both sites are 60% affordable housing supported by grant funding from Homes England. The site team have encountered delays with the timber frame construction however, by adapting the process and increasing the off-site construction they have significantly increased the pace of timber frame erection which will continue to benefit Burnholme and increase the efficiency of delivery in the coming financial year.

Following the commitment for all future council housing sites to be developed as 100% affordable, Ordnance Lane has undergone a process of evaluation and redesign in order to achieve this target. The types of housing has been altered to reflect affordable housing need which has increased the number of smaller homes and the overall number of properties on the development has increased from 85 to 101 homes. All new homes on Ordnance Lane will be built to Passivhaus standards and utilise renewable technologies to ensure the homes are affordable for new residents. The retained Married Quarters building is to be refurbished and retrofitted to a high standard. The project received OPE grant funding of £2.4m to carry out enabling works. Utility diversions have been ongoing and caused some delay with entering the enabling contract which is now anticipated to commence late Spring 2024. Work to assemble the tender for the main works contractor is ongoing and the tender issue is planned for Summer 2024.

In November 2023, an additional £1.3m of grant funding was secured through the Local Authority Housing Fund to support the purchase of an additional 10 homes, 7 homes for Afghan resettlement households and a further 3 homes to contribute towards meeting wider temporary accommodation needs in the city. At year end, all homes are either under offer and progressing through the conveyancing process or purchased.

The Housing Delivery programme continue to deliver low-cost home ownership through two grant funded schemes; Homes England's Second-Hand Shared Ownership and YNY Devolution funded Second Hand Shared Ownership with retrofit. Combined these two schemes will deliver 40 new affordable homes and to date 34 homes have been acquired and matched to purchasers. The final 4 properties in the YNY funded programme are expected to be secured by the end of Q2 2024.

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7. TREASURY MANAGEMENT

The Council's year end treasury debt position for 2023/24 compared to 2022/23 is summarised in the table below:

Debt	31/03/2024 £000	31/03/2023 £000
Balance brought forward	302,621	307,269
Reversal of previous years carrying value	(1,356)	(1,304)
Add new loans taken	30,000	-
Less loans matured in year	(6,215)	(4,700)
Total debt as per Treasury Management Outturn Report	325,050	301,265
In year carrying value adjustment	3,437	1,356
Total Debt at 31st March	328,487	302,621

Four new PWLB loans were taken during the year totalling £30.000m with interest rates on the loans ranging from 4.99% to 5.46%. All four loans have maturity dates of 1 year. Five PWLB loans totalling £6.215m were repaid during the year.

The Council maintained an average investment balance of £23,238m in 2023/24 compared to £52.422m in 2022/23. The surplus funds earned an average rate of return of 4.86% in 2023/24 compared to 2.02% in 2022/23.

8. PENSIONS

The cost of pensions to the Council continues to increase year on year and remains a major item of expenditure. The Council participates in the Local Government Pension Scheme (LGPS) as a scheduled body and is a member of the North Yorkshire Pension Fund (NYPF) which is administered by North Yorkshire Council. The last full actuarial valuation of the fund was carried out as at 31st March 2022. The next triennial valuation of the LGPS will be as at 31st March 2025.

The Council's funded LGPS net defined benefit position is nil (a decrease from a £70.939m surplus in 2022/23) at the balance sheet date. The Council also had historic long-term pension liabilities in relation to unfunded discretionary LGPS benefits totalling £1,071k (2022-23 £1,252k) unfunded discretionary Teachers Pensions benefits totalling £8,209k (2022-23 £8,769k).

Surplus restriction under paragraph 64 of IAS 19

Following the recent economic backdrop over the past couple of years an increasing number of Local Government Pension Scheme funds have seen significant improvements to funding levels, primarily owing to rises in asset values following interest rate increases which has led to improved expected future returns (also known as the discount rate assumption). This has meant that an increasing number of LGPS employers are now seeing net defined benefit accounting surpluses at the balance sheet date.

Under the IAS 19 accounting standard a defined benefit scheme asset (surplus) can only be recognised to the extent that an employer can receive an economic benefit from that surplus. This limitation is known as the "asset ceiling".

The Council's IAS 19 balance sheet position as at 31 March 2024 was showing a net pensions asset before consideration of a surplus restriction.

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Paragraph 64 of IAS 19 states that "when an entity has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of: (a) the surplus in the defined benefit plan; and (b) the asset ceiling, determined using the discount rate (IAS 19)."

The asset ceiling is calculated as being "the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan."

The actuary carried out additional calculations of the potential surplus that could be recognised 'through reduced contributions in the future'. The actuary did not consider whether a surplus could be recognised through future refunds, however it should be noted that refunds to employers are only possible when the employer exits the Fund and it's generally accepted that scheduled bodies cannot normally obtain refunds of surplus during the normal life of the plan. As a scheduled body of the fund, which is open to new entrants, the actuary has assumed that the Council's participation in the fund is indefinite. Additionally scheduled bodies are not normally able to wind up a pension plan and thereby obtain refunds, as in the event of the discontinuation of a local authority the pension fund assets and liabilities would be transferred to a successor authority.

The actuary calculated the asset ceiling to be £nil and therefore the accounting surplus of £141.596m for the funded LGPS defined benefit scheme as at the balance sheet date is not realisable by the Council in the form of either refunds or reduction in employer's contributions and has therefore been limited entirely by the effects of the asset ceiling.

Other contributing factors affecting the value of the funded net defined benefit obligation before the asset surplus restriction were as follows:

Asset Returns

Asset returns over the accounting period have been higher than expected. This has led to a gain on assets over the accounting period and an improvement in the balance sheet position.

Financial Assumptions

There has been a change to the financial assumptions over the period. The discount rate has increased by 0.10%, the CPI inflation assumption has reduced by 0.10% and the salary increase assumption has reduced by 0.10%. This has resulted in a more positive balance sheet position than if the financial assumptions at the start of the period had been used. The impact of this change is recognised in Other Comprehensive Income.

Demographic assumptions

There has been a change to the demographic mortality assumptions at the accounting date. The impact of this change has been recognised in Other Comprehensive Income.

The assumptions in relation to pensions that the Council makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, could lead to a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Further details can be found in Note 49, Defined Benefit Pension Schemes.

9. NON CURRENT ASSETS

The council holds various non current assets which are categorised as follows:

- property, plant and equipment (PPE) – this includes council dwellings, land & buildings, infrastructure assets, community assets, surplus assets, assets under construction and tangible plant, vehicle and equipment assets
- intangible assets
- heritage assets
- investment property
- assets held for sale

The accounting standard IFRS 13 Fair Value Measurement was adopted by the council in 2015/16. In accordance with this accounting standard, the council's Investment Properties and Surplus Assets are valued at fair value and measured at their highest and best use. Assets Held for Sale are measured at the lower of the carrying value on reclassification to this category, or the fair value less costs to sell. The fair value measurements are carried out in accordance with IFRS 13.

All other property, plant and equipment assets, with the exception of assets under construction, community assets and infrastructure assets, are carried at current value. Further details of the measurement bases used are provided in the accounting policies section. Infrastructure and community assets are measured at depreciated historic cost, whilst assets under construction are measured at historic cost. Heritage assets are measured at market value where this exists, or replacement cost. Intangible assets are measured initially at cost and then usually carried at amortised cost.

The Valuation techniques adopted for each category of non current assets are in accordance with the requirements set out in the CIPFA Code of Practice.

The 2023/24 balance sheet value of the council's non current assets (including current assets held for sale) is £1,507.142m. This has increased by £49.496m from the 2022/23 value of £1,457.646m.

Capital enhancements to the value of £80.308m were made to these assets during 2023/24 and Assets to the value of £13.893m were disposed of during the year.

Non current assets were depreciated by £35.880m during 2023/24. This figure includes amortisation of intangible assets.

Valuations on the council's properties are carried out by qualified valuers within the council's Asset and Property Management Team. A revaluation programme exists which set out when each category of Asset will be valued and during 2023/24 this programme included Admin Accommodation, Allotments and Community Centres. In addition, Schools have been revalued again in 2023/24.

Allerton Waste site is normally valued by external valuers due to its specialist nature. During 2023/24 an external valuation was undertaken which increased the value of the asset on the Council's balance sheet by £6.550m. The asset had previously been valued by external valuers in 2020/21 and a desktop valuation was undertaken by the council's valuers during 2022/23.

The council's housing stock normally has a full revaluation every 5 years, and desktop revaluations are undertaken on the interim years. In 2023/24, a desktop valuation was undertaken at 31/01/2024. The value of the council's housing stock decreased by £4.116m as a result of the 31/01/2024 desktop valuation.

The HRA has increased the type of housing offered with the Shared Ownership Programme. In total, 95 properties have been purchased to date, with 21 being purchased in 2023/24. In addition, we have

built 23 new shared ownership properties on the Lowfield Green site, and a further 4 properties on this site are now in shared ownership. As at the 31 March 2024, equity shares in 115 properties have been sold with 7 properties remaining unsold. Six customers have now purchased 100% of their property. This has reduced the current active stock numbers to 116. The total cost of the 21 properties purchased by the council for shared ownership during 2023/24 was £5.3m, funded by grant funding from Homes England and DLUHC of £1.5m matched to council funds of £3.8m.

The revaluation of some investment properties led to a decrease in their valuation of £1.244m. This reflected in note 14 and in the Comprehensive Income and Expenditure statement.

The council's heritage assets increased in value by £0.270m during 2023/24. This increase is reflected in note 13 and also in note 26.

10. OTHER ISSUES

Mayoral Combined Authority

On 1 August 2022, the Secretary of State for Levelling Up, Housing and Communities announced the Government was "minded to" enter into a Devolution Deal based on the asks approved by both councils, with York and North Yorkshire to benefit from £540 million of new Government investment to spend on local priorities for economic growth, together with a range of devolved powers for example covering transport, housing, skills and digital connectivity.

Representatives from the constituent councils continued to meet regularly with Government Officials to consider the Order that created the legal and legislative basis for the Combined Authority. All the relevant work was completed with Government and the necessary debates held in Parliament and in late December 2023 Ministerial sign-off was completed that enabled the legal establishment of the Combined Authority.

The election for the mayor of York and North Yorkshire took place on 2 May 2024 and the Combined Authority is now a Mayoral Combined Authority with the new mayor also taking on the functions of the Police Fire and Crime Commissioner for North Yorkshire.

Both constituent Councils continue to provide support to the Combined Authority and will work closely to realise the opportunities the additional Government investment will bring to the region.

DSG Safety Valve

During 2021/22 the Council was successful in gaining financial support from the DfE as part of the Safety Valve Programme. This resulted in an additional payment of £7.6m of DSG on the 31st March 2022 with further payments of £4.5m during 2022/23 and £2.04m during 2023/24, as a result of the Council meeting the financial targets set out in the Management Plan for these financial years. This has continued to reduce the cumulative deficit to carry forward, which is £0.291m at 31st March 2024 (£2.723m 31st March 2023). This Safety Valve agreement commits the local authority to bring the DSG into an in-year balanced position by 2025/26. Further payments are conditional on the local authority continuing to meet the targets set out in the Management Plan, and reporting quarterly to the DfE on progress, with the eventual aim of eliminating the in-year deficit by the target date, with additional payments by the DfE eliminating the historic deficit at that point. The Council expects to continue to make good progress in this area and remains on target to deliver the targets set out in the Management Plan.

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LGA Corporate Peer Challenge

In February 2024, a Local Government Association (LGA) Peer Challenge took place at the Council and set out to understand how the council operates, exploring the council's leadership at place and organisational level, governance, culture, financial management and capacity to improve, with a focus on improving customer service and working closely with regional partners to best represent York's interests. The LGA report presented strengths the council can celebrate, together with areas for improvement, collated through both interviews and background reading.

Informed by the LGA Peer Challenge, and already planned in response to the Council Plan strategic theme "how the council operates", the council has prepared a corporate improvement framework setting out the activities that will address the recommendations of the peer review. This framework builds on existing strengths with a view to continuous improvement being very much a part of how the council operates.

The LGA Peer Challenge recommendations have helped to inform the development of the Corporate Improvement Framework which responds to the Council Plan priority theme - How the Council Operates, with the recommendations supporting action to improve customer experience and prepare for regional opportunities

New Chief Officer Structure

A report to Staffing Matters and Urgency in January 2024, followed by further report in June, set out a proposed restructure of the Corporate Management Team. As well as seeking to deliver savings in senior management it will also deliver a structure that can deliver the Council Plan and ensure focus on the key priorities of the Council.

External Audit Backlog & Backstop Dates

There is a significant national backlog in the audit of local authority accounts. In February 2024 the Government launched a consultation on their proposal to clear the backlog. This outlined measures to reset the system through the implementation of a backstop date **of 30 September 2024** to publish all outstanding years up to and including 2022/23; **the date was later revised from September to 13 December 2024**. If audits are not completed by this deadline modified opinions will be issued (qualified or with disclaimers). **York's accounts up to and including 2022/23 have been finalised and audits completed.**

INDEPENDENT AUDITORS REPORT

INDEPENDENT AUDITORS REPORT

The Audit Report for 2023/24 will appear here when the external audit has been completed.

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES

1. THE COUNCIL'S RESPONSIBILITIES

The Council 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 Council that officer is the Chief Finance Officer Services (section 151 officer).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

2. THE SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code) and the Update to the Code and Specifications for Future Codes for infrastructure Assets.

In preparing this Statement of Accounts, the Section 151 officer has:

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

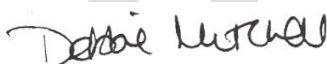
The Section 151 officer has also:

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

3. CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts presents fairly the position of the City of York Council at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

Signed



Dated 07.06.2024

Debbie Mitchell, ACMA

Chief Finance Officer

4. APPROVAL OF THE ACCOUNTS

I certify that the Statement of Accounts has been approved by a resolution of the Audit & Governance Committee of City of York Council in accordance with the Accounts and Audit Regulations 2015.

The Statement of Accounts was approved by Audit and Governance Committee on:

Signed

Dated

Cllr A. Hollyer

Chair, Audit and Governance Committee

MAIN FINANCIAL STATEMENTS

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Comprehensive Income and Expenditure Statement

	Note	2023/24			2022/23		
		Gross		Net	Gross		Net
		Exp.	Income	Exp.	Exp.	Income	Exp.
		£000's	£000's	£000's	£000's	£000's	£000's
Service Costs							
Public Health		9,394	(10,697)	(1,303)	9,708	(8,972)	736
Housing Revenue Account		35,471	(43,074)	(7,603)	35,625	(37,765)	(2,140)
Adult Social Care and Integration		110,764	(40,027)	70,737	106,496	(35,121)	71,375
Children and Education		126,295	(96,992)	29,303	143,226	(109,877)	33,349
Place		102,186	(69,139)	33,047	90,143	(44,700)	45,443
Corporate Services and Governance		55,933	(30,303)	25,630	75,952	(32,009)	43,943
Customer and Communities		39,490	(11,147)	28,343	41,269	(10,680)	30,589
Cost of Services		479,533	(301,379)	178,154	502,419	(279,124)	223,295
Other Operating Expenditure	(9)			3,521			594
Financing and Investment Income and Expenditure	(10)			6,452			29,607
Taxation and Non-Specific Grant Income	(11)			(192,534)			(207,591)
(Surplus)/Deficit on Provision of Services	(30)			(4,407)			45,905
Revaluation (gains) on non current assets	(26)			(11,317)			(57,964)
Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income	(16)			(885)			(484)
Collection Fund Balance write off				-			(2)
Re-measurement of net defined benefit/ liability	(49)			69,294			(178,578)
Other Comprehensive Income and Expenditure				57,092			(237,028)
Total Comprehensive Income and Expenditure				52,685			(191,123)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

MOVEMENT IN RESERVES STATEMENT

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves and other unusable reserves.

2023/24

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2023		(11,875)	(44,306)	(29,427)	(4,270)	(1,506)	(14,665)	(48,485)	(154,534)	(1,023,499)	(1,178,033)
Movement in Reserves during 2023/24											
(Surplus) /Deficit on Provision of Services		4,495		(8,902)					(4,407)		(4,407)
Other Comprehensive Income and Expenditure movement									-	57,092	57,092
Total Comprehensive Expenditure and Income		4,495	-	(8,902)	-	-	-	-	(4,407)	57,092	52,685
Adjustments between accounting basis & funding basis under regulations	7	(7,925)		9,346		(2,448)	1,731	16,541	17,245	(17,245)	-
Net Increase/Decrease before Transfers to Earmarked Reserves		(3,430)	-	444	-	(2,448)	1,731	16,541	12,838	39,847	52,685
Transfers to/from Earmarked Reserves	8	5,677	(5,677)	(982)	982				-		-
Increase/Decrease in Year		2,247	(5,677)	(538)	982	(2,448)	1,731	16,541	12,838	39,847	52,685
Balance at 31 March 2024 carried forward		(9,628)	(49,983)	(29,965)	(3,288)	(3,954)	(12,934)	(31,944)	(141,696)	(983,652)	(1,125,348)

MOVEMENT IN RESERVES STATEMENT

2022/23

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2022		(12,130)	(62,972)	(29,569)	(6,086)	(497)	(10,277)	(45,064)	(166,595)	(820,315)	(986,910)
Movement in Reserves during 2022/23											
(Surplus) /Deficit on Provision of Services		49,074	-	(3,169)	-	-	-	-	45,905	-	45,905
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	-	(237,028)	(237,028)
Total Comprehensive Expenditure and Income		49,074	-	(3,169)	-	-	-	-	45,905	(237,028)	(191,123)
Adjustments between accounting basis & funding basis under regulations	7	(30,153)	-	5,127	-	(1,009)	(4,388)	(3,421)	(33,844)	33,844	-
Net Increase/Decrease before Transfers to Earmarked Reserves		18,921	-	1,958	-	(1,009)	(4,388)	(3,421)	12,061	(203,184)	(191,123)
Transfers to/from Earmarked Reserves	8	(18,666)	18,666	(1,816)	1,816	-	-	-	-	-	-
Increase/Decrease in Year		255	18,666	142	1,816	(1,009)	(4,388)	(3,421)	12,061	(203,184)	(191,123)
Balance at 31 March 2023 carried forward		(11,875)	(44,306)	(29,427)	(4,270)	(1,506)	(14,665)	(48,485)	(154,534)	(1,023,499)	(1,178,033)

Split of General Fund Balance between Schools and GF

	31-Mar-24 £000's	31-Mar-23 £000's
Amount of General Fund Balance held by governors under schemes to finance schools	(2,187)	(4,434)
Amount of General Fund Balance generally available for new expenditure	(7,441)	(7,441)
Total General Fund Balance	(9,628)	(11,875)

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Balance Sheet

	Note	31 March 2024 £000's	31 March 2023 £000's
Property, Plant and Equipment	(12)	1,310,703	1,260,164
Investment Property	(14)	72,166	72,826
Intangible Assets	(15)	1,713	2,366
Heritage Assets	(13)	122,560	122,290
Long - Term Investments	(16)	5,965	5,080
Long - Term Debtors	(20)	4,077	4,210
Net Asset related to Defined Benefit Pension Scheme	(26) / (49)	0	69,687
LONG - TERM ASSETS		1,517,184	1,536,623
Short-Term Investments	(16)	53	251
Inventories	(17)	391	360
Short-Term Debtors	(19)	55,670	50,462
Cash and Cash Equivalents	(21)	1,814	13,292
CURRENT ASSETS		57,928	64,365
Short-Term Borrowing	(16) / (52)	(47,288)	(8,084)
Provisions due to be settled within 12 months	(24)	(753)	(831)
Short-Term Creditors	(23)	(64,354)	(62,083)
Other Short-Term Liabilities	(23)	(4,398)	(5,306)
CURRENT LIABILITIES		(116,793)	(76,304)
Provisions	(24)	(1,964)	(1,776)
Long-Term Borrowing	(16) / (52)	(281,069)	(294,365)
Other Long-Term Liabilities	(16)	(40,658)	(41,741)
Net Liability related to Defined Benefit Pension Scheme	(26) / (49)	(9,280)	(8,769)
LONG-TERM LIABILITIES		(332,971)	(346,651)
NET ASSETS		1,125,348	1,178,033
RESERVES			
<u>Usable Reserves</u>			
Capital Receipts Reserve		(12,934)	(14,665)
General Fund Balance		(9,628)	(11,875)
Housing Revenue Account Reserve		(29,965)	(29,427)
Major Repairs Reserve		(3,954)	(1,506)
Capital Grants Unapplied		(31,944)	(48,485)
Earmarked Reserves	(8)	(53,271)	(48,576)
	MIRS	(141,696)	(154,534)
<u>Unusable Reserves</u>			
Revaluation Reserve		(553,128)	(550,975)
Capital Adjustment Account		(458,254)	(431,225)
Financial Instruments Adjustment Account		1,214	1,127
Financial Instruments Revaluation Reserve		(3,545)	(2,660)
Dedicated Schools Grant Adjustment Account		9,940	9,940
Pensions Reserve		9,280	(60,918)
Collection Fund Adjustment Account		7,526	6,970
Employee Benefit Adjustment Account		3,315	4,242
	(26)	(983,652)	(1,023,499)
TOTAL RESERVES		(1,125,348)	(1,178,033)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

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Cash flow Statement

	Note	2023/24 £000's	2022/23 £000's
Net (Surplus)/Deficit on the provision of Services		(4,407)	45,905
Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements	(27)	(39,424)	(93,544)
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities	(27)	39,145	50,945
Net Cash Flows from Operating Activities		(4,686)	3,306
Investing Activities	(28)	37,832	16,135
Financing Activities	(29)	(21,668)	6,315
Net (Increase)/Decrease in Cash and Cash Equivalents		11,478	25,756
Cash and Cash Equivalents at the beginning of the reporting period	(21)	(13,292)	(39,048)
Cash and Cash Equivalents at the end of the reporting period	(21)	(1,814)	(13,292)

This statement shows the changes in cash and cash equivalents of the Council during the reporting period.

NOTES TO THE MAIN FINANCIAL STATEMENTS

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1. ACCOUNTING POLICIES & CONCEPTS

I. General

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued by government.

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

II. Accounting Concepts

a) Accruals

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- The de minimus level for revenue accruals is £500 and for capital items is £5,000.

b) Going concern

The accounts have been prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This is a requirement of the Code, which reflects the fact that since the management of a statutory local authority does not have the power to cease operations and wind up the entity, a statutory local authority will always be a going concern as defined by IAS1 (Presentation of Financial Statements).

III. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

IV. Exceptional Items

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

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

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

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

VI. Charges to Revenue for Non-Current Assets

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision (MRP) 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.

VII. 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, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or flexi-leave) 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 rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council 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 appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pensions Scheme, administered by NHS Pensions.
- The Local Government Pensions Scheme, administered by North Yorkshire County Council.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the North Yorkshire Pension Fund (NYPF) attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Further information can be found in NYPF's Annual Report that is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% as at 31st March 2024.
- The assets of the NYPF attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

- The change in the net pensions liability/asset is analysed into the following components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the 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 – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
 - net interest on the defined benefit liability/asset i.e. net interest expense/income for the Council – the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit obligation during the period as a result of contribution and benefit payments.
 - Re-measurement comprising
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability/asset charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability/asset that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
 - contributions paid to the NYPF – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
 - decrease of assets and liabilities as a result of disposals following academy conversions
 - Restriction of the net pension asset under paragraph 64 of IAS 19

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the NYPF.

VIII. Events After the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts 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

IX. Fair Value Measurement of Non-Financial Assets

The authority's accounting policy for fair value measurement of financial assets is set out in note 1 - Accounting Policy X (Financial Instruments). The Council also measures some of its non-financial assets such as surplus assets, investment properties and some of its financial instruments (where applicable) at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date. It is considered that no property is identical and hence Level 1 observable inputs do not exist in the property market as opposed to say shares in private companies
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

X. Financial Instruments

In the 2018/19 Statement of Accounts the Council transitioned to the accounting standard IFRS 9 Financial Instruments which introduced new classifications and measurement of financial assets along with a new model for impairing financial assets based on expected credit loss. The accounting policy that follows recognises the IFRS 9 standard and further information detailing the judgements and classifications for the Council's Financial Instrument assets can be found in Note 16.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Such instruments 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.

For the majority of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing 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 the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. 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.

For loans taken out at concessionary rates, either interest free or at less than prevailing market rates, the effective interest rate is calculated. The value of the loan is discounted using a prevailing market rate at the date of drawdown to reflect the benefit obtained by the Council. The fair value of the loan is taken to the Financial Instruments Adjustment Account and amortised based on the assumed interest rate per annum. The balance on the Financial Instruments Adjustment Account is written down annually in line with the loan amortisation until the value of the loan at redemption equals the value of the loan originally drawn down. Notional interest is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement reflecting the prevailing market rate used to discount the loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. The reconciliation of amounts between the Comprehensive Income and Expenditure Statement and Balance Sheet is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

- Amortised Cost
- Fair Value through Profit or Loss (FVPL)
- Fair Value through Other Comprehensive Income (FVOCI)

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

Financial Assets measured at Amortised Cost

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

For loans made at less than market rates (soft loans) a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

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

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

For financial assets carried at amortised cost impairment and expected credit loss is netted off from the gross value of the asset to reduce its carrying amount in the balance sheet and a charge is made to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Financial Assets measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services under Financing and Investment Income and Expenditure.

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Financial Assets measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI 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. Fair value gains and losses are recognised as they arise in Other Comprehensive Income and Expenditure.

Changes in impairment over the lifetime of the instrument are credited or debited to the Financing and Investment Income and Expenditure line within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

When an instrument measured at FVOCI is derecognised the fair value is transferred out of the Financial Instruments Revaluation Reserve Account and credited or debited to the Financing and Investment Income and Expenditure line within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. Any gains or losses on derecognition are also credited or debited to the Financing and Investment Income and Expenditure line within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Financial Assets designated to Fair Value through Other Comprehensive Income

IFRS 9 permits equity instruments not held for trading to be considered for designation to FVOCI. The decision to designate is based on which accounting treatment and presentation of fair value best reflects the Council's reason for investment and the business model for holding the investment. Designation can only be made at initial recognition and the decision to designate an equity instrument is irrevocable.

For equity instruments designated to FVOCI the Council holds these at fair value on the Balance Sheet. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – IFRS 13 Adjusted Net Asset Value method.

The fair value is measured annually with increases and decreases credited or debited to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement. In order that gains and losses from movements in fair value are not reflected in the General Fund Balance, the movement in fair value is balanced off in the Financial Instruments Revaluation Reserve Account in the Movement in Reserves Statement.

When an equity instrument designated FVOCI is derecognised the fair value is reversed out of the Financial Instruments Revaluation Reserve Account and transferred to the General Fund balance in the Movement in Reserves Statement. Any gains or losses on derecognition are credited or debited to the Financing and Investment Income and Expenditure line within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Further information on equity instruments designated to FVOCI can be found in the Financial Instruments section of the Statement of Accounts under Note 16.

XI. 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 Council when there is reasonable assurance that:

- the Council 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 contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced 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 Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

XII. Heritage Assets

The Council's Heritage Assets are grouped into four main areas:

- (a) Heritage properties
- (b) Art Collection
- (c) Mansion House Collection and Civic Regalia
- (d) Museum Collections

All categories of heritage assets increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets, further detail is provided below.

The accounting policies in relation to intangible heritage assets are not included in this document as no intangible heritage assets have been identified. All heritage assets are tangible.

Records for Heritage Properties are maintained by the Council's Asset & Property Management team, whilst records for the contents of the Art Gallery are held by York Museums Trust. Items from the Museum, Art Gallery and Mansion House collections are on view for members of the public to see at these sites.

The Council's collections of heritage assets are accounted for as follows.

Heritage properties – assets are valued in accordance with the property RICS guidance and for heritage assets where a market value exists, the assets are valued at fair value market value. Where no market value exists, the value stated is replacement cost. All valuations are recorded on a valuation certificate.

The code recognises that it may not be possible to value all heritage assets due to their size and unique historical importance. Four such assets have been identified and are consequently not included in the council's balance sheet:

- (a) Medieval City Walls
- (b) Yorkshire Museum and Gardens and Hospitium
- (c) Abbey Walls – Marygate and Bootham
- (d) Roman Multangular Tower and adjoining Walls

Art Collection - including paintings (both oil and watercolour) and sketches, is reported in the Balance Sheet at insurance valuation which is based on market values. The art collection is deemed to have indeterminate life and a high residual value, hence the Council does not consider it appropriate to charge depreciation.

The collection is relatively static, and acquisitions and donations are rare. If acquisitions did occur, they would initially be recognised at cost and donations would be recognised at valuation provided by external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Mansion House Collection and Civic Regalia – are recorded on the 2023/24 balance sheet using the valuations provided by an antiques and fine art external valuation expert who revalued the assets in the collection in March 2023. The Regalia and items in the Mansion House are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation. The policy for acquisitions, made by purchase or donation, is the same as for the art collection.

Museum Collections – both Castle Museum and Yorkshire Museum are held in Trust but the collections are insured by the Council. For Castle Museum, the collection is of social history value and therefore has a relatively low insurance valuation which is included on the balance sheet.

Yorkshire Museum, the Council considers that obtaining valuations for the vast majority of items and artefacts exhibited within the museum would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Council does not recognise this collection of heritage assets on the Balance Sheet. The Council does not consider that reliable cost or valuation information can be obtained for items held as a result of archaeological investigations. The diverse nature of the assets held, the lack of comparable market values, the length of time the items have existed results in the Council not recognising these assets on the balance sheet. The Council does not (normally) make any purchases of archaeological items.

Acquisitions are again initially recognised at cost or, if bequeathed or donated at nil consideration, at valuation.

Heritage Assets – General

Impairment: The carrying amounts of heritage assets are reviewed and where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity, it is recognised and measured in accordance with the Council's general policies on impairment. See section on impairment in note 1 – Accounting Policy XX (Property, Plant & Equipment).

Disposal: disposal of heritage assets are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Heritage asset disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 1 – Accounting Policy XX (Property, Plant & Equipment)).

XIII. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

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

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

XIV. Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors. The Council does have a

number of interests in companies and other entities, which are not material and thus the production of group accounts is not required for these interests. The main Council interests relate to CYT Ltd which is fully disclosed within the Related Parties disclosure.

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures but, due to the values involved, these do not require the Council to prepare Group Accounts. Further detail on all these arrangements can be found within the Related Parties note 41.

XV. Joint Arrangements

Joint arrangements are arrangements by which two or more parties have joint control bound by contract. A Joint Arrangement can be classified as follows:

- A Joint Venture
- A Joint Operation

Joint Venture

A joint Venture is an arrangement under which two or parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties.

Joint Operation

A Joint Operation is an arrangement by which the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

XVI. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

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.

XVII. 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 price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are reviewed annually by the Council's Property and Asset Management team (Royal Institute of Chartered Surveyors registered valuer) according to market conditions at the year-end. Properties over £0.5m are revalued annually whilst properties below this level are revalued under the rolling programme or in the intervening periods if there is considered to be a material difference between the carrying value and the fair value of the property reflecting market conditions at the balance sheet date. Gains and losses on revaluation are posted to the Financing

and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

XVIII. 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 Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its 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 Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

The Council 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 Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), 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 income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

XIX. 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 23/24 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of costs relating to the Council's status as a multifunctional, democratic organisation which are charged under Corporate and Customer Services in the Comprehensive Income and Expenditure Statement.

XX. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment 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 Council 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis level of £10k for Property assets. Any properties valued at less than this are not generally added to the Council's balance sheet. The exception to this is when capital money has been used to buy the property, and it would then be included on the balance sheet.

The Council recognises schools in line with the provisions of the Code of Practice, consequently schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria.

Voluntary Aided, Voluntary Controlled and Academy schools are not recognised within the Council's financial statements as the Council does not exercise sufficient influence on the governing bodies to warrant recognition. The Council does, however, include the playing fields for Voluntary Aided and Voluntary Controlled schools where these are owned by the Council and have not been included in any Academy conversion.

All elements of the 15 Local Authority controlled schools are shown in the Council's financial statements.

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of

the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until 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:

- Community assets & Infrastructure assets – depreciated historical cost
- assets under construction – historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Specialised assets, for example school buildings, residential homes and hostels, and sports facilities – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- all other assets:
 - – equipment is measured using depreciated historical cost as a proxy for current value
 - – buildings and land are measured at current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

Componentisation

All Property assets containing a building are split into two components - Land and Buildings. The buildings are then further reviewed to assess if there are additional components which should be recognised. This assessment is based on the value of the building and the value of the components. A materiality level has been set, below which this additional review will not be done. Only buildings with a valuation greater than £1m will be considered for componentisation, which accounts for approximately 86% of depreciation charged to the Comprehensive Income & Expenditure Account for buildings. The cost of the component should be at least 20% of the value of the building.

Components whose value is under this level will be considered if the circumstances are deemed appropriate. Componentisation will only be done either at the full 5 yearly valuations or when major capital improvements are undertaken.

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income 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 their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Mechanical and electrical components for Allerton Waste Recycling plant – reducing balance or straight-line over the life of the components as advised by the valuer.
- vehicles, plant, furniture and equipment – straight-line allocation over 3-10 years

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure 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 (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to a housing disposal is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

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

XXI. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Schools PFI, the liability was written down by an initial capital contribution of £4.2m. Four schools are incorporated in the PFI scheme – Hob Moor Primary, Hob Moor Oaks, St Barnabas Primary and St Oswalds Primary. St Barnabas and St Oswalds Primaries belong to the Church of England Diocese and were never included on the LAS

balance sheet. However, the two Hob Moor schools was previously owned by the council and were recognised as assets. These two schools became Academies during 2018/19, therefore the accounting treatment is now the same as the two other schools and they are no longer included as assets.

The amounts payable to the PFI operators each year are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the **Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement**
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the **Comprehensive Income and Expenditure Statement**
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

XXII. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (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 Council settles the obligation.

Contingent Liabilities

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

Contingent liabilities are not 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 Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

XXIII. Reserves

The Council 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 in Reserves Statement so that there is no net charge against council tax for the expenditure.

The category of Unusable Reserves includes those reserves that are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

Earmarked Reserves

Amounts set aside for purposes falling outside the definition of provisions, e.g. for future policy purposes or to cover contingencies, have been accounted for as reserves. In line with the code the creation of a reserve is shown by an appropriation entry on the Movement in Reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, and shown in the Net Cost of Services in the Income and Expenditure Account. The use of the reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

The earmarked reserves held by the Council are shown in the Core Statements and detailed in note 8.

Usable Reserves

In addition to those funds under the Earmarked Reserves classification there are a number of usable reserves for specific and non specific purposes.

Councils are required by the Accounts and Audit Regulations 2015 to maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. Under the new arrangements in the self-financing HRA, to establish the resources available on an annual basis in the Major Repairs Reserve, the regulations require the MRR to be credited with an amount equivalent to the total depreciation charges for all HRA assets.

Unusable Reserves

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and that do not represent usable resources for the Council. These reserves are shown in Note 26.

XXIV. Revenue Expenditure Funded from Capital under Statute

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

XXV. Schools

The Code confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

XXVI. Value Added Tax (VAT)

The Comprehensive Income and Expenditure Account excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from HMRC. VAT receivable is excluded from income within the Council's income and expenditure account.

XXVII. Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges, underpasses), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 (England), which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year. The useful lives of all Highways Infrastructure assets are reviewed annually and for 2023/24 they are as follows:

- Carriageways, Footways and Cycleways – 30 years
- Structures – 115 years
- Street Lighting and Street Furniture – 35 years
- Bus Shelters – 25 years
- Traffic Management systems – 10 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal).

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

XXVIII. Council Tax and Non-Domestic Rates (NDR) Income

The Local Government Finance Act 2012 introduced a business rates retention scheme from 1st April 2013 that enables local authorities to retain a proportion of non-domestic rates generated in their area.

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

Council Tax Income

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

In its capacity as a billing authority the Council acts as an agent: it collects and distributes Council Tax income on behalf of the major preceptors and itself. The major preceptors are North Yorkshire Police and North Yorkshire Fire and Rescue Service, along with the 31 parish councils of York.

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

accrued income for the year in accordance with GAAP, although in practice the difference would usually be small.

Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is the accrued income for the year. The difference between the income included in the Comprehensive Income & Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

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

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

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

Non-Domestic Rates (NDR) Income

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

City of York Council is a billing authority and as such is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and nondomestic rates.

In its capacity as a billing authority the Council acts as an agent: it collects and distributes NDR income on behalf of the government, major preceptor and itself. The major preceptor is North Yorkshire Fire and Rescue Service.

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

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

The difference between the income included in the Comprehensive Income & Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2023/24 Code.

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

IFRS16 Leasing

On 1st April 2024 accounting standard IFRS 16 Leases, issued January 2016, will be replacing previous Lease accounting standards and introduces an accounting model based on 'right of use' assets. Work is currently ongoing to quantify the impact on the accounting statements for 2024/25 in line with IFRS 16 recognition criteria.

A main recognition criteria of IFRS 16 is the focus on the control and right to use an asset. Leases will be classified as 'residual' and 'non-residual' leases and there will no longer be a distinction in lease type between 'Operating' and 'Finance' leases.

For the lessee, a single accounting model will require all right of use assets with a term greater than 12 months, unless the underlying value of the asset is low, to be recognised on the balance sheet as a capital asset along with a corresponding liability, measuring the value of the right of use over the remaining term. As right of use assets will be accounted for under capital requirements this will increase the Capital Financing Requirement.

The main impact of IFRS 16 Leases is expected to be where the Council is the lessee and currently holds Operating leases under IAS 17 which are treated as revenue, and therefore not currently shown on the balance sheet. These lease transactions will become capital assets on the balance sheet and this will in turn will increase the Council's the Capital Financing Requirement. IFRS 16 will have an impact on the valuation of PFI liabilities where there is a change within the contractual period. As PFI assets are already included on the Council's balance sheet, any remeasurement changes will be reflected in the value of the PFI asset and liability already shown.

Accounting changes that are introduced by the 2023/24 Code are:

- Reporting of pensions surpluses to IAS 19/IFRIC 14, issued in November 2023.
- Updating IAS8 with regard to the distinction of materiality between accounting estimates and accounting policies.
- The temporary relief in relation to infrastructure assets, specifically that Local Authorities are not required report the gross book value and accumulate depreciation in respect of this class of asset.
- Updating a Reference to the Conceptual Framework (IFRS 3)
- Guidance on the application of IAS 1 in terms of the selecting and presenting of accounting policies.

These changes are not expected to have a material impact on the Council's Statement of Accounts.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Accounting for schools – Consolidation - In line with the requirements of the Code of Practice on Group Accounts, all maintained schools are now considered to be entities controlled by the Council. Rather than prepare group accounts however, the income, expenditure, liabilities, reserves and cash flows of each schools are recognised in the Council's single entity accounts.

Accounting for schools – Balance sheet recognition – The Council recognises schools in line with the provisions of the Code of Practice, consequently schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria. The Council has undertaken a detailed review to assess the level of control it exercises in relation to both the VA & VC schools. The analysis undertaken considered the governing bodies majority appointment rights and concluded that in all cases the Council did not exercise sufficient influence to warrant recognition of assets in relation to the schools on its balance sheet.

Accounting for schools – Transfer to Academy status – When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal and subsequent creation of a finance lease (at nil consideration) on the date that the school converts to Academy status.

Further information on the treatment of Voluntary Aided and Voluntary Controlled schools can be found under Note 1 - Accounting Policy XX (Property, Plant & Equipment).

Group Accounts Boundaries – The Councils group boundaries have been assessed using the criteria outlined in the Code of Practice, which has confirmed the Council has a number of interests in other entities which therefore fall within the boundary. However, the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing

both quantitative and qualitative information. The Council therefore considers that the reader of the accounts is better served by expanding the related party disclosure note in respect of these interests rather than completing separate group accounts statements. The enhanced related parties note can be found at Note 41.

Allerton Waste Recycling Plant – Componentisation and Depreciation – The Council holds a share in Allerton Waste Recycling Plant which is included in the Council's accounts in Other Land and Buildings (Note 12). Following an external valuation of the site in 2020/21, a judgement was made to continue show the whole asset, including the mechanical and electrical components, under Other Land and Buildings as it is felt that components are an integral part of the site. However, within the Other Land and Buildings header, the asset is split into land, building, and mechanical and electrical component for the purpose of depreciation to reflect their different useful economic lives. The various mechanical and electrical components identified in the valuation have been grouped together as one component but are depreciated separately using the methods and asset lives provided by the valuer. Allerton Waste Recycling Plant has had another external valuation in 2023/24 and the split of the site into Land, Building and Mechanical and Electrical component remains. Valuations and useful economic lives used to calculate depreciation for the various elements have been updated in line with the new valuation report. The accounting treatment for Allerton Waste Recycling Plant will be reviewed regularly to ensure the accuracy of depreciation.

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

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

The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions

Estimation of the net obligation to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Variations in the key assumptions would have the following impact on the funded LGPS defined benefit obligation:

- A 0.1% increase in the discount rate would reduce the funded defined benefit obligation by £10.402m
- A 0.1% increase in the assumed level of pension increases will increase funded defined benefit obligation by £10.402m
- An increase in one year of longevity would increase the funded defined benefit obligation by £18.030m

Further details of the impact of changing the key assumptions on the present value of the funded defined benefit obligation as 31 March 2024 can be found in Note 49.

Property, Plant & 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 Council 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 assets falls. The closing Net Book Value of all Property, Plant & Equipment assets (including Infrastructure) at 31 March 2024 is £1,310.703m. Of this, £716.482m relates to buildings and their components (excluding land) which were depreciated during 2023/24. The depreciation charge for 2023/24 for these assets was £21.079m (as shown in the Council Housing and Other Land & Buildings columns in the table in note 12). It is estimated that the annual depreciation charge for these buildings and components would increase by £0.782m for every year that useful lives are reduced.

Property valuations are carried out by the Council's internal Valuers, with the exception of Allerton Waste Site which is valued by external Valuers due to its specialist nature. Property assets are measured at either Depreciated Replacement Cost (DRC), Existing Use Value (EUV) or Fair Value (FV). When undertaking valuations, assumptions and estimations are made which could impact on the carrying value of assets on our balance sheet. As an indicator of sensitivity, a theoretical increase or decrease in value of 1% on Property, Plant & Equipment and Investment Property assets measured using DRC, EUV or FV (currently carried on Balance sheet at £1,090.815m), would result in an increase or decrease of £10.908m.

Property assets are revalued on a five-year rolling programme, although some types of property asset or higher valued assets are revalued more frequently to ensure the balance sheet value is materially accurate. Investment Properties are reviewed annually by our Valuers according to market conditions at year end. Those over £500k have an annual full revaluation, but those below £500k have a full revaluation under the rolling programme if the Valuer considers that the valuations are still accurate on interim years and we do not need to update. Council Housing and other Housing Revenue Account properties are revalued annually, as are all Surplus properties, Assets Held for Sale, Council maintained schools and the Community Stadium. Assets in the five-year rolling programme which have not been revalued in the current year, are reviewed with the assistance of our valuers, to see if there might have been a material change in value since the last full valuation.

It is acknowledged that valuations can be impacted by external influences beyond our control such as world and political events (e.g. a pandemic); inflationary and economic pressures (e.g. rise in build costs).

5. MATERIAL ITEMS OF INCOME AND EXPENSE

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. For 2023/24 there were no material items of income and expenditure (£0k in 2022/23).

6. 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:

Adjusting Events:

Adjusting events after the balance sheet date are those that are indicative of conditions that existed at the balance sheet date. The Code sets out that where material the financial statements should be amended to reflect the impact of these events.

Non- adjusting Events:

Non Adjusting events after the balance sheet date are those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect these events however material items are disclosed in terms of the nature of the events and their financial effects.

No adjusting or non-adjusting events were identified between the end of the reporting period and the accounts being authorised for issue on 07/06/2024 by the S151 officer.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The movement in reserves statement includes the totals shown in this note.

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Adjustments between Accounting Basis and Funding Basis under Regulations – 2023/24

2023/24

	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
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	(24,066)	(11,039)	-	-	-	35,105
Revaluation losses/(gains) on Property Plant and Equipment	6,483	2,405	-	-	-	(8,888)
Movements in the market value of Investment Properties	(1,244)	-	-	-	-	1,244
Amortisation of intangible assets	(608)	(166)	-	-	-	774
Capital grants and contributions applied	40,840	3,547	-	-	-	(44,387)
Revenue expenditure funded from Capital under statute	(17,267)	-	-	-	-	17,267
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	(3,901)	(9,992)	-	-	-	13,893
Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:						
Statutory provision for the financing of capital investment	7,451	1,900	-	-	-	(9,351)
Capital expenditure charged against the General Fund and HRA balances	169	1,797	-	-	-	(1,966)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,487	1,050	-	-	(7,537)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(21,912)	(2,166)	-	-	24,078	-
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	219	11,081	-	(11,300)	-	-
Transfer of cash loan repayment to the Capital Receipts Reserve	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	12,966	-	(12,966)
Contribution from the Capital Receipts Reserve towards revenue costs under Capital Receipts flexibility	-	-	-	-	-	-

	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance disposal costs	-	(65)	-	65	-	-
Contribution from the Capital Receipts Reserve to finance repayment of 141 RTB receipts	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	11,039	(11,039)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	8,591	-	-	(8,591)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(87)	-	-	-	-	87
Adjustments primarily involving the Financial Instruments Revaluation Reserve						
Movement in fair value of Financial Instruments	-	-	-	-	-	-
Adjustment primarily involving the Pensions Reserve:						
Employer's pensions contributions and direct payments to pensioners payable in the year	12,995	526	-	-	-	(13,521)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(13,854)	(571)	-	-	-	14,425
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 income calculated for the year in accordance with statutory requirements	(556)	-	-	-	-	556
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:						
Transfer of deficit in respect of schools budget	-	-	-	-	-	-
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	926	-	-	-	-	(926)
Total Adjustments:	(11,191)	9,346	(2,448)	1,731	16,541	(13,979)

Adjustments between Accounting Basis and Funding Basis under Regulations – 2022/23

2022/23

	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
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	(22,866)	(10,386)	-	-	-	33,252
Revaluation losses/(gains) on Property Plant and Equipment	97	(1,029)	-	-	-	932
Movements in the market value of Investment Properties	(18,635)	-	-	-	-	18,635
Amortisation of intangible assets	(1,025)	(165)	-	-	-	1,190
Capital grants and contributions applied	27,350	1,318	-	-	-	(28,668)
Revenue expenditure funded from Capital under statute	(13,136)	-	-	-	-	13,136
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	(4,100)	(14,484)	-	-	-	18,584
Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:						
Statutory provision for the financing of capital investment	6,763	-	-	-	-	(6,763)
Capital expenditure charged against the General Fund and HRA balances	482	2,865	-	-	-	(3,347)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	13,525	1,947	-	-	(15,472)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(11,918)	(133)	-	-	12,051	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	2,950	15,906	-	(18,856)	-	-
Transfer of cash loan repayment to the Capital Receipts Reserve	-	-	-	(602)	-	602
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	15,001	-	(15,001)
Contribution from the Capital Receipts Reserve towards revenue costs under Capital Receipts flexibility	-	-	-	-	-	-

	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance disposal costs	-	(69)	-	69	-	-
Contribution from the Capital Receipts Reserve to finance repayment of 141 RTB receipts	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	10,386	(10,386)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	9,377	-	-	(9,377)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	19	-	-	-	-	(19)
Adjustments primarily involving the Financial Instruments Revaluation Reserve						
Movement in fair value of Financial Instruments	-	-	-	-	-	-
Adjustment primarily involving the Pensions Reserve:						
Employer's pensions contributions and direct payments to pensioners payable in the year	12,756	522	-	-	-	(13,278)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(36,275)	(1,552)	-	-	-	37,827
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 income calculated for the year in accordance with statutory requirements	14,331	-	-	-	-	(14,331)
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:						
Transfer of deficit in respect of schools budget	-	-	-	-	-	-
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	(471)	1	-	-	-	470
Total Adjustments:	(30,153)	5,127	(1,009)	(4,388)	(3,421)	33,844

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2023/24:

	Transfers Out During Year £000's	Transfers In During Year £000's	Net mov't During Year £000's	Balance at 31-Mar-24 £000's	Balance at 31-Mar-23 £000's
General Fund					
Developers Contributions Unapplied	918	(1,633)	(715)	(11,101)	(10,386)
Venture Fund	650	(161)	489	(4,049)	(4,538)
Waste Management Reserve	500	(500)	-	(829)	(829)
Yearsley Pool Reserve	218	-	218	(377)	(595)
Mental Health Accommodation Programme	140	-	140	(654)	(794)
DSG Reserve	7,217	(9,649)	(2,432)	(9,649)	(7,217)
NNDR Reserve	9,345	(12,922)	(3,577)	(12,915)	(9,338)
Miscellaneous	19,483	(19,283)	200	(10,408)	(10,608)
Subtotal General Fund	38,471	(44,148)	(5,677)	(49,982)	(44,305)
HRA					
Miscellaneous	-	(49)	(49)	(141)	(92)
53rd Week Rent	237	-	237	565	328
HRA Investment Reserve	794	-	794	(3,713)	(4,507)
Subtotal HRA	1,031	(49)	982	(3,289)	(4,271)
Total Earmarked Reserves	39,502	(44,197)	(4,695)	(53,271)	(48,576)

Reserves

The most significant item held within **Developers Contributions** relates to the Community Stadium.

Venture Fund - This fund was established with an initial capital balance of £4m. The fund makes monies available for Council projects that have the ability to generate expenditure savings or increased income. Advances from the fund are required to be repaid over an appropriate life of the project in relation to the life of the asset

Waste Management Reserve – When the Long Term Waste Contract was agreed by Council, it was agreed to set aside additional funds in order to build up sufficient budget to fund the contractual obligations. These increased budgets have funded waste contractual increases such as Landfill Tax and the balance has been added to a Waste Reserve. This reserve has funded and will continue to fund one off costs relating to the Waste Project such as s106 obligations, highway improvements and lease payments.

DSG Reserve - This reserve represents the surplus achieved on the Dedicated Schools Grant in the two years since the MHCLG (now DLUHC) ring-fencing of deficits at 31/03/2021. To understand the overall DSG position, reference to Note 39 and the Unusable Reserves section of the Statement of Accounts is required.

Yearsley Pool Reserve – This reserve was created following a Council decision in February 2015 to approve a sum of £1.5m over a 5 year period towards support for maintaining Yearsley Pool, to be funded from unallocated New Homes Bonus monies

Mental Health Accommodation Programme - Mental Health Accommodation Programme. This reserve holds the Tees, Esk & Wear Valleys NHS Foundation Trust's initial contribution to the development of specialist mental health housing and support for people with multiple and complex needs in York. The programme was agreed by the Executive in August 2020, with work starting in 2021/22

NNDR reserve - The NNDR Reserve was created to account for 'timing differences' between NNDR receipts in the Collection Fund and General Fund, which occur mainly due to S31 grants. When central government provide a discount on a business sector's NNDR liability, central government compensates the Council by providing a S31 grant equivalent to the discount given, which is allocated to the General Fund. This 'discount' results in a deficit on the Collection Fund and a corresponding surplus on the General Fund. The surplus on the General Fund is transferred to the NNDR earmarked reserve to use in the following year against the Collection Fund deficit. In both 2022/23 and 2023/24, the government provided increased reliefs to retail and hospitality businesses. The transfers in and out during 2023/24 allow for the release of S31 grants in respect of these reliefs.

Miscellaneous reserves include a range of earmarked reserves to hold monies over the year end period pending investment, such as Care Act funds and the York Financial Assistance Scheme.

In 2012 the Localism Act introduced a significant change to the way that Council Housing is financed by dismantling the previous system of HRA subsidy and introducing self financing. As part of the self financing HRA Business Plan a reserve was created for HRA investment in new build / redevelopment opportunities.

9. OTHER OPERATING EXPENDITURE

	2023/24	2022/23
	£'000's	£'000's
Parish council precepts	928	866
Gains/losses on the disposal of non-current assets	2,593	(272)
Total	3,521	594

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2023/24	2022/23
	£'000's	£'000's
Interest payable and similar charges	14,202	14,335
Net interest on the net defined benefit liability	(3,187)	2,336
Interest receivable and similar income	(1,283)	(1,181)
Income and expenditure in relation to investment properties and changes in their fair value	(2,790)	14,621
Other investment income	(490)	(504)
Total	6,452	29,607

11. TAXATION AND NON SPECIFIC GRANT INCOME

	2023/24	2022/23
	£'000's	£'000's
Council tax income	(107,965)	(102,259)
Non domestic rates	(33,300)	(47,845)
Non-ringfenced or government grants	(38,139)	(35,638)
Capital grants and contributions	(13,130)	(21,849)
Total	(192,534)	(207,591)

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12. PROPERTY, PLANT AND EQUIPMENT

2023/24	Council Dwellings	Other Land & Buildings	Plant / Vehicle / Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	Service concession assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation (GCA)</u>								
At 1 April 2023	593,601	389,154	42,986	284	25,826	74,997	1,126,848	50,662
Additions	10,934	9,193	3,567	-	-	41,644	65,338	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,116)	15,638	-	(8)	(467)	-	11,047	6,549
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,893)	(3,755)	-	(2)	-	-	(13,650)	(3,701)
Derecognition - Disposals	(3,936)	(7,179)	(3,986)	-	(170)	-	(15,271)	-
Derecognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(2,648)	-	-	-	-	(2,648)	-
Assets reclassified (to)/from Investment Property	-	(65)	-	-	-	-	(65)	-
Other transfers between asset classes (Cost or Valuation)	1,298	11,095	119	-	(1,290)	(14,615)	(3,393)	-
At 31 March 2024	587,888	411,433	42,686	274	23,899	102,026	1,168,206	53,510
<u>Accumulated Depreciation & Impairment</u>								
At 1 April 2023	-	(6,114)	(23,628)	-	-	-	(29,742)	-
Depreciation Charge for 2023/24	(9,893)	(11,186)	(4,086)	(2)	-	-	(25,167)	(3,701)
Accumulated Depreciation Write Out to Gross Carrying Amount	9,893	12,643	-	2	-	-	22,538	3,701
Acc. Impairment WO to GCA	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	74	3,962	-	-	-	4,036	-
Assets reclassified (to)/from Investment Property	-	12	-	-	-	-	12	-
Other transfers between asset classes (Depreciation and Impairment)	-	-	-	-	-	-	-	-
At 31 March 2024	-	(4,571)	(23,752)	-	-	-	(28,323)	-
<u>Net Book Value</u>								
At 31 March 2024	587,888	406,862	18,934	274	23,899	102,026	1,139,883	53,510
At 31 March 2023	593,601	383,040	19,358	284	25,826	74,997	1,097,106	50,662

NOTES TO THE MAIN FINANCIAL STATEMENTS

Comparative Movements in 2022/23:

2022/23	Council Dwellings	Other Land & Buildings	Plant / Vehicle / Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	Service concession assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation (GCA)</u>								
At 1 April 2022	568,268	369,558	42,187	115	27,495	89,020	1,096,643	47,233
Additions	11,269	6,000	4,472	-	-	31,738	53,479	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	25,476	26,692	-	60	1,464	-	53,692	9,528
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,471)	(14,158)	-	(21)	(113)	(186)	(23,949)	(6,099)
Derecognition – Disposals	(4,334)	(2,926)	(4,589)	-	(3,020)	-	(14,869)	-
Derecognition – Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(8,259)	-	-	-	-	(8,259)	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	(23,446)	(23,446)	-
Other transfers between asset classes (Cost or Valuation)	2,393	12,247	916	130	-	(22,129)	(6,443)	-
At 31 March 2023	593,601	389,154	42,986	284	25,826	74,997	1,126,848	50,662
<u>Accumulated Depreciation & Impairment</u>								
At 1 April 2022	-	(9,312)	(24,045)	(6)	-	(2)	(33,365)	(3,182)
Depreciation Charge for 2022/23	(9,471)	(10,337)	(4,123)	(1)	-	-	(23,932)	(2,917)
Acc. Depreciation WO to GCA	9,471	13,530	-	7	-	-	23,008	6,099
Acc. Impairment WO to GCA	-	8	-	-	-	-	8	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(8)	-	-	-	-	(8)	-
Derecognition - Disposals	-	5	4,540	-	-	-	4,545	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	2	2	-
Other transfers between asset classes (Depreciation and Impairment)	-	-	-	-	-	-	-	-
At 31 March 2023	-	(6,114)	(23,628)	-	-	-	(29,742)	-
<u>Net Book Value</u>								
At 31 March 2023	593,601	383,040	19,358	284	25,826	74,997	1,097,106	50,662
At 31 March 2022	568,268	360,246	18,142	109	27,495	89,018	1,063,278	44,051

Depreciation

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

- Council Dwellings & Shared Ownership Properties – 45 years
- Other Land and Buildings – As advised by the valuer, up to maximum of 90 years
- Vehicles, Plant, Furniture & Equipment – 3-10 years
- Infrastructure (shown in separate table below) – 30 years for Carriageways, Footways and Cycleways; 115 years for Structures; 35 years for Street Lighting and Street Furniture; 25 years for Bus Shelters; 10 years for Traffic Management Systems.

Capital Commitments

- At 31 March 2024, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years budgeted to cost c£6.931m. Similar commitments as 31 March 2023 were c£7.031m.

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations are carried out internally with the exception of Allerton Waste Recycling Plant. This was valued in 2023/24 by external valuers due to its specialist nature. 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 Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated **historical** cost. The effective date for Property, Plant and Equipment valuations is usually 31st March, with the exception of Housing Revenue Account assets which have an effective valuation date of 31st January.

The council's housing stock normally has a full revaluation every 5 years, with the latest full revaluation undertaken at 31/03/2022. On the interim years, desktop revaluations are normally undertaken. This year a desktop valuation was undertaken at 31/01/2024. The value of the council's housing stock decreased by £4.116m as a result of the desktop revaluation at 31/01/2024.

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant etc. £000's	Community £000's	Surplus Assets £000's	Asset under Construction £000's	TOTAL £000's
Carried at historical cost	-	-	42,686	-	-	98,660	141,346
Valued at Current Value as at:							
31-Mar-24	587,888	320,969	-	274	23,899	440	933,470
31-Mar-23	-	11,915	-	-	-	1,290	13,205
31-Mar-22	-	16,560	-	-	-	1,636	18,196
31-Mar-21	-	16,058	-	-	-	-	16,058
31-Mar-20	-	45,931	-	-	-	-	45,931
Total Cost or Valuation	587,888	411,433	42,686	274	23,899	102,026	1,168,206

Fair Value measurement of Non-operational Property, Plant and Equipment (Surplus Assets)

All of the Council's Surplus Properties have been categorised as Level 2 within the fair value hierarchy as at 31 March 2024. The fair value of Surplus Properties as at 31 March 2024 is £23.899m. There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to determine Level 2 Fair Values for Surplus Properties

The fair value for surplus properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar properties in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

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

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

HIGHWAYS INFRASTRUCTURE ASSETS

Movements on balances

In accordance with the temporary relief on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Movement in Highways Infrastructure balances:

	2023/24 £000	2022/23 £000
Net Book Value at 1st April	163,058	155,623
Additions	14,436	11,055
Derecognitions	-	-
Depreciation	(9,939)	(9,312)
Impairment	-	-
Other Movements in cost	3,265	5,692
Net Book Value at 31st March	170,820	163,058

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

The total for Property, Plant and Equipment as seen on the Balance Sheet is made up as follows:

	31 March 2024 £000	31 March 2023 £000
Infrastructure assets	170,820	163,058
Other PPE assets	1,139,883	1,097,106
Total PPE assets	1,310,703	1,260,164

13. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Heritage Properties £000	Art Collection £000	Mansion House Collection & Civic Regalia £000	Castle Museum Collections £000	TOTAL £000
Cost or Valuation					
1 April 2022	1,636	106,629	8,517	1,236	118,018
Revaluations	-	3,113	1,046	113	4,272
31 March 2023	1,636	109,742	9,563	1,349	122,290
Cost or Valuation					
1 April 2023	1,636	109,742	9,563	1,349	122,290
Revaluations	-	-	-	270	270
31 March 2024	1,636	109,742	9,563	1,619	122,560

All heritage assets in the Council are tangible assets and have been reported at valuation rather than cost. The different heritage assets have been valued in accordance with the nature of the category.

Heritage Properties

The Council's valuer, values assets in accordance with the property RICS guidance and for heritage assets where a market value exists, the assets are valued at current value market value. Where no market value exists, the value stated is replacement cost. All valuations are recorded on a valuation certificate.

The code recognises that it may not be possible to value all heritage assets due to their size and unique historical importance. Four such assets have been identified:

- (a) Medieval City Walls
- (b) Yorkshire Museum and Gardens and Hospitium
- (c) Abbey Walls – Marygate and Bootham
- (d) Roman Multangular Tower and adjoining Walls

Art Collection

The Council's collection of art is located at the City Art Gallery and is reported in the Balance Sheet at insurance valuation which is based on market values. The insurance valuation is reviewed annually and used to update the values as necessary.

Mansion House Collection and Civic Regalia

An external Antiques & Fine Art valuer carried out a full valuation of the Mansion House collection and Civic Regalia in March 2023. The valuation for the Mansion House Collection and Civic Regalia is included at the Balance Sheet date.

The valuation details all contents of the Mansion House and details all items individually including furniture, pictures, works of art, ceramics & glassware, etc. Specifically, the Regalia includes the Bowes Sword, the Emperor Sigismund's Sword, the Great Mace, the Lady Mayoress' staff of Honour, the Lord Mayor's gold chain of office.

Museum Collections

Both Castle Museum and Yorkshire Museum are incorporated into Museums Trust which is a separate charitable organisation. The Museum's collections have been considered as part of the Council's heritage assets as the ownership / responsibility for the collections is with the Council.

The Castle Museum collection has a relatively low insurance valuation included on the Balance Sheet as the nature of the museum is that of a social history collection and therefore many items are of low value. Insurance valuations are reviewed annually.

Yorkshire Museum collection has not been included on the Balance Sheet as no monetary value is available. There are many unique items held at Yorkshire Museum where it would be difficult to obtain an insurance valuation, for example. The CIPFA Code recognises that in some circumstances it is not possible to gain a valuation without considerable cost to the Council, where by it would not be beneficial to obtain one.

14. 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:

	2023/24	Restated 2022/23
	£000's	£000's
Commercial rental income from investment property	(5,498)	(5,188)
Commercial direct operating expenses arising from investment property	1,464	1,174
Net Income	(4,034)	(4,014)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year.

	2023/24	2022/23
	£000's	£000's
Balance at start of the year	72,826	66,466
Additions:		
Acquisitions	-	-
Enhancements	531	1,552
Disposals	-	-
Net gain or loss on Fair Value	(1,244)	(18,635)
Transfers:		
to/ from Property, Plant & Equipment	53	23,443
Balance at end of year	72,166	72,826

Fair Value measurement of Investment Property

All of the Council's Investment Properties have been categorised as Level 2 within the fair value hierarchy as at 31 March 2024. The fair value of Investment Properties as at 31 March 2024 is £72.166m. There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to determine Level 2 Fair Values for Investment Properties

The fair value for investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar properties in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is normally their current use. This is the case for all of the Council's investment Properties.

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

Valuation Processes for Investment Properties

The fair value of the council's investment property is measured annually at each reporting date. Properties valued at over £0.5m are subject to a full revaluation annually whilst those less than £0.5m are subject to a full revaluation every 5 years as part of the rolling programme, and a desktop review is undertaken on the interim years. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

15. INTANGIBLE ASSETS

The Council 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 are purchased licenses 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 Council. The useful lives assigned to the major software suites used by the Council are:

	Internally Generated Assets	Other Assets
1 - 3 years	None	Schools & Children's Services, Corporate, Financial & Audit, Property, Legal, Highways, Environmental, Leisure, Adult Services
4 - 5 years	None	Schools & Children's Services, Corporate, Financial & Audit, Highways, Environmental, Leisure, Adult Services, Housing
6 - 10 years	None	Highways, Human Resources, Schools & Children's Services, Adult Services

The carrying amount of intangible assets is amortised on a straight-line basis and the amortisation charge in 2023/24 was £774k (2022/23 was £1,190k), contained in this figure is £166k relating to HRA assets.

The movement on Intangible Asset balances during the year is shown in the following table:

	2023/24			2022/23		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Balance at start of year:						
- Gross carrying amounts	-	8,505	8,505	-	8,065	8,065
Category Adjustments	-	128	128	-	751	751
- Revised Gross carrying amounts	-	8,633	8,633	-	8,816	8,816
- Accumulated amortisation	-	(6,139)	(6,139)	-	(5,360)	(5,360)
Net carrying amount at the start of the year	-	2,494	2,494	-	3,456	3,456
Purchases	-	3	3	-	100	100
Other disposals	-	(10)	(10)	-	-	-
Amortisation for the period	-	(774)	(774)	-	(1,190)	(1,190)
Net carrying amount at the end of year	-	1,713	1,713	-	2,366	2,366
Comprising:						
- Gross carrying amounts	-	8,016	8,016	-	8,505	8,505
- Accumulated amortisation	-	(6,303)	(6,303)	-	(6,139)	(6,139)
	-	1,713	1,713	-	2,366	2,366

16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets	Non-Current				Current				Total
	Investments		Debtors		Investments		Debtors		
	31-Mar-24 £'000	31-Mar-23 £'000	31-Mar-24 £'000	31-Mar-23 £'000	31-Mar-24 £'000	31-Mar-23 £'000	31-Mar-24 £'000	31-Mar-23 £'000	
Fair Value through profit or loss	-	-	-	-	-	-	-	-	-
Amortised cost	-	-	4,077	4,210	53	251	29,846	30,311	33,976
Fair value through other comprehensive income - designated equity instruments	5,965	5,080	-	-	-	-	-	-	5,965
Fair value through other comprehensive income - other	-	-	-	-	-	-	-	-	-
Total financial assets	5,965	5,080	4,077	4,210	53	251	29,846	30,311	39,94
Non-financial assets	-	-	-	-	-	-	25,824	20,151	25,82
Total	5,965	5,080	4,077	4,210	53	251	55,670	50,462	65,76

Financial Liabilities					Non-Current				Current					
					Borrowings		Creditors			Borrowings		Creditors		Total
					31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24	
					£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Fair Value through profit or loss					-	-	-	-	-	-	-	-	-	
Amortised cost					(281,069)	(294,365)	-	-	(47,288)	(8,084)	(39,361)	(35,426)	(367,718)	
PFI					(40,658)	(41,741)	-	-	(1,083)	(1,065)	-	-	(41,741)	
Total financial liabilities					(321,727)	(336,106)	-	-	(48,371)	(9,149)	(39,361)	(35,426)	(409,459)	
Non-financial liabilities					-	-	-	-	-	-	(24,993)	(26,657)	(24,993)	
Total					(321,727)	(336,106)	-	-	(48,371)	(9,149)	(64,354)	(62,083)	(434,452)	

Note 1 – Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Note 2 - The above table does not include cash held by the authority that is either on call, instant access or on a notice period of 30 days or less. These amounts are included in Note 21 Cash and Cash Equivalents totalling £1.814m in 2023/24 (£13.292 in 2022/23). Short term investments within Note 21 Cash and Cash Equivalents total £4.622m in 2023/24 (£10.182m in 2022/23).

Fair value of Equity Instruments designated to Fair Value through Other Comprehensive Income

With the introduction of IFRS 9 in 2018/19 the authority designated the following equity at 1st April 2018 as Fair Value through Other Comprehensive Income:

	31-Mar-24			31-Mar-23			31-Mar-24	31-Mar-23
	Nominal	Gain / (Loss) within equity	Fair Value	Nominal	Gain / (Loss) within equity	Fair Value	Dividend	Dividend
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Yorwaste	1,008	855	1,863	1,008	968	1,976	0	33
Veritau Shares	0	962	962	0	5	5	0	0
Municipal Bonds Agency Shares	40	(40)	0	40	(40)	0	0	0
Make It York	0	0	0	0	0	0	25	0
City of York Trading Ltd	0	1672	1672	0	1540	1540	300	154
Leeds City Region Revolving Investment Fund	1,372	96	1,468	1,372	187	1,559	20	162
Total	2,420	3,545	5,965	2,420	2,660	5,080	345	349

- **Yorwaste** – Equity instrument not held for trading and is held as part of a business model to meet a service objective. Following government legislation in 1992/93 all local authorities had to outsource their waste disposal functions. Yorwaste Limited created and owned by NYCC. Upon local government reorganisation at 01/04/96 CYC gained 22.27% shareholding in Yorwaste (based on % of population).
- **Veritau Shares** - Equity instrument not held for trading and is held as part of a business model to meet a service objective - provision of internal audit and counter-fraud services. The company is jointly owned by City of York Council and North Yorkshire County Council, with each Council holding 50% of the shares.
- **Make It York** - Equity instrument not held for trading and is held as part of a business model to meet a service objective. The objects of the Company are to carry on activities which benefit the City of York and its functioning economic area within the areas of marketing, culture, tourism and business development

- **City of York Trading Ltd** - Equity instrument not held for trading and is held as part of a business model to meet a service objective – supply of temporary staff to the Council.
- **Leeds City Region Revolving Investment Fund** - Equity instrument not held for trading and is held as part of a business model to meet a strategic objective. The Leeds City Region Revolving Investment Fund provides short term loans of over £1m to support businesses to accelerate economic growth and job creation within the Leeds City Region.
- **Municipal Bonds Agency** - Equity instrument not held for trading and is held as part of a business model to meet a strategic objective. The UK Municipal Bonds Agency PLC was set up in June 2014 with the primary aim of helping to reduce local authority finance costs, backed by 56 local authority shareholders and the Local Government Association (LGA).

Fair value of Equity Instruments designated to Fair Value through Other Comprehensive Income disclosures on derecognition

No equity instruments were derecognised in 2023/24 and none were derecognised in 2022/23.

Fair value

Basis for recurring fair value measurements:

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

Fair value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/03/24 £'000s	Investment / Redemption £'000s	As at 31/03/23 £'000s	Gain / (Loss) posted to Other Comprehensive Income and Expenditure £'000s
Equity Shareholding in Yorwaste	Level 3		1,863		1,976	(113)
Equity Shareholding in Veritau Shares	Level 3		962		5	957
Equity Shareholding in Make It York	Level 3	IFRS 13 Fair Value Measurement	-		-	-
Equity Shareholding in City of York Trading Ltd	Level 3	- Adjusted Net Asset Value Method	1,672		1,540	132
Equity Shareholding in Leeds City Region Revolving Investment Fund	Level 3		1,468		1,559	(91)
Equity Shareholding in UK Municipal Bonds Agency PLC	Level 3		-		-	-
Total			5,965	-	5,080	885

Note 3 – Fair value has been measured with reference to IFRS 13 Fair Value Measurement - Adjusted Net Asset Value Method. The adjusted net asset method involves deriving the fair value of an equity instrument by reference to the fair value of the investees assets and liabilities. The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognised in an investee's statement of financial position. This method is deemed appropriate to measure the Councils equity investments as they are not held for trading and are part of specific service or strategic business models.

The fair values of Financial Assets and Financial Liabilities that are not measured at fair value (but for which fair value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets, including Long-term debtors and creditors are represented by Amortised Cost in the Balance Sheet. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the table sets out the alternative fair value measurement applying the borrowing rates (the alternative to the above), highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, prevailing market rates have been have been applied to provide the fair value;
- For loans taken out at concessionary rates the value of the loans are discounted using a prevailing market rate to reflect the fair value. For more information see Note 26 Unusable Reserves - Financial Instruments Adjustment Account;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;

- Where an instrument has a maturity of less than 12 months the fair value is taken to be the carrying amount;
- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount.
- Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair values calculated are as follows:

	31 March 2024		31 March 2023	
	Carrying Amount £'000s	Fair Value £'000s	Carrying Amount £'000s	Fair Value £'000s
Financial Liabilities held at amortised cost:				
PWLB debt	(317,249)	(294,422)	(293,403)	(282,366)
Interest on PWLB debt	(3,791)	(3,791)	(1,773)	(1,773)
Market debt	(5,000)	(5,446)	(5,000)	(5,670)
Interest on Market debt	(97)	(97)	(96)	(96)
WYCA debt	(2,220)	(2,350)	(2,177)	(2,350)
Interest on WYCA debt	-	-	-	-
Short-term creditors	(39,361)	(39,361)	(35,426)	(35,426)
Long-term creditors	-	-	-	-
PFI liabilities	(41,741)	(41,741)	(42,806)	(42,806)
Finance lease liabilities	-	-	-	-
Total	(409,459)	(387,208)	(380,681)	(370,487)

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £298.212m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount of £321.039m and the fair value of £298.212m is £-22.827m; £-23.278m PWLB fair value amount and £0.451m PWLB carrying value adjustment. The £-23.278m measures the reduced interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional or reduced interest that the authority will pay as a result of its PWLB commitments for individual fixed rate loans is to compare the terms of these individual loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the existing PWLB loans principal amount £317.700m (Carrying value £321.039m plus £0.451m PWLB carrying value adjustment and less £3.790m accrued interest) would be valued at £274.511m, the fair value being £-43.189m. But, if the authority were to seek to realise the overall projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to giving a discount for the reduced interest income that will be avoided. The exit price for the PWLB loans including the penalty charge would be £-22.827m.

Financial Assets

	31 March 2024		31 March 2023	
	Carrying Amount £'000s	Fair Value £'000s	Carrying Amount £'000s	Fair Value £'000s
Financial Assets held at amortised cost:				
Cash (current bank accounts and held)	(2,808)	(2,808)	3,110	3,110
Cash callable in less than 30 days	4,600	4,600	10,150	10,150
Investment Interest	22	22	32	32
Investments less than 365 days	53	53	251	251
Investments greater than 365 days	-	-	-	-
Short-term debtors	29,846	29,846	30,311	30,311
Long-term debtors	4,077	4,077	4,210	4,210
Total	35,790	35,790	48,064	48,064

Fair value hierarchy for Financial Assets and Financial Liabilities that are not measured at fair value

31 March 2024				
	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements using:	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt		(298,213)		(298,213)
Market debt		(5,543)		(5,543)
WYCA debt		(2,350)		(2,350)
Short-term creditors			(39,361)	(39,361)
Long-term creditors			-	-
PFI liabilities			(41,741)	(41,741)
Finance lease liabilities			-	-
Total	-	(306,106)	(81,102)	(387,208)

Financial Assets

Financial Assets held at amortised cost:

Cash and Cash Equivalents	1,814		1,814
Investments	53		53
Short-term debtors		29,846	29,846
Long-term debtors		4,077	4,077
Total	1,867	-	33,923

Comparator year 2022/23 RESTATED:
31 March 2023

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements using:	£'000	£'000	£'000	£'000
Financial Liabilities				
Financial Liabilities held at amortised cost:				
PWLB debt		(284,139)		(284,139)
Market debt		(5,766)		(5,766)
WYCA debt		(2,350)		(2,350)
Short-term creditors			(35,426)	(35,426)
Long-term creditors			-	-
PFI liabilities			(42,806)	(42,806)
Finance lease liabilities			-	-
Total	-	(292,255)	(78,232)	(370,487)
Financial Assets				
Financial Assets held at amortised cost:				
Cash and Cash Equivalents	13,292			13,292
Investments	251			251
Short-term debtors			30,311	30,311
Long-term debtors			4,210	4,210
Total	13,543	-	34,521	48,064

17. INVENTORIES

	Consumable Stores		Total	Total
	31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23
	£000's	£000's	£000's	£000's
Balance Outstanding at 1 April	359	507	359	507
Purchases	1,430	1,510	1,430	1,510
Recognised as an Expense in the Year	(1,398)	(1,657)	(1,398)	(1,657)
Balance Outstanding at 31 March	391	360	391	360

18. TRUST FUNDS

The Council administers various trust/third party funds. These funds do not represent assets of the Council and are therefore not included in the Council's Balance Sheet. The balances of these funds are invested with the Council. There are over 20 funds; the table shows the movements in the year, with details on the main trusts following.

	Expenditure During Year £000's	Income During Year £000's	Balance at 31-Mar-24 £000's	Balance at 31-Mar-23 £000's
Haughton/Gardiner Trust	-	(3)	(60)	(57)
Staff Lottery	-	(5)	(27)	(22)
Other Funds	14	(20)	(35)	(29)
	14	(27)	(122)	(109)

In August 2009 a new Trust Fund was established for the **Staff Lottery** Scheme, half of the money from ticket sales is paid out in prize money and the balance is used for funding staff benefits. In the years where not all funds have been used up, then the balance of staff contributions is transferred to a trust fund at the end of the year.

The **Haughton/Gardiner Trust** Fund was amended by 'power of resolution' on 8 August 2001, with consolidation being on 1 September 2002, from the original foundation regulated by will dated 23 July 1770. It also now incorporates six other funds. The income is to be used for the benefit of young people under 25, who are in need of financial assistance.

19. DEBTORS

	Balance at 31-Mar-24 £000's	Balance at 31-Mar-23 £000's
Trade Receivables	33,604	34,327
Prepayments	4,878	4,345
Other receivable amounts	26,656	22,225
Sub-total	65,138	60,897
Impairment	(9,468)	(10,435)
Total Debtors	55,670	50,462

Other receivable amounts include statutory debtors of £10.711m due for Council Tax and NNDR (£11.225m in 2022/23) and £1.765m due from HMRC (£2.133m in 2022/23). All other amounts included in other receivable amounts are for Collection Fund. These balances are treated as non-financial assets within the Financial Instruments Note 16. The £10.711m Council Tax and NNDR has an impairment allowance of £5.710m (£6.419m in 2022/23) which assumes a collection rate of 97.1% for Council Tax and 98.1% for NNDR (96.8% for Council Tax and 98.0% for NNDR in 2022/23). The £5.710m is included in the £9.468m impairment allowance (£10.435m in 2022/23) shown in the table above. The £1.765m due from HMRC is VAT owed and has no impairment against it.

20. LONG TERM DEBTORS

	Expenditure During Year £000's	Income During Year £000's	Balance at 31-Mar-24 £000's	Balance at 31-Mar-23 £000's
Housing Loans	-	-	9	9
Yorwaste Loan	-	-	1,000	1,000
Finance Lease Receivables	-	(7)	158	165
PFI Schemes	-	(114)	2,864	2,978
Other	-	(12)	46	58
	-	(133)	4,077	4,210

21. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	Balance at 31-Mar-24 £000's	Balance at 31-Mar-23 £000's
Cash Held by the Authority	2,529	5,536
Bank Current Accounts	(5,337)	(2,426)
Short Term Deposits	4,622	10,182
Total Cash and Cash Equivalents	1,814	13,292

22. ASSETS HELD FOR SALE

	2023/24 £000's	2022/23 £000's
Balance outstanding at start of year	-	-
<u>Assets newly classified as held for sale:</u>		
- Property, Plant and Equipment	2,648	8,259
Revaluation losses	-	-
<u>Assets declassified as held for sale:</u>		
- Property, plant and Equipment	-	-
Assets sold	(2,648)	(8,259)
Balance outstanding at year-end	-	-

Fair Value measurement of Assets Held for Sale

The Council's Assets Held for Sale are usually categorised as Level 2 within the fair value hierarchy. The fair value of Assets Held for Sale as at 31 March 2024 is nil, so there are no assets categorised as level 2 at this date. The fair value can be higher than the balance sheet value for Assets Held for Sale as, in line with accounting policies, Assets Held for Sale are held on the balance sheet at the lower of the carrying value on transfer to this category and fair value less costs to sell.

23. CREDITORS

	Balance at 31-Mar-24 £000's	Balance at 31-Mar-23 £000's
Trade Payables	(39,361)	(35,426)
Receipts in Advance	(11,478)	(12,935)
Other Payables	(13,515)	(13,722)
Total Creditors	(64,354)	(62,083)
Other Short-Term Liabilities	(4,398)	(5,306)
Total Short-Term Liabilities	(68,752)	(67,389)

Other payable amounts include statutory creditors of £3.787m for Council Tax and NNDR (£3.745m in 2022/23), £4.985m for payroll taxes and pension payments to HMRC and the Pension Funds (£4.825m in 2022/23), and £0.09m for CIS taxes to HMRC (£0.013m in 2022/23). All other amounts included in other payables are for Collection Fund. These balances are treated as non-financial liabilities within the Financial Instruments Note 16.

Other Short term liabilities contain liabilities in relation to accumulated absences and PFI.

This note contains £0.00m of Capital Grants received in advance (£0.00m in 2022/23) and £8.698m of Revenue Grants received in advance (£9.630m in 2022/23). Further details can be found in Note 40.

24. PROVISIONS

Total Provisions:

	Insurance Fund £000's	Business Rates £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2023	(1,683)	(687)	(237)	(2,607)
Additional provisions made in 2023/24	(624)	(741)	-	(1,365)
Amounts Used In 2023/24	350	545	67	962
Unused amounts reversed in 2023/24	293	-	-	293
Unwinding of discounting in 2023/24	-	-	-	-
Balance at 31 March 2024	(1,664)	(883)	(170)	(2,717)

of which the following are due to be settled within 12 months:

	Insurance Fund £000's	Business Rates £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2023	(496)	(98)	(237)	(831)
Additional provisions made in 2023/24	(338)	(98)	-	(436)
Amounts Used In 2023/24	350	98	67	515
Unused amounts reversed in 2023/24	-	-	-	-
Unwinding of discounting in 2023/24	-	-	-	-
Balance at 31 March 2024	(484)	(98)	(170)	(752)

Insurance Fund

The general insurance provision is based on information provided by the Council's insurers and is held to meet future potential liabilities in respect of claims outstanding but not received covering a period of several years.

Business Rates

Provision in relation to backdated revaluations arising from the Business Rates retention scheme.

Other Provisions

All other provisions are individually insignificant.

25. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and note 7.

26. UNUSABLE RESERVES

	Balance at 2023/24 £000's	Balance at 2022/23 £000's
Revaluation Reserve	(553,128)	(550,975)
Capital Adjustment Account	(458,254)	(431,225)
Financial Instruments Adjustment Account	1,214	1,127
Financial Instruments Revaluation Reserve	(3,545)	(2,660)
Dedicated Schools Grant Adjustment Account	9,940	9,940
Pensions Reserve	9,280	(60,918)
Collection Fund Adjustment Account	7,526	6,970
Accumulated Absences Account	3,315	4,242
Total Unusable Reserves	(983,652)	(1,023,499)

Revaluation Reserve

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

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

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

	2023/24 £000's	2022/23 £000's
Balance at 1 April	(550,975)	(503,412)
Upward revaluation of assets	(17,711)	(63,788)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	6,395	5,824
(Surplus)/deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	(11,316)	(57,964)
Difference between fair value depreciation and historical cost depreciation	6,801	6,190
Accumulated gains on assets sold or scrapped	2,362	4,211
Amount written off to the Capital Adjustment Account	9,163	10,401
Properties RR movement with CAA		
Balance at 31 March	(553,128)	(550,975)

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 Council as finance for the costs of acquisition, construction and enhancement.

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

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

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

	2023/24 £000's	2022/23 £000's
Balance at 1st April	(431,225)	(443,999)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	35,106	33,252
Revaluation losses on Property, Plant and Equipment	(8,888)	932
Amortisation of intangible assets	774	1,190
Revenue expenditure funded from capital under Statute	17,267	13,136
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	13,893	18,584
	58,152	67,094
Adjusting amounts written out of the Revaluation Reserve	(9,163)	(10,401)
Net written out amount of the cost of non-current assets consumed in the year	48,989	56,693
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(12,966)	(15,001)
Use of the Major Repairs Reserve to finance new capital expenditure	(8,591)	(9,377)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(20,309)	(16,639)
Application of grants to capital financing from the Capital Grants Unapplied Account	(24,078)	(12,029)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(9,351)	(6,161)
Statutory provision for the financing of the HRA subsidy	-	-
Capital expenditure charged against the General Fund and HRA balances	(1,967)	(3,347)
	(77,262)	(62,554)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,244	18,635
Balance at 31 March	(458,254)	(431,225)

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 Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

The Financial Instruments Adjustment Account is also used to manage the fair value / notional interest payable on loans at concessionary rates. For loans taken out at concessionary rates the value of the loan is discounted using a prevailing market rate to reflect the benefit obtained by the Council. The fair value is taken to the Account and amortised based on the assumed interest rate per annum and the balance on the Account is gradually written down as the value of the loan is amortised, until the value of the loan at redemption equals the value of the loan originally drawn down.

	2023/24		2022/23	
	£000's	£000's	£000's	£000's
Balance at 1st April		1,127		1,146
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement		(17)		(120)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements		61		59
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		44		(61)
NPV / Fair Value adj. for WYCA 0% loan (loan at concessionary rate) charged to CIES		-		-
Concessionary rate loan interest charged to CIES		43		42
Fair Value adjustment write up to reflect the benefit of having a loan at a concessionary rate		43		42
Balance at 31st March		1,214		1,127

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

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

	2023/24		2022/23	
	£000's	£000's	£000's	£000's
Balance at 1st April		(2,660)		(2,176)
Upward revaluation of investments	(1,089)		(484)	
Downward revaluation of investments	204			
Change in impairment loss allowances				
		(885)		(484)
Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		-		-
Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balances for financial assets designated to fair value through other comprehensive income		-		-
Balance at 31st March		(3,545)		(2,660)

Pensions Reserve

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

	31-Mar-24	31-Mar-23
	£000's	£000's
Balance at 1 April	(60,918)	93,111
Actuarial gains or losses on pensions assets and liabilities	69,529	(178,578)
Net increase in assets & liabilities from disposals	(235)	-
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	14,425	37,827
Employer's pensions contributions and direct payments to pensioners payable in the year.	(13,521)	(13,278)
Balance at 31 March	9,280	(60,918)

Collection Fund Adjustment Account

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

	31-Mar-24	31-Mar-23
	£000's	£000's
Balance at 1 April	6,970	21,303
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	556	(14,331)
Write off of balance		(2)
Balance at 31 March	7,526	6,970

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg 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.

	2023/24	2022/23
	£000's	£000's
Balance at 1 April	4,242	3,772
Settlement or cancellation of accrual made at the end of the preceding year	(4,242)	(3,772)
Amounts accrued at the end of the current year	3,315	4,242
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	(927)	470
Balance at 31 March	3,315	4,242

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account is a new statutory ring-fenced account introduced in 2020/21 for those authorities with a deficit on the schools budget, to allow separation of such deficits from the general fund. This is in response to the School and Early Years Finance (England) Regulations (2020) setting out that a schools budget deficit must be carried forward to be funded from future Dedicated Schools Grant income, unless permission is sought from the Secretary of State for Education to fund the deficit from general resources.

	31-Mar-24 £000's	31-Mar-23 £000's
Balance at 1 April		
Deficit amount accumulated at 1st April	9,940	9,940
Amount by which expenditure chargeable to the DSG was exceeded by actual DSG Grant received for the financial Year 2023/24	-	-
Balance at 31 March	9,940	9,940

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Balance at 31-Mar-24	Balance at 31-Mar-23
	£000's	£000's
Interest received	(1,212)	(1,225)
Interest paid	7,709	9,766
Dividends received	(477)	(433)

The analysis for the adjustments to the net surplus or deficit on the provision of services for non cash movements

	31-Mar-24 £000's	31-Mar-23 £000's
Depreciation, Impairment and Amortisation of fixed assets	(26,991)	(35,374)
(Increase)/decrease in impairment for bad debt	(967)	766
Increase/(decrease) in stocks and works in progress	31	(147)
Increase/(decrease) in debtors	4,156	(13,724)
(Increase)/decrease in creditors	680	16,529
Pension Liability:		
Net Charge to the CIES	(14,425)	(37,827)
Employers contributions to pension funds and direct payments to pensioners	13,521	13,278
Carrying amount of non-current assets sold	(13,893)	(18,584)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services:		
Provisions	(110)	330
Movements in the value of investment properties	(1,244)	(18,635)
Movements in the value of Finance Leases and PFI	(121)	(97)
Movement in the FIAA	(61)	(59)
Adjustment to the Net Surplus or Deficit on Provision of Services for non-cash movements	(39,424)	(93,544)

The analysis for the adjustments to the net surplus or deficit on the provision of services that are investing and financing activities are illustrated below:

	31-Mar-24 £000's	31-Mar-23 £000's
Proceeds from sale of property, plant and equipment, investment property and intangible assets	11,299	18,856
Grants applied to the financing of capital expenditure	27,846	32,089
Adjustments for items included in the net surplus or deficit on the Provision of Services that are investing and financing activities	39,145	50,945

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	Balance at 31-Mar-24 £000's	Balance at 31-Mar-23 £000's
Purchase of property, plant and equipment, investment property and intangible assets	77,176	66,880
Purchase of short-term and long-term investments	343,451	282,100
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,299)	(18,856)
Proceeds from short-term and long-term investments	(343,650)	(281,900)
Other receipts from investing activities	(27,846)	(32,089)
Net cash flows from investing activities	37,832	16,135

29. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	Balance at 31-Mar-24 £000's	Balance at 31-Mar-23 £000's
Cash receipts of short-term and long-term borrowing	(30,000)	-
Other receipts from financing activities	(12)	(607)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,064	1,201
Repayments of short-term and long-term borrowing	6,215	4,700
Other payments for financing activities	1,065	1,021
Net cash flows from financing activities	(21,668)	6,315

Reconciliation of borrowing and PFI liabilities arising from financing activities:

2023/24:

	2023/24	Financing		Changes which are not	2023/24
	01 April	cash flows		financing cash flows	31 March
			Acquisition	Other non-financing cash flows	
	£000's	£000's	£000's	£000's	£000's
Long-term borrowings	(295,050)	13,400	-	-	(281,650)
Short-term borrowings	(6,215)	(37,185)	-	-	(43,400)
- Lease liabilities	-	-	-	-	-
- On balance sheet PFI liabilities	(42,806)	1,065	-	-	(41,741)
Total liabilities financing activities	(344,071)	(22,720)	-	-	(366,791)

2022/23:

	2022/23	Financing		Changes which are not	2022/23
	01 April	cash flows		financing cash flows	31 March
			Acquisition	Other non-financing cash flows	
	£000's	£000's	£000's	£000's	£000's
Long-term borrowings	(301,265)	6,215	-	-	(295,050)
Short-term borrowings	(4,700)	(1,515)	-	-	(6,215)
- Lease liabilities	-	-	-	-	-
- On balance sheet PFI liabilities	(44,007)	1,201	-	-	(42,806)
Total liabilities financing activities	(349,972)	5,901	-	-	(344,071)

PFI liabilities include long term liabilities of £40.658m (£41.741m in 2022/23) as shown in the balance sheet under 'Other Long-Term Liabilities' and short term liabilities of £1.083m (£1.065m in 2022/23) as shown in the balance sheet under 'Other Short-Term Liabilities'. Borrowings are included in the table above at their principal amounts.

30. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2023/24	2022/23
	£000	£000
Expenditure/Income		
Expenditure		
Employee benefits expenses	156,777	183,732
Other services expenses	283,405	314,192
Support service recharges	765	770
Depreciation, amortisation, impairment	38,112	35,374
Interest payments	14,202	14,336
Precepts and levies	927	866
Payments to Housing Capital Receipts Pool	-	-
Loss on the disposal of assets	2,593	-
Total Expenditure	496,781	549,270
Income		
Customer and client receipts	(99,006)	(95,092)
Interest and investment income	(1,773)	(1,686)
Income from council tax and non domestic rates	(141,266)	(150,103)
Government grants and contributions	(205,584)	(217,723)
Other Operating Income	(53,558)	(38,489)
Gain on the disposal of assets	-	(272)
Total Income	(501,187)	(503,365)
Surplus or Deficit on the Provision of Services	(4,406)	45,905

31. ACQUIRED AND DISCONTINUED OPERATIONS

All council operations are categorised as continuing operations.

32. TRADING OPERATIONS

The Council had no significant external trading operations in 2023/24 (no significant external trading operations in 2022/23). The Council has established a number of internal trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (eg refuse collection), whilst others are support services to the Council's services to the public (eg school governor support such as advice, training and clerking). The expenditure of these operations is allocated or recharged to headings in Net Cost of Services.

33. AGENCY SERVICES

The Council, as a billing Council, both bills and collects income on behalf of the central government, the Police and Crime Commissioner for North Yorkshire and the North Yorkshire Fire and Rescue Council for National Non-Domestic Rates and Council Tax. This statutory arrangement is treated in the Council's accounts as an agency agreement.

The Council provides payroll services to external organisations, although the numbers buying the service have reduced in recent years. In 2023/24 payroll services were provided to 2 charity organisations.

	2023/04	2022/23
	£000's	£000's
Expenditure incurred providing Payroll Services	35	57
Fee income earned	(9)	(21)
Net Position	26	36

34. ROAD CHARGING SCHEMES

There were no schemes under the Transport Act 2000 in 2023/24 (no schemes in 2022/23).

35. POOLED BUDGETS

Better Care Fund (BCF) and Improved Better Care Fund (IBCF)

City of York Council (CYC) and Humber and North Yorkshire Integrated Care Board (ICB) entered into a pooled budget arrangements under section 75 of the Health Care Act 2006 for the management of commissioning resources related to the Better Care Fund (BCF) and Improved Better Care Fund (IBCF).

The parties to this agreement contribute to a pooled commissioning budget which is overseen by the City of York Health and Wellbeing Board. The ICB host the pooled budget. The Adult Social Care Discharge Fund is a new grant for 2022/23 that must also be pooled in the Better Care Fund.

	2023/24 £000s	2022/23 £000s
Contributions to the Better Care fund		
Council – Disabled Facilities Grant	1,596	1,468
Council – Improved Better Care Fund Grant	5,369	5,368
Vale of York CCG/Humber and North Yorkshire ICB	14,883	14,086
Adult Social Care Discharge Fund	1,765	1,728
	23,613	22,650
Expenditure from the Better Care Fund		
City of York Council Commissioned Schemes	12,301	11,764
Vale of York CCG/Humber and North Yorkshire ICB commissioned schemes	9,547	9,158
ASC Discharge Fund	1,765	1,728
	23,613	22,650
Net Surplus arising on the Pooled budget during the year	-	-

¹Clinical Commissioning Groups were replaced by Integrated Commissioning Boards on 1st July 2022

36. MEMBERS ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2023/24 £000's	2022/23 £000's
Allowances	786	835
Expenses	8	7
Total	794	842

37. OFFICERS' REMUNERATION**Senior Officers' Remuneration**

The Accounts and Audit Regulations (2015) requires authorities to include a note of the remuneration and the authority's contribution to the person's pension of senior officers in respect of their employment, whether on a permanent or temporary basis. Senior Officers are required to be listed individually and identified by way of job title only (except for persons whose salary is £150,000 or more per year, who must also be identified by name).

In addition, authorities must include in their statement of accounts, a note of the number of other employees in the financial year to which the accounts relate whose remuneration fell in each bracket of a scale in multiples of £5,000 starting with £50,000.

The remuneration paid to the Council's senior employees in 2023/24 was:

	Notes	Salary, fees and allowances ¹ £	Expenses ² £	Compensation for loss of office £	Total excluding employer's pension contribution ³ £	Employer's pension contribution £	Total Remuneration Package £
Ian Floyd - Chief Operating Officer		159,743	-	-	159,743	23,003	182,746
Corporate Director Children & Education		119,953	151	-	120,104	17,273	137,377
Corporate Director of Adults and Integration – Officer A	A	75,029	213	-	75,242	10,804	86,046
Director of Adults Safeguarding – Officer B	A	103,449	-	-	103,449	14,897	118,346
Corporate Director of Adults and Integration - Officer C	A	4,514	-	-	4,514	650	5,164
Corporate Director Economy & Place		119,953	-	-	119,953	17,273	137,226
Director of Public Health – Officer D	B	80,919	-	-	80,919	11,652	92,571
Director of Public Health – Officer E	B	33,372	-	-	33,372	4,806	38,178
Director of Governance		101,829	170	-	101,999	14,663	116,662
Director Customer and Communities		103,542	-	-	103,542	14,910	118,452
Chief Finance Officer – Officer F	C	96,806	-	-	96,806	13,940	110,746
Head of HR & Organisational Development – Officer G	D	72,678	-	-	72,678	9,355	82,033
Total							1,225,547

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. No bonuses or benefits in kind were paid to any senior officer during the 2023/24 financial year
2. Expenses include any expenses claimed during the 2023/24 financial year
3. Employer pension contributions are not payments made directly to officers, rather they are payments made to the relevant pension fund. The employer contribution rate for 2023/24 was 14.4%.

Notes

- A. On 30th November 2023 the Corporate Director of Adults and Integration (Officer A) left the Council. The Director of Adults Safeguarding (Officer B) was appointed as the interim Corporate Director of Adults and Integration, covering the statutory Director of Adult Social Services (DASS) until the Council appointed a permanent Corporate Director of Adults and Integration (Officer C) on 18th March 2024. The annualised remuneration package for this position was £119,721, excluding employer pension contributions.
- B. On 31st December 2023 the Director of Public Health (Officer D) retired from the Council and was replaced a new Director of Public Health (Officer E) who initially joined the Council on 1st December 2023. The annualised remuneration package for this position was £99,844, excluding employer pension contributions.
- C. On 2nd October the Council's Staffing Matters and Urgency Committee approved two temporary additional responsibility allowances (TARA) for the Chief Finance Officer (Officer F). The first TARA was covered the period 1st April 2023 to 31st December 2023 for reasons associated with leading the finance workstream and being accountable for the finances for the creation of the York and North Yorkshire Mayoral Combined Authority. The second TARA commenced from 1st January 2024 for reasons relating to the officer being appointed the interim role of Section 73 officer for the Combined Authority which was approved by the Devolution Joint Committee. This second allowance is envisaged to be for approximately 3 months or until the appointment of the permanent Director of Resources is recruited to. The total value of the TARA paid to this officer during the 2023-24 financial year was £8,813.04 and these costs (including oncosts) will be recharged entirely to the Combined Authority.
- D. On 9th November 2023 the Council approved a temporary additional responsibility allowance (TARA) for the Head of Human Resources & Organisational Development (Officer G). The TARA commenced from 1st April 2023 for reasons associated with leading the HR and Organisational Development workstream for the creation of the York and North Yorkshire Mayoral Combined Authority and will remain in place until the Combined Authority has appointed its own Head of Human Resources. The total value of the TARA paid to this officer during the 2023-24 financial year was £6,516.00 and these costs (including oncosts) will be recharged entirely to the Combined Authority.

The remuneration paid to the Council's senior employees in 2022/23 was:

NOTES TO THE MAIN FINANCIAL STATEMENTS

	Notes	£ Salary, fees and allowances ¹	£ Expenses ²	£ Compensation for loss of office	£ Total excluding employer's pension contribution ³	£ Employer's pension contribution	£ Total Remuneration Package
Ian Floyd - Chief Operating Officer		152,267	-	-	152,267	23,297	175,564
Corporate Director Economy & Place		115,897	-	-	115,897	17,732	133,629
Corporate Director of Adults and Integration		105,335	-	-	105,335	16,116	121,451
Corporate Director Children and Education – Officer A	A	72,903	31	-	72,934	11,295	84,229
Director of Public Health		111,129	-	-	111,129	17,003	128,132
Director of Governance - Officer B	B	52,809	229	-	53,038	6,948	59,986
Director of Governance - Officer C	B	53,471	27	-	53,498	8,288	61,786
Chief Finance Officer		82,028	-	-	82,028	12,550	94,578
Assistant Director Customer Services & Digital		96,731	-	-	96,731	14,800	111,531
Head of HR & Organisational Development		61,518	-	-	61,518	9,412	70,930
Total							1,041,816

1. No bonuses or benefits in kind were paid to any senior officer during the 2022/23 financial year
2. Expenses include any expenses claimed during the 2022/23 financial year
3. Employer pension contributions are not payments made directly to officers, rather they are payments employer contribution rate for 2022/23 was 15.3%.

Notes

- A. The Council appointed the Corporate Director Children and Education (Officer A) on 15/08/2022 with an annualised salary (excluding pension contributions) of £115,672.00. The statutory role of Director of Children's Services was being covered by an interim employed through WorkWithYork prior to the appointment of this officer.
- B. The Council's Director of Governance (Officer B) resigned on 11/09/2022. The Council appointed a new Director of Governance (Officer C) on 12/09/2022. The annualised salary (excluding pension contributions) for this position is £96,506.00.

Other Officers' Remuneration

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

Remuneration band	2023/24		2022/23	
	Non-Schools	Schools	Non-Schools	Schools
£50,000 - £54,999	99	59	79	58
£55,000 - £59,999	30	19	10	18
£60,000 - £64,999	27	18	27	13
£65,000 - £69,999	10	8	8	6
£70,000 - £74,999	8	7	1	10
£75,000 - £79,999	1	5	1	3
£80,000 - £84,999	1	3	0	0
£85,000 - £89,999	2	1	2	0
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	0	0	3	3
£100,000 - £104,999	2	1	0	0
£105,000 - £109,999	1	2	0	1
Total	181	123	131	112

Exit packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
							£	£
£0 - £20,000	3	5	5	1	8	6	32,255	51,446
£20,001 - £40,000	1	0	0	0	1	0	20,446	-
£40,001 - £60,000	0	0	0	0	0	0	-	-
£60,001 - £80,000	0	0	0	0	0	0	-	-
£80,001 - £100,000	1	0	0	0	1	0	93,026	-
£100,001 - £150,000	0	1	0	0	0	1	-	144,436
Total	5	6	5	1	10	7	145,727	195,882

The total cost of £146k (2022/23: £196k) in the table above includes £146k (2022/23: £102k) for exit packages that have been charged to the authority's comprehensive income and expenditure statement in the current year. The table above includes 6 exits from local authority maintained schools.

38. EXTERNAL AUDIT COSTS

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

	2023/24 £000's	2022/23 £000's
Fees payable to Forvis Mazars LLP with regard to external audit services carried out by the appointed auditor	284	149
Fees payable in respect of other services provided by Forvis Mazars LLP	27	22
	311	171

The 2023/24 scale fee is £284k. The accrued fees for other services in 2023/24 relate to assurance work on the Teachers' Pensions return and certification of grants claims and returns (£27k).

The 2022/23 scale fee is £97k. In 2022/23 the Council paid a revised scale fee for the 2020/21 accounts of £52k.

The accrued fees for other services in 2022/23 relate to assurance work on the Teachers' Pensions return and certification of grants claims and returns (£22k).

39. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early years (England) Regulations 2021.

The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for **2023/24** are as follows:

	Central Expenditure £000's	Individual Schools Budget £000's	DSG Total £000's
Final DSG for 2023/24 (before recoupment)			160,739
Academy and High needs recoupment for 2023/24			(87,104)
Total DSG available after recoupment			73,635
Brought forward from 2022/23			7,217
Carry forward to 2024/25 agreed in advance			(8,175)
DSG resources available for distribution in 2023/24	25,964	46,713	72,677
In year adjustments	2,040	(189)	1,851
Final resources available for distribution in 2023/24	28,004	46,524	74,528
Less actual central expenditure	(26,848)		(26,848)
Less actual ISB deployed to schools		(46,206)	(46,206)
Plus Local Authority contribution for 2023/24	-	-	-
In-year carry forward to 2024/25	1,156	318	1,474
Plus: Carry-forward to 2024/25 agreed in advance			8,175
Carry-forward to 2024/25			9,649

In-year adjustments includes a £2.04m Safety Valve grant receipt during 2023/24

DSG Unusable Reserve at 31st March 2023	9,940
Addition to DSG Unusable reserve in 2023/24	-
Total of DSG Unusable Reserve at 31st March 2024	9,940
Net DSG Position at 31st March 2024 (Deficit)	291

Prior year comparator – 2022/23 **RESTATED**

	Central Expenditure £000's	Individual Schools Budget £000's	DSG Total £000's
Final DSG for 2022/23 (before recoupment)			153,673
Academy and High needs recoupment for 2022/23			(77,227)
Total DSG available after recoupment			76,446
Brought forward from 2021/22			4,097
Carry forward to 2023/24 agreed in advance			(6,770)
DSG resources available for distribution in 2022/23	24,149	49,624	73,773
In year adjustments	4,500	20	4,520
Final resources available for distribution in 2022/23	28,649	49,644	78,293
Less actual central expenditure	(28,338)		(28,338)
Less actual ISB deployed to schools		(49,508)	(49,508)
Plus Local Authority contribution for 2022/23	-	-	-
In year carry forward to 2023/24	311	136	447
Plus carry forward to 2023/24 agreed in advance			6,770
Carry forward to 2023/24			7,217
In-year adjustments includes a £4.5m Safety Valve grant receipt during 2022/23			
DSG Unusable Reserve at 31st March 2022			9,940
Addition to DSG Unusable reserve in 2022/23			-
Total of DSG Unusable Reserve at 31st March 2023			9,940
Net DSG Position at 31st March 2023 (Deficit)			2,723

40. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

	2023/24 £000's	2022/23 £000's
Credited to Taxation and Non Specific Grant Income		
Government Grants:		
Capital Grants	(13,130)	(21,849)
Demand on Collection Fund	(107,965)	(102,259)
Non-Domestic Rates	(33,300)	(47,845)
DLUHC Business Rates Retention Grant	(13,858)	(15,272)
DLUHC Social Care	(10,905)	(12,049)
Covid Grants	-	(26)
DWP Household Support Fund	(2,200)	(2,071)
DOH Grants	(176)	(219)

DLUHC Grants	(1,680)	(461)
DLUHC Troubled Families Support Grants	(502)	(407)
DLUHC & DFE Homes for Ukraines Grant	(891)	(864)
DFE Education Grants	(795)	(956)
DLUHC Improved Better Care Fund	(4,764)	-
DLUHC Market Sustainability & Improvement Fund	(1,113)	-
Other Government Grants	(1,072)	(3,113)
Non-Government Grants:		
Other Non-Government Grants	(183)	(200)
TOTAL	(192,534)	(207,591)

Credited to Services

Government Grants:

DFE Dedicated Schools Grant Base	(75,486)	(80,966)
DWP Council Tax, Housing Benefit & Administration Grant	(24,935)	(24,307)
DFE Education Grants	(2,607)	(8,294)
DFE Covid 19 Schools Grant	(608)	(438)
DOH Public Health Grant	(8,977)	(8,733)
DLUHC New Homes Bonus	(63)	(1,838)
DFE Pupil Premium Grant	(2,296)	(2,382)
DFE Education Services Grant	(3,615)	(41)
DFE Universal Infant Free Schools Meals - Revenue Funding	(783)	(718)
DFE Skills Funding Agency - Adult and Community Learning	(586)	(1,260)
DFE PFI Revenue Support	(1,186)	(1,186)
Homes England Grants	(102)	(25)
DFE Adoption Support Fund	(154)	(194)
DFT Grants	(616)	(864)
DWP Access to Work Grant	(108)	(61)
Homes Office Grants	(2,463)	(438)
DOH Adult Social Care Discharge Programme	-	(610)
DLUHC & DFE Homes for Ukraines Grant	(291)	(468)
DLUHC UK Shared Prosperity Fund and Community Grants	(1,186)	(752)
DLUHC Homelessness Grants	(1,213)	(865)
DEFRA Air Quality Grants	(175)	(81)
DLUHC Council Tax Energy Bills Rebate	(4)	(503)
Energy Bills Support Scheme / Alternative Fuel Payment Scheme	(123)	-
DFT Bus Service Improvement Plan Grant	(1,782)	(164)
DLUHC Domestic Abuse Support	(678)	-
DFE High Needs, 6th Form funding	(2,588)	-
DLUHC Market Sustainability & Fair Cost of Care Fund	(1,714)	-
DLUHC Adults Discharge Fund	(753)	-
DOH Urgent Emergency Care & Support	(343)	-
Other Government Grants	(666)	(572)
Non-Government Grants:		
Trading Standards Institute Grant	(1,781)	(1,544)
WYCA Grants	(144)	(314)
NHS	(154)	(81)
Integrated Care Board (ICB) Grants	(2,876)	(2,496)
Other Non-Government Grants	(921)	(1,331)
TOTAL	(141,977)	(141,526)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

	2023/24 £000's	2022/23 £000's
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Miscellaneous other grants (capital)	-	-
TOTAL	-	-
Grants Receipts in Advance (Revenue Grants)		
Government Grants:		
DFE Adoption Support Fund	5	82
DFT Opening Data Grant	57	59
DFE Pupil Premium Grant	250	175
DLUHC Domestic Abuse Support	-	514
DFE Grant Improvement Fund	1,191	948
DLUHC Homes England	250	262
DEFRA Air Quality Grants	213	312
DFT Travel Grants	247	340
DLUHC UK Shared Prosperity Fund and Community Grants	57	-
DFE Education Funding	862	187
DLUHC & DFE Homes for Ukraines Grant	1,958	2,319
DFT Bus Service Improvement Plan Grant	2,555	2,036
DLUHC Homelessness Grants	117	-
DLUHC Digital Planning Improvement Grant	100	-
Other Government Grants	222	579
Non-Government Grants:		
Integrated Care Board (ICB) Grants	326	1,175
Other Non-Government Grants	288	642
TOTAL	8,698	9,630

41. RELATED PARTIES

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 might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that

the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments and Grant receipts outstanding at 31 March 2024 are shown in Note 40.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in Note 36.

During 2023/24 the Council made the following transactions with entities which members have been appointed to in their capacity as CYC councillors:

Entity	Number of Members	Role		Expenditure £'000	Income £'000	Outstanding Creditors £'000	Outstanding Debtors £'000
SNAPPY	1	Trustee	2023-24	44	20	0	2
			2022-23	46	20	0	0
York Museums And Gallery Trust	2	Trustees (Registered Directors)	2023-24	311	0	0	0
			2022-23	311	13	1	15
York Wheels Ltd	1	Trustee (Registered Director)	2023-24	151	0	0	0
			2022-23	295	19	0	2

During 2023/24 the Council made the following transactions with entities which members were acting in a non-CYC capacity:

Entity	Number of Members	Role		Expenditure £'000	Income £'000	Outstanding Creditors £'000	Outstanding Debtors £'000
Rowley & Sons Family Funeral Services	1	Director (Senior Partner)	2023-24	0	166	0	72
			2022-23	0	182	0	37

In all instances, the grants and works/services commissioned were made with proper consideration of declarations of interest. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at West Offices during office hours.

Senior Officers

During 2023/24 the Council made the following transactions with entities not controlled or significantly influenced by the Council which senior officers have been appointed to in their capacity as CYC Officers:

Entity	Number of Officers	Role		Expenditure £'000	Income £'000	Outstanding Creditors £'000	Outstanding Debtors £'000
York Cares	1	Director	2023-24	0	5	0	0
			2022-23	1	14	0	1

During 2023/24 no grants, works or services of a significant value were commissioned from companies in which officers had an interest outside of their Council responsibilities (2022/23 £0k).

No payments were made to organisations whose senior management included close family members of any chief officer (2022/23 £0k).

In all instances, the grants and works/services commissioned were made with proper consideration of declarations of interest.

Entities Controlled or Significantly Influenced by the Council

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, but due to the values involved these do not require the Council to prepare Group Accounts.

For detailed information relating to Yorwaste Limited, Veritau Limited, CYT and Make it York please see Long Term Investments section of this note.

Other

The following are not entities that are controlled or significantly influenced by the Council. However, there are elected members on the board and therefore this additional information has been included below to enhance transparency.

Yorkshire Purchasing Organisation

YPO (formerly known as the Yorkshire Purchasing Organisation) was established as a joint committee of Local Authorities in 1974 and City of York Council is one of the thirteen founder member authorities. One elected member is on the board of YPO Procurement Holdings Ltd. There is no remuneration for this role.

York BID

A Business Improvement District is a specifically designated area where businesses within it work together to invest in services, special projects and events with the aim to increase economic development and growth. BID projects and programmes are in addition to services provided by the City of York Council and funded by an annual contribution of 1% of the rateable value from businesses that are within the BID area. The current BID term levy is based on 2017 business rates evaluation. The York BID was voted in by businesses by a 86.1% majority in January 2021. This

establishes the BID to operate for five years requiring all businesses within the BID area (of rateable value threshold which is currently £17,500 and above) to pay the mandatory levy

The York BID Board oversees the delivery of the BID initiatives set out in the BID business plan. As outlined in the Company Articles of Association, the Board is comprised of representatives from levy-paying business and representatives from the local authority and Make It York.

The Council collects income from ratepayers on behalf of the York BID and there are 2 Councillors on the board. There is no remuneration for these roles.

West Yorkshire Combined Authority

The WYCA brings together local councils and businesses so that everyone in the region can benefit from economic prosperity and a modern, accessible transport network. York is an associate member of the combined authority, which works closely with the private sector through the Leeds City Region Enterprise Partnership (LEP) to ensure that their work meets the needs of employers in the region. It is led by Combined Authority members and the LEP Board. The Council has one elected member on each of the following committees:

Committee	Remuneration
Board	None
Transport committee	£2,616
Overview & scrutiny committee	£648

York and North Yorkshire Mayoral Combined Authority

The York and North Yorkshire Mayoral Combined Authority has been created by the City of York Council and North Yorkshire Council and is a legally recognised, single body. It was launched on 1 February 2024. This followed an inaugural meeting on 22 January 2024 where the constitution, budget and statutory officers were confirmed. A mayor was elected on 2nd May 2024. The Council has 2 elected members on the Combined Authority board although as this wasn't formed until May 2024, no allowances were paid in 2023/24.

LONG TERM INVESTMENTS

The Council holds a number of investments for the medium / long term. They comprise mainly share investments in **four** companies: Yorwaste (£1,008k), Veritau (a nominal £1), City of York Trading (a nominal £1) and Make it York (a nominal £1). The shares are included in the balance sheet at Fair value which differs to the nominal value as detailed in Note 16.

Yorwaste

The Council has, as a result of the local government reorganisation in the area at 1 April 1996, a 22.27% shareholding in Yorwaste Ltd. The majority shareholder is North Yorkshire County Council who hold the remaining 77.73%. The Company's profit and loss account is not included as part of the Comprehensive Income and Expenditure Account. No dividends were received in 2023/24 (£33k in 2022/23). Similarly, the Company's assets and liabilities are not in the Consolidated Balance Sheet.

With effect from 1 October 2015 the Council has a service agreement with Yorwaste Limited for waste disposal services and is charged on a cost recovery basis. Prior to this contract prices were negotiated on an arms length commercial basis.

The Director of Economy and Place is also a director of Yorwaste, however no remuneration is paid for this role.

Member Directors on Yorwaste are entitled to an allowance established in accordance with North Yorkshire County Council's (NYCC's) remuneration arrangements which are paid for by the Company. One member sits on the board of this company and this position is remuneration. During 2023/24 two members held this role (due to the change in political administrations) – one member received £1.6k (£8.9k 2022/23) and the incumbent member on the board received £9.23k (£0k 2022/23) No amounts were paid directly by the Council.

Veritau

Since 1 April 2009, internal audit and counter-fraud services have been provided by Veritau Limited. The company is jointly owned by City of York Council and North Yorkshire County Council, with each Council holding 50% of the shares. Contract prices are negotiated on an arms length commercial basis. The Council is represented on the Board by the Chief Finance Officer and one Member of the Council. There is no remuneration for either of these roles.

City of York Trading

City of York Trading was incorporated as a private company on the 18th November 2011 and the company is 100% owned by the Council. The company has a Chief Executive and a Board of Directors, made up of the Chief Executive, 3 Members of the Council and 2 other independent non executive directors. No Council employees are on the Board. The company started trading in June 2013. The company provides temporary staff to the Council, schools and other external organisations.

Make it York

Make it York is a company limited by shares created on 1 April 2015 and the Council is the sole shareholder. Of the 12 directors, 2 will represent the Council and these representatives are currently 2 members of the Council. No remuneration is paid for either of these roles.

Net Value of Transactions and Balances at Year End

The net value of transactions during the year with entities the Council has a related party relationship with are as follows:

	2023/24			2022/23		
	Expenditure	Income	Net Exp	Expenditure	Income	Net Exp
	£'000	£'000	£'000	£'000	£'000	£'000
City of York Trading Ltd	5,475	(107)	5,368	8,948	(96)	8,852
Make it York	620	(612)	8	747	(680)	67
Veritau	622	(39)	583	603	(27)	576
Yorwaste Ltd	4,770	(1,208)	3,562	5,187	(1,713)	3,474
YPO	18	-	18	15	-	15
	11,505	(1,966)	9,539	15,500	(2,516)	12,984

The following amounts were due to related parties at 31 March 2024 and are included in debtors:

	2023/24	2022/23
	£'000	£'000
City of York Trading Ltd	1	0
Make it York	40	260
Veritau	8	8
Yorwaste Ltd	0	183
	49	451

The following amounts were due from related parties at 31 March 2024 and are included in creditors:

	2023/24	2022/23
	£'000	£'000
Veritau	1	2
Yorwaste Ltd	7	36
YPO	1	2
	9	40

The values associated with these companies are not deemed to be material to provide group accounts.

42. CAPITAL EXPENDITURE AND 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 and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2023/24 £000's	2022/23 £000's
Opening Capital Financing Requirement	481,932	465,878
PFI prepayment adjustments		(105)
Restated Opening Capital Financing Requirement	481,932	465,773
Capital Investment		
Property, Plant and Equipment	79,774	64,534
Investment Properties	530	1,551
Intangible Assets	3	100
Revenue Expenditure Funded from Capital under Statute	17,267	13,136
Sources of Finance		
Capital Receipts	(12,966)	(15,001)
Government Grants and Other Contributions	(44,387)	(28,668)
Direct Revenue Contributions	(1,966)	(3,347)
Major Repairs Reserve	(8,591)	(9,377)
MRP (Minimum Revenue Repayment)	(8,176)	(5,446)
PFI / PPP payments	(1,182)	(1,323)
Movement in Year	20,306	16,159
Closing Capital Financing Requirement	502,238	481,932
Explanations of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	29,664	22,928
MRP (Minimum Revenue Repayment)	(8,176)	(5,446)
PFI / PPP payments	(1,182)	(1,323)
Increase/ (decrease) in Capital Financing Requirement	20,306	16,159

The Capital Financing Requirement increased in 2023/24 as a result of the level of borrowing required to fund capital expenditure being greater than the provision set aside for the repayment of debt.

43. LEASES

COUNCIL AS LESSEE

Finance Leases

The Council currently has no leased assets classified as finance leases, or assets acquired under these leases carried as Property, Plant and Equipment in the Balance Sheet.

Operating Leases

The Council has acquired the right to use a number of assets through entering into agreements with external suppliers. These agreements contain operating lease arrangements as well as maintenance charges and cost of materials. Examples of the assets that have been acquired include:

- Fleet of light commercial vehicles
- IT equipment in ICT managed services,
- Various property assets,

The future minimum lease payments due (including payments for non-lease elements) under non-cancellable leases in future years are:

	31-Mar-24	31-Mar-23
	£000's	£000's
Not later than one year	245	356
Later than one year and not later than five years	517	433
Later than five years	688	782
	1,450	1,571

The expenditure charged (including payments for non-lease elements) in the Comprehensive Income and Expenditure Statement during the year in relation to these leases in 2023/24 was £400k (2022/23 £479k)

COUNCIL AS LESSOR

Finance Leases

The Council acts as lessor for a small number of property leases. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the 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 Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2023/24 £000's	2022/23 £000's
Finance lease debtor (net present value of minimum lease payments)		
- Current	8	7
- Non-current	111	118
Unearned finance income	25	29
Gross Investment in the lease	144	154

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

	Gross Investment in the Lease 2023/24 £000's	Gross Investment in the Lease 2022/23 £000's	Minimum Lease payments 2023/24 £000's	Minimum Lease payments 2022/23 £000's
Not later than one year	11	11	8	7
Later than one year and not later than five years	55	55	41	40
Later than five years	78	89	70	78
	144	155	119	125

The minimum lease payments include rents that are contingent on events taking place after the lease was entered into. There were £0k contingent rents in relation to finance leases in 2023/24 (£0k 2022/23).

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community and leisure services.
- for income generation purposes

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

	2023/24 £000's	2022/23 £000's
Not later than one year	3,401	2,943
Later than one year and not later than five years	9,713	8,533
Later than five years	48,105	46,191
	61,219	57,667

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2023/24 contingent rents of £386k were receivable by the Council (2022/23 £343k).

44. PFI AND SIMILAR CONTRACTS

PFI - Schools

The Council has one PFI scheme for the provision of 3 primary schools and one special school, with Sewell Education (York) Ltd. PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The accounting requirements for PFI require that where ownership reverts to an entity at the end of the contract, PFI properties should be recognised on the Council's Balance Sheet along with a liability for the financing provided by the PFI operator. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year and also relate to the repayment of the liability and finance costs associated with the asset. A prepayment of £4.032m was made prior to service commencement. Under the terms of the contract the Council has granted Sewell a licence for use of the land for 30 years.

Property Plant and Equipment

Prior to 2018/19, the asset used to provide the services at two of the schools (Hob Moor Primary School and Hob Moor Oaks Special School, both on one site) was recognised on the Council's Balance Sheet, with movements in the value over the year detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12. The other 2 schools are voluntary aided where the asset does not revert back to the Council at the end of the contract. These assets are not included on the face of the Balance Sheet and the associated costs have been removed. However, on 1st May 2019 both Hob Moor schools converted to academy status. This means that, although still part of the PFI contract, these schools are no longer recognised on the Council's balance sheet. All the entries have therefore been removed, with treatment now consistent with the two VA schools.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2024 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Payment for Services £000's	Finance Payment £000's	Liability Repayment £000's	Total Payments £000's
Within 1 Yr	1,519	365	302	2,186
Between 2 Yrs and 5 Yrs	6,475	1,243	1,175	8,893
Between 6 Yrs and 10 Yrs	7,625	1,774	2,202	11,601
Between 11 Yrs and 15 Yrs	2,947	710	1,183	4,840
	18,566	4,092	4,862	27,520

The payments made to the contractor are described as unitary payments and they have been calculated to compensate the contractor for the fair value of the services they provide.

PPP – Allerton Waste

Financial close for the Long Term Waste Services contract with Amey Cespa was achieved on 30th October 2014. Construction of the Allerton Waste Recovery Park commenced in January 2015 and the facility was completed becoming fully operational on 1st March 2018. The Council's commitments on the contract are: North Yorkshire County Council has entered into a contract with Amey Cespa and the City Council has entered into a Joint Waste Management Agreement with North Yorkshire which commits the City Council into the obligations set out in the main contract with Amey Cespa the main requirement being to provide a guaranteed minimum number of tonnes of municipal waste into the facility. Under the Joint Waste Management Agreement the City Council is responsible for paying 21% of the overall unitary charge.

The contract is to provide the services for 25 years at which time the asset transfers to the councils. The Council has therefore recognised 21% of the overall cost of the facility within its non current assets included on the Balance sheet during the year.

The Councils financial commitments under this are

	Repayment of Liability	Interest Payments	Provision of Services	Lifecycle costs	Total
	£'000	£'000	£'000	£'000	£'000
less than one year	783	3,727	3,089	364	7,963
between 2 and 5 years	3,460	13,434	13,201	2,483	32,578
between 6 and 10 years	5,724	13,420	18,561	4,810	42,514
between 11 and 15 years	12,060	7,988	21,105	3,339	44,492
between 16 and 20 years	14,852	508	17,918	1,827	35,105
	36,879	39,077	73,873	12,822	162,651

The value of assets and liabilities for both PFI Schools and PPP Allerton Waste are as follows

Value of PFI Assets

	2023/24			2022/23		
	Schools	Waste	Total	Schools	Waste	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	-	50,662	50,662	0	44,051	44,051
Depreciation	-	(3,701)	(3,701)	-	(2,917)	(2,917)
Additions	-	-	-	-	-	0
Revaluations	-	6,549	6,549	-	9,528	9,528
Disposals	-	-	-	-	-	0
Closing Balance	-	53,510	53,510	-	50,662	50,662

Value of PFI Liabilities

	2023/24			2022/23		
	Schools	Waste	Total	Schools	Waste	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	5,164	37,642	42,806	5,485	38,522	44,007
Payments/Repayments	(302)	(763)	(1,065)	(321)	(880)	(1,201)
Additions	-	-	-	-	-	-
Closing Balance	4,862	36,879	41,741	5,164	37,642	42,806

45. IMPAIRMENT LOSSES

Impairment losses are where a physical loss to the asset occurs. In comparison a revaluation loss is a reduction in market value of the asset. In 2023/24 there was no impairment losses charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. In 2022/23, the Council recognised an impairment loss of £8k in relation to a property asset. The recoverable amount of the asset was reduced to its existing use value and the impairment loss was charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement during 2022/23.

46. CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during 2023/24 (no borrowing costs were capitalised in 2022/23).

47. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2023/24, incurring liabilities of £146k (£196k in 2022/23) of which £146k (2022/23 £102k) has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year. See Note 37 for further details of the number of exit packages and total cost per band. This sum consists of termination benefits payable to officers across all of the Council's directorates, including the pension strain payable to the relevant pension fund where applicable. The note includes 6 exits from schools controlled by the authority.

48. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is administered by Capita Teachers' Pensions (CTP) on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24 the Council paid £5.659m (2022/23 £6.220m) to CTP in respect of teachers' retirement benefits, representing 23.68% (including a 0.08% administration levy) of pensionable pay since September 2019. The contributions due to be paid in the next financial year are estimated to be £6.810m. The employer contribution rate will increase from 23.68% to 28.68% from 1st April 2024. This includes the 0.08% administration levy.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These amounted to £576k (2022/23 £528k) and are fully accrued in the pensions liability described in the figures that follow in Note 49. The Council is not liable to the scheme for any other entities obligation under the plan.

NHS Staff Pension Scheme

NHS Staff transferred to the Council over recent years have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24, the Council paid £68k (2022/23 £72k) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% (2022/23 14.38%) of pensionable pay. There were no contributions remaining payable at the year end. The contributions due to be paid in the next financial year are estimated to be £65k. The Council is not liable to the scheme for any other entities obligation under the plan.

49. DEFINED BENEFIT PENSION SCHEMES

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

The North Yorkshire Pension Fund, which is a Local Government Pension Scheme, is treated as a defined benefit scheme, since the Council's liabilities to its current and former employees can be identified within the fund, and the Council will be liable to meet these, irrespective of the future performance of the fund. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The information below relates to the cost of pension arrangements borne by this Council and included in the revenue accounts.

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

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

We recognise the costs 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 retirement benefits is reversed out via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £000s		Local Government Pension Scheme Discretionary benefits arrangements £000s		Teachers' Pension Scheme Discretionary benefits arrangements £000s	
	Period ending		Period ending		Period ending	
	31 March 2024 (£000)	31 March 2023 (£000)	31 March 2024 (£000)	31 March 2023 (£000)	31 March 2024 (£000)	31 March 2023 (£000)
Comprehensive Income and Expenditure Statement						
Cost of services:						
Service cost comprising						
Current service cost	16,937	34,814	-	-	-	-
Past service cost (inc. curtailments)	146	188	-	-	-	-
(Gain)/loss from settlements	0	0	-	-	-	-
Administration expenses	529	489	-	-	-	-
Net service cost	17,612	35,491	-	-	-	-
Financing and investment income and expenditure comprising						
Interest expense on defined benefit obligation	32,061	25,002	57	37	399	264
Interest income on assets	(35,704)	(22,967)	-	-	-	-
Net Interest expense/(income)	(3,643)	2,035	57	37	399	264
Total post-employment benefits charged to the surplus or deficit on the provision of services	13,969	37,526	57	37	399	264
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability/(asset) comprising:						
Return on plan assets (in excess of)/below that recognised in net interest	(44,414)	105,058	-	-	-	-
Actuarial (gains)/losses due to changes in financial assumptions	(23,982)	(364,479)	(15)	(270)	(137)	(2,281)
Actuarial (gains)/losses due to changes in demographic assumptions	(10,799)	-	(28)	51	(182)	391
Actuarial (gains)/losses due to liability experience	7,650	81,938	(96)	123	(64)	891
Adjustment (gain)/loss due to effect of asset ceiling	141,596	-	-	-	-	-
Adjustment (gain)/loss due to a minimum funding requirement	-	-	-	-	-	-
Adjustment (gain)/loss due to disposals/acquisitions	(235)	-	-	-	-	-
Total remeasurements recognised in other comprehensive income and expenditure	69,816	(177,483)	(139)	(96)	(383)	(999)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	83,785	(139,957)	(82)	(59)	16	(735)

Movement in Reserves Statement

Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(13,969)	(37,526)	(57)	(37)	(399)	(264)
Actual amount charged against the General Fund / HRA balance for pensions in the year:						
Employers' contributions payable to scheme	12,846	12,647				
Retirement benefits payable to pensioners			99	103	576	528

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme £000s		Local Government Pension Scheme Discretionary benefits arrangements £000s		Teachers' Pension Scheme Discretionary benefits arrangements £000s	
	Period ending		Period ending		Period ending	
	31 March 2024 (£000)	31 March 2023 (£000)	31 March 2024 (£000)	31 March 2023 (£000)	31 March 2024 (£000)	31 March 2023 (£000)
Present value of the defined benefit obligation	693,448	694,555	1,071	1,252	8,209	8,769
Fair value of plan assets	(835,044)	(765,494)	-	-	-	-
Subtotal	(141,596)	(70,939)	1,071	1,252	8,209	8,769
Impact of asset ceiling	141,596					
Net liability/(asset) arising from defined benefit obligation	-	(70,939)	1,071	1,252	8,209	8,769

The Council's funded LGPS defined benefit obligation is nil (a decrease from a £70.939m asset in 2022/23) following the restriction of the surplus. The Council also had historic long-term pension liabilities in relation to unfunded discretionary LGPS benefits totalling £1,071k (2022-23 £1,252k) unfunded discretionary Teachers Pensions benefits totalling £8,209k (2022-23 £8,769k).

Reconciliation of the movements in the fair value of the scheme assets

	Local Government Pension Scheme £000s		Local Government Pension Scheme Discretionary benefits arrangements £000s		Teachers' Pension Scheme Discretionary benefits arrangements £000s	
	Period ending		Period ending		Period ending	
	31 March 2024 (£000)	31 March 2023 (£000)	31 March 2024 (£000)	31 March 2023 (£000)	31 March 2024 (£000)	31 March 2023 (£000)
Opening fair value of scheme assets	765,494	853,128	-	-	-	-
Interest income on assets	35,704	22,967	-	-	-	-
Remeasurement gains/(losses) on assets	44,414	(105,058)	-	-	-	-
Contributions by the employer	12,846	12,647	99	103	576	528
Contributions by participants	5,737	5,352	-	-	-	-
Net benefits paid out	(26,424)	(23,542)	(99)	(103)	(576)	(528)
Net increase in assets from disposals/acquisitions	(2,727)	-	-	-	-	-
Settlements	-	-	-	-	-	-
Closing fair value of scheme assets	835,044	765,494	-	-	-	-

Reconciliation of present value of the scheme liabilities (defined benefit obligations)

	Local Government Pension Scheme £000s		Local Government Pension Scheme Discretionary benefits arrangements £000s		Teachers' Pension Scheme Discretionary benefits arrangements £000s	
	Period ending		Period ending		Period ending	
	31 March 2024 (£000)	31 March 2023 (£000)	31 March 2024 (£000)	31 March 2023 (£000)	31 March 2024 (£000)	31 March 2023 (£000)
Opening balance at 1 April	694,555	934,793	1,252	1,414	8,769	10,032
Current service cost	17,466	35,303	-	-	-	-
Interest expense on defined benefit obligation	32,061	25,002	57	37	399	264
Contributions by scheme participants	5,737	5,352	-	-	-	-
Actuarial (gains)/losses due to changes in financial assumptions	(23,982)	(364,479)	(15)	(270)	(137)	(2,281)
Actuarial (gains)/losses due to changes in demographic assumptions	(10,799)	-	(28)	51	(182)	391
Actuarial (gains)/losses due to liability experience	7,650	81,938	(96)	123	(64)	891
Net benefits paid out	(26,424)	(23,542)	(99)	(103)	(576)	(528)
Past service cost (inc. curtailments)	146	188	-	-	-	-
Net increase in liabilities from disposals/acquisitions	(2,962)	-	-	-	-	-
Settlements	-	-	-	-	-	-
Closing balance at 31 March	693,448	694,555	1,071	1,252	8,209	8,769

Reconciliation of asset ceiling

	Local Government Pension Scheme £000s	
	Period ending 31 March 2024 (£000)	Period ending 31 March 2023 (£000)
Opening impact of asset ceiling	0	0
Interest on impact of asset ceiling	0	0
Actuarial losses / (gains)	141,596	0
Closing impact of asset ceiling	141,596	0

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term and has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

Statutory arrangements for funding pension obligations means that the financial position of the Council remains healthy and the current funding position allows the Council to use its surplus to support the payment of future pension contributions to the Fund at a rate below the primary contribution rate in order to reduce the Council's surplus in the scheme.

Basis for estimating assets and liabilities

In calculating the Council's assets and liabilities Aon Hewitt Ltd, an independent firm of actuaries, make a number of assumptions about events and circumstances in the future. This means that the calculations are subject to uncertainties within a range of possible values. The liabilities have been assessed using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme £000s		Local Government Pension Scheme Discretionary benefits arrangements £000s		Teachers' Pension Scheme Discretionary benefits arrangements £000s	
	Period ending		Period ending		Period ending	
	31 March 2024 (£000)	31 March 2023 (£000)	31 March 2024 (£000)	31 March 2023 (£000)	31 March 2024 (£000)	31 March 2023 (£000)
Mortality assumptions:						
Longevity at 65 for current pensioners:						
Men	22.10	22.60	22.10	22.60	22.1	22.6
Women	24.60	25.00	24.60	25.00	24.6	25
Longevity at 65 for future pensioners:						
Men	23.00	23.50	N/A	N/A	N/A	N/A
Women	25.60	26.00	N/A	N/A	N/A	N/A
Principal financial assumptions (% per annum):						
Rate of inflation	2.60	2.70	2.60	2.70	2.60	2.70
Rate of increase in salaries	3.85	3.95	N/A	N/A	N/A	N/A
Rate of increase in pensions	2.60	2.70	2.60	2.70	2.60	2.70
Rate for discounting scheme liabilities	4.80	4.70	4.80	4.70	4.80	4.70

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

	Increase in assumption (£000)	Decrease in assumption (£000)
Longevity (increase or decrease by 1 year)*	18,030	(18,030)
Rate of inflation (increase or decrease by 1%)	10,402	(10,402)
Rate of increase in salaries (increase or decrease by 1%)	693	(693)
Rate of increase in pensions (increase or decrease by 1%)	10,402	(10,402)
Rate for discounting scheme liabilities (increase or decrease by 1%)	(11,095)	11,789

Impact on the Council's Cash Flows

The total employer contributions made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 was approximately £12.846k.

The Council anticipates to make £12,365k expected contributions to the scheme in 2024/25.

The weighted average duration of the defined benefit obligation for scheme members is 16.4 years (16.7 years in 2022/23).

The unfunded Teacher's Pension benefits and unfunded LGPS discretionary benefits has no assets to cover its liabilities. The funded Local Government Pension Scheme's assets comprised:

	Period ending 31 March 2024		Period ending 31 March 2023	
	%	£000	%	£000
Asset Classification:				
Equities	47.90	399,986	52.10	398,822
Property	5.60	46,762	6.40	48,992
Government Bonds	12.40	103,545	11.00	84,204
Corporate Bonds	7.30	60,958	7.20	55,116
Multi Asset Credit	5.20	43,422	5.30	40,571
Cash	4.30	35,907	1.40	10,717
Other	17.30	144,463	16.60	127,072
Total	100.00	835,044	100.00	765,494

Details on the nature and risks of the pension fund's assets and investment policies can be found in the North Yorkshire Pension Fund Annual Report and Accounts, which are available on the website of the North Yorkshire Pension Fund as well as in the pension fund disclosures within the North Yorkshire County Council Statement of Accounts, which are available on the website of the administering authority.

Legal cases

Virgin Media Ltd vs NTL Pension Trustees

In June 2023 the High Court ruled in the case of Virgin Media Limited v NTL Pension Trustees. The ruling was that certain pension scheme rule amendments were invalid if they were not accompanied by the correct actuarial confirmation. The High Court ruling has since been appealed. In a judgment delivered on 25 July 2024, the Court of Appeal unanimously upheld the decision of the High Court.

The current position in relation to local government pension schemes (LGPS) is that actuarial confirmations for all amendments have not yet been located. The most recent update was in July 2024 from Government's Actuary Department (GAD) and included the following information:

- Relevant certificates have been located in respect of the 2014 reforms.
- They believe a certificate will have been prepared in respect of the 2008 reforms, but the initial electronic search for this has meant paper files would now need to be retrieved from archive storage to try and locate this.

The impact of the ruling on the Virgin Media case on LGPS liabilities is not known and no adjustments to reflect the impact of the ruling have been made to the financial statements for this financial year.

Further information and developments on this case will be monitored and any impacts on the LGPS liabilities will be considered.

50. CONTINGENT LIABILITIES

No contingent liabilities have been identified.

51. CONTINGENT ASSETS

No contingent assets have been identified.

52. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 Council;
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following 3 years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Full Council on 23rd February 2023 after recommendation by Executive on 9th February 2023 and is available on the Council website

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=13284> and
<https://democracy.york.gov.uk/ieIssueDetails.aspx?IId=68802>.

The key issues within the strategy were:

- The Authorised Limit for 2023/24 was set at £620.292m (prudential indicator 6A).
- The Operational Boundary for 2023/24 was set at £590.929m (prudential indicator 6B).
- The maximum and minimum exposures to the maturity structure of debt which are contained within prudential indicator 7. The maturity structure of debt table is contained within this note under the 'Refinancing and Maturity Risk' section.
- The setting out of borrowing and investment policies to manage risk.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy Statement.

Credit Risk

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

Investments

This risk is minimised through the Annual Investment Strategy set out in the annual Treasury Management Strategy Statement, which is available on the authority's website <https://democracy.york.gov.uk/documents/s165328/Treasury%20Management%20Report%2023-24.pdf>

The Annual Investment Strategy details the principles and approach to investments in line with the principals of Security, Liquidity and Yield. Deposits are not made with financial institutions unless they meet identified minimum credit criteria in accordance with the Fitch, Moody's and Standard & Poor's credit ratings services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each investment instrument category.

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

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

The full Investment Strategy for 2023/24 was approved by Full Council on 23rd February 2023 after recommendation by Executive on 9th February 2023 and is available on the Council website <https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=13284> and <https://democracy.york.gov.uk/ieIssueDetails.aspx?IId=68802>.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's Treasury Investments are shown below:

	Balance at 31-Mar-24 £000	Balance at 31-Mar-23 £000
Fixed Term Investments	-	200
Notice Accounts	53	51
Money Market Funds	4,622	10,182
Total	4,675	10,433

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and Money Market Funds of £4.675m (£10.433m in 2022/23) is not assessed collectively as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2024 that this was likely to crystallise.

There were no circumstances known as at 31 March 2024 that would require impairment on any investments.

Long-term debtors

The Council has Long-term debtors of £4.077m (£4.210m in 2022/23) and further details can be found in Note 20.

When assessing impairment and Expected Credit Loss for long-term debtor loans an assessment is made separately as the risk is specific to each individual debtor. This includes, where applicable to the financial instrument, looking at the loan agreements and the individual debtor records as well as taking into account current known facts and circumstances regarding the individual debt.

There was no evidence at 31 March 2024 that indicated any loans to third parties or long-term debtors were credit impaired and Expected Credit Loss was deemed to be low, therefore no Expected Credit Loss was made.

Short-term debtors

Trade receivables form part of the Council's Short-term debtors. The Council does not generally allow credit for its invoiced trade receivables, such that £11.100m of the £33.604m Short term trade receivables debtors balance is past its due date for payment in 2023/24 (£9.677m of the £34.327m in 2022/23). A balance is past its due date if it is over 28 days old. The past due date amounts can be analysed by age as follows:

	Balance at 31-Mar-24 £000's	Balance at 31-Mar-23 £000's
Less than 3 months	2,781	2,960
3 to 6 months	1,226	1,216
6 months to 1 year	2,964	1,542
More than 1 year	4,129	3,959
Total	11,100	9,677

The Council makes an annual impairment allowance and at 31 March 2024 the Council's total impairment was £9.468m (£10.435m at 31 March 2023) for all Short-term debtors, of which £3.758m (£4.016m at 31 March 2023) related to trade receivables.

When assessing impairment and Expected Credit Loss, debtors are assessed collectively rather than individually using the simplified approach allowable under IFRS 9 for short-term receivables.

Further details on Short-term debtors can be found at Note 19 and in the table below showing exposure to credit risk.

Uncollectable amounts are written off in line with the Councils debt policy as outlined in its Financial Regulations within the Constitution. During the year, the authority wrote off financial assets with a contractual amount outstanding of £0.359m (£0.312m in 2022/23).

Amounts Arising from Expected Credit Losses and Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2024:

Financial Instrument Type	Credit Rating	Gross Carrying Amount	Gross Carrying Amount	Total Expected Credit Loss	Total Expected Credit Loss	Change in Expected Credit Loss from previous year
		31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23	
		£000	£000	£000	£000	£000
Investments	AAA to A+	4,675	10,433	-	-	-
Loans to third parties	Not Rated	1,055	1,067	-	-	-
Finance lease receivables	Not Rated	158	165	-	-	-
PFI	Not Rated	2,864	2,978	-	-	-
Short-term debtors – trade receivables	Not Rated	33,604	34,327	(3,758)	(4,016)	258

Note 1 – As per the CIPFA code, equity instruments designated into the category of Fair Value through Other Comprehensive Income are not within the scope of impairment. Further details on equity instruments can be found in Note 16.

Note 2 – Short-term debtors in the above table includes trade receivables and any impairment allowance against these. It excludes prepayments and other receivable amounts and any impairment allowance against these. Further details on Short-term debtors can be found in Note 19.

Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

Council loans outstanding

	Balance at 31 March 2024 £000	Balance at 31 March 2023 £000
Interest Due within one year	(3,888)	(1,869)
Maturing within one year	(43,400)	(4,315)
Maturing in 1 - 2 years	(13,500)	(15,300)
Maturing in 2 - 5 years	(49,700)	(45,950)
Maturing in 5 - 10 years	(63,450)	(70,700)
Maturing in more than 10 years	(155,000)	(165,000)
Carrying Value Adjustment	451	512
Total	(328,487)	(302,622)

Note 3 – The Councils LOBO loan is shown at its maturity date not the next call date in the above table. The Councils WYCA loan is shown at its principal amount.

The table below shows the Council loans outstanding split by loan type / lender:

	Interest Rates Payable	Balance at 31 March 2024 £000	Balance at 31 March 2023 £000
Public Works Loan Board (PWLB)	1.50% to 5.46%	(317,700)	(293,915)
PWLB (Carrying Value Adjustment)		451	512
Dexia Bank LOBO	3.88%	(5,000)	(5,000)
WYCA	0.00%	(2,350)	(2,350)
Interest Owed on Long Term Debt at 31st March		(3,888)	(1,869)
Total		(328,487)	(302,622)

The Councils LOBO loan is shown at its maturity date not the next call date in the above table. The Councils WYCA loan is shown at its principal amount.

Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (Prudential Indicator 7) as approved in the Treasury Management Strategy approved by Full Council on 23rd February 2023 after recommendation by Executive on 9th February 2023 and is available on the Council website

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=13284> and <https://democracy.york.gov.uk/ieIssueDetails.aspx?IId=68802>.

	Approved Minimum Limits at	Approved Maximum Limits at	Authority Actual at	Authority Actual at	Authority Actual at	Authority Actual at
	31-Mar-24	31-Mar-24	31-Mar-24	31-Mar-24	31-Mar-23	31-Mar-23
	%	%	£000's	£000's	£000's	£000's
Less than 1 year	0	30	(43,400)	13.35%	(4,315)	1.43%
Between 1 and 2 years	0	30	(13,500)	4.15%	(15,300)	5.08%
Between 2 and 5 years	0	40	(49,700)	15.29%	(45,950)	15.25%
Between 5 and 10 years	0	40	(63,450)	19.52%	(70,700)	23.47%
More than 10 years	30	90	(155,000)	47.68%	(165,000)	54.77%
Total			(325,050)	100.00%	(301,265)	100.00%

Note 4 – This table shows the principal loan amount outstanding excluding interest. The Councils LOBO loan is shown at its maturity date not the next call date in the above table. The Councils WYCA loan is shown at its principal amount.

Market Risk

Interest Rate Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be considered for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

According to this assessment strategy, at 31 March 2024, if interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	Balance at 31-Mar-24 £000's	Balance at 31-Mar-23 £000's
Increase in interest payable on variable rate investments borrowings		-
Increase in interest receivable on variable rate investments	(47)	(104)
Impact on Surplus or Deficit on the Provision of Services	(47)	(104)
Decrease in fair value of fixed rate investment assets	-	-
Impact on Other Comprehensive Income and Expenditure	-	-
Decrease in fair value of fixed rate borrowing liabilities (no impact on Surplus or Deficit on Provision of Services or Other Comprehensive Income and Expenditure)	34,572	35,787

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

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However, it does have shareholdings to the value of £5.965m (£5.080m in 2022/23) in a number of equity investments detailed further in Note 16 to the Statement of Accounts. Whilst these holding are generally illiquid, the Council is exposed to gains or losses arising from movements in the value of the shares.

These shareholdings have arisen due to specific service or strategic objectives; the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. In line with the Councils accounting policy for these types of investments the shares have all been designated as Fair Value through Other Comprehensive Income, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £0.298m (£0.254m in 2022/23) gain or loss being recognised in the Financial Instrument Revaluation Reserve.

Foreign Exchange Risk

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

53. EXPENDITURE AND FUNDING ANALYSIS (EFA)

2022/23			2023/24		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
(417)	1,153	736	(972)	(331)	(1,303)
12,610	(14,750)	(2,140)	8,174	(15,777)	(7,603)
65,489	5,886	71,375	69,284	1,453	70,737
27,468	5,881	33,349	29,119	184	29,303
25,911	19,532	45,443	20,060	12,987	33,047
43,701	242	43,943	31,669	(6,039)	25,630
22,261	8,328	30,589	23,865	4,478	28,343
197,023	26,272	223,295	184,465	(3,045)	181,420
(196,626)	19,236	(177,390)	(182,756)	195	(182,561)
397	45,508	45,905	1,709	(2,850)	(1,141)
(41,699)			(41,302)		
397			1,709		
(41,302)			(39,593)		

The objective of the EFA is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's Services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

NOTES TO THE MAIN FINANCIAL STATEMENTS

The adjustments between the funding and accounting basis can be further analysed between:

- Adjustments for Capital purposes
- The net change in relation to Pensions adjustments
- Other differences

Adjustments for Capital Purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets;
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for Pension Adjustments – net change for the removal of pension contributions and the addition of IAS 19 Employee Benefit pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs; and
- For Financing and Investment Income & Expenditure the net interest on the defined benefit liability is charged to the CIES.

Other differences - between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute and include:

- For services this includes adjustments made from accruing compensated absences earned but not taken in the year;
- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts; and
- The charge under Taxation and no-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- Financing and Investment Income & Expenditure – the statutory charges for capital i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and

NOTES TO THE MAIN FINANCIAL STATEMENTS

2022/23				2023/24				
Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
6	814	333	1,153	Public Health	6	126	(463)	(331)
11,580	944	(27,274)	(14,750)	Housing Revenue Account	8,799	195	(24,771)	(15,777)
956	2,532	2,398	5,886	Adult Social Care and Integration	778	501	174	1,453
4,002	4,308	(2,429)	5,881	Children and Education	3,584	617	(4,017)	184
17,135	6,005	(3,608)	19,532	Place	14,614	1,138	(2,765)	12,987
149	4,286	(4,193)	242	Corporate Services and Governance	85	935	(7,059)	(6,039)
3,507	3,324	1,497	8,328	Customer and Communities	3,440	580	458	4,478
37,335	22,213	(33,276)	26,272	Net Cost of Services	31,306	4,092	(38,443)	(3,045)
16,727	2,336	173	19,236	Other Income and Expenditure from the Expenditure and Funding Analysis	3,403	(3,187)	(21)	195
54,062	24,549	(33,103)	45,508	Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	34,709	905	(38,464)	(2,850)

OTHER STATEMENTS

DRAFT

HOUSING REVENUE ACCOUNT

DRAFT

Income and Expenditure Statement:

	Note	2023/24 £000's	2022/23 £000's
Income			
Dwellings Rents	(3)	(34,790)	(32,669)
Non-dwelling rents		(561)	(436)
Charges for Services and Facilities		(3,247)	(2,607)
Contributions Towards Expenditure		(376)	(264)
Revaluation gains and reverse revaluation losses	(6)	(4,100)	(702)
Total Income		(43,074)	(38,382)
Expenditure			
Repairs and maintenance		9,239	9,016
Supervision and management		12,135	11,899
Rents, Rates, Taxes and Other Charges		924	707
Depreciation, impairment and revaluation losses of non-current assets	(6)	12,900	12,282
Debt Management Costs		50	55
Movement in impairment allowance for uncollectable amounts	(4)	223	580
Total Expenditure		35,471	34,539
Net Cost of Services included in the Comprehensive Income and Expenditure Statement		(7,603)	(2,139)
Share of Corporate Costs			
HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		-	(1)
Net Cost of HRA Services		(7,603)	(2,140)
HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
Payments to the Government Housing Capital Receipts pool		-	-
(Gain) or loss on sale of HRA non-current assets		(1,089)	(1,421)
Interest payable and similar charges		4,926	4,642
Interest and investment income		(2,538)	(1,183)
Pensions interest cost and expected return on pension assets	(5)	(149)	86
Capital grants and contributions receivable		(2,449)	(3,153)
(Surplus)/Deficit on Provision of Services		(8,902)	(3,169)

Movement on the HRA Statement

	2023/24		2022/23	
	£000's	£000's	£000's	£000's
Balance on the HRA at the end of the previous year		(29,427)		(29,569)
(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement		(8,903)		(3,169)
Adjustments between accounting basis & funding basis under regulations				
Depreciation and impairment charges		(8,799)		(11,580)
Capital grants applied in year		3,547		1,318
Transfer to Capital Grants Reserve		(1,116)		1,814
Non-current assets written off		(9,992)		(14,484)
Repayment of debt (Statutory and Voluntary)		1,900		
Capital Expenditure funded by the HRA		1,798		2,864
Income from non-current asset sales		11,081		15,906
Transfer from Capital Receipts Reserve		(65)		(68)
Depreciation costs met by MRR		11,039		10,386
Retirement benefits		6,93		1,439
Pension payments		(739)		(2,469)
Net Increase/Decrease before Transfers to or from reserves		444		1,957
Transfers to/(from) reserves		(982)		(1,815)
(Increase)/Decrease in Year on the HRA		(538)		142
Balance on the HRA at the end of the current year		(29,965)		(29,427)

1. SIGNIFICANCE OF THE STATUTORY HOUSING REVENUE ACCOUNT

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

The surplus or deficit on the HRA Income and Expenditure Account is the best measure of the Council's operating financial performance for the year for HRA services. However, the statutory surplus or deficit on the Statutory HRA is also an important amount since it indicates whether the Council added to or drew from the brought forward balance on its Statutory HRA Reserve during the year. This in turn, affects the amount of the balance on the HRA that the Council can take into account when determining its spending plans on HRA services for the following year.

There is a surplus of £8.903m (2022/23 surplus of £3.169m) on the Housing Revenue Account Income and Expenditure Account, this reduces to a surplus of £0.538m (2022/23 deficit of £0.142m) for the year on the Statutory Housing Revenue Account.

2. LEGISLATIVE BACKGROUND

The Housing Revenue Account (HRA) shows the major elements of housing revenue expenditure to reflect the Council's activities as landlord: maintenance, administration and capital financing costs, and how these are met by rents and other income. There is also a statutory requirement to show revenue financing of any HRA capital expenditure within the account.

The Local Government and Housing Account 1989 sets out the framework for ring-fencing the HRA, thereby preventing rents being subsidised from the general income of the Council and vice versa.

3. GROSS RENTS

Gross rental income is the total amount due for the year before the allowance for voids of £756k (2022/23 £1,030k) which represents 2.67% (2022/23 3.06%) of the gross rental income including charges for services. The average weekly rent for 2023/24 was £89.84 compared to £84.07 in 2022/23.

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. The cost of rebates granted is met by the Council's General Fund not by the HRA

	2023/24 £000's	2022/23 £000's
Rents due from Tenants	(25,011)	(24,360)
Rents remitted by Rent Rebates through the Housing Benefit System	(10,735)	(9,339)
Total Gross Rental Income	(35,746)	(33,699)
Less void loss	956	1,030
Net Dwelling Rental Income	(34,790)	(32,669)

The Council was responsible for managing 7,548 dwellings at 31 March 2024.

The HRA dwelling stock was made up as follows:

	2023/24	2022/23
Houses	3,447	3,462
Bungalows	490	490
Flats, Bedsits & Maisonettes	3,435	3,457
Hostel Places	60	63
Shared Ownership*	116	93
	7,548	7,565

*This is the total number of properties in which the Council holds an equity share - the retained proportion of each property will vary.

The changes in the HRA dwelling stock within the year can be summarised as follows:

	2023/24	2022/23
Stock at 31st March	7,565	7,588
Dwelling Sales	(50)	(52)
Shared Ownership Freehold sales	(2)	(3)
Additions to Council dwelling stock	13	10
Additions to Shared ownership stock	25	20
Temporary use of additional Hostel units	(3)	-
Re-categorised to HRA non-dwelling stock	-	2
	7,548	7,565

4. RENT ARREARS

The arrears as at 31 March for rent not paid to the Council are shown in the table below. During 2023/24 rent arrears as a proportion of gross rent income have decreased from 7.29% of the amount due to 6.83%.

		2023/24 £000's	2022/23 £000's
Arrears at 31 March	- Current tenants	2,204	2,105
	- Former tenants	435	350
Amounts Written Off during the Year		328	141
Increased/(Reduced) Allowance during the Year		223	567
Impairment Allowance for Uncollectable Debts		1,620	1,725

The rent arrears as a proportion of gross rent income split between current and former tenants is shown in the following table:

	2023/24 %	2022/23 %
Dwelling rent arrears as a % of gross rent debit		
- Current tenants	6.13%	6.25%
- Former tenants	1.66%	1.04%
	7.79%	7.29%

An Impairment Allowance is made for the expected credit loss that maybe incurred on rechargeable repairs. The arrears figures are as follow:

	2023/24 £000's	2022/23 £000's
Arrears at 31 March	40	60
Amounts Written Off during the Year	3	18
Increased/(Reduced) Allowance during the Year	-	13
Impairment Allowance for Uncollectable Debts	37	40

5. IAS19 TRANSACTIONS FOR THE HRA

The HRA share of pension adjustments is based on the proportion of employees charged to the HRA. The IAS19 transactions included in the HRA are shown in the following table:

	2023/24		2022/23	
	£000's	£000's	£000's	£000's
Income and Expenditure Account Entries				
Net Cost of HRA Services				
Current service cost	693		1,439	
Past service cost (inc. curtailments)	6		7	
(Gain)/loss from settlements	-		-	
Administration expenses	22		20	
Net service cost		720		1,466
Financing and Investment Income and Expenditure				
Interest expense on defined benefit obligation	1,311		1,035	
Interest income on assets	(1,460)		(949)	
Net Interest expense/(income)		(149)		86
Net Charge to the Income and Expenditure Account		571		1,552
Statement of Movement on the Housing Revenue Account Balance Entries				
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code				
Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code		(571)		(1,552)
Actual amount charged against the HRA balance for pensions in the year:				
Employers' contributions payable to scheme		526		522

6. CONTRIBUTION TO/(FROM) MAJOR REPAIRS RESERVE (MRR)

Councils are required by an amendment to the Accounts and Audit Regulations 1996, to establish and maintain an MRR. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets.

Councils are also able to charge capital expenditure directly to the reserve. The following table shows the depreciation charged during the year:

	2023/24 £000's	2022/23 £000's
Dwellings	9,893	9,471
Other Land and Buildings	1,074	874
Intangible assets	166	165
Plant, Vehicles & Equipment	71	40
Infrastructure	1	1
	11,205	10,551
Reversal of Revaluation loss/Impairment	(2,405)	1,029
	8,800	11,580

As well as the depreciation credit which must be transferred back to the HRA, councils can also charge capital expenditure directly to the MRR. The following table shows the movement in the year:

	2023/24 £000's	2022/23 £000's
Balance at 1 April	(1,506)	(497)
Depreciation on HRA dwellings	(9,893)	(9,471)
Depreciation on other HRA assets	(1,146)	(915)
Capital expenditure on houses within the HRA charged to the reserve	8,591	9,377
Balance at 31 March	3,954	(1,506)

7. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT

The HRA owns land, houses and other property where the value is included in the Council's balance sheet. The Council dwellings are revalued annually to comply with requirements in "Stock Valuation for resource accounting 2016: guidance for valuers" by Department for Communities and Local Government (DCLG). The analysis of the movement on the HRA element of the tangible non-current assets is as follows:

2023/24 Movement of Property, Plant and Equipment

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra-structure Assets £000's	Communi-ty Assets £000's	Surplus £000's	Assets under Cons-truction £000's	Total Property, plant & Equipment £000's
Cost or Valuation (GCA)								
At 1 April 2023	593,601	36,397	713	17	116	2,009	22,557	655,410
Additions	10,934	6,486	53	-	-	-	12,901	30,374
Acc Dep & Imp WO to GCA	(9,893)	(1,132)	-	-	-	-	-	(11,025)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,116)	2,065	-	-	-	(275)	-	(2,326)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	2,405	-	-	-	-	-	2,405
Derecognition - Disposals	(3,936)	(3,424)	-	-	-	-	-	(7,360)
Assets reclassified (to)/from Held for Sale	-	(2,648)	-	-	-	-	-	(2,648)
Other movements in Cost or Valuation	1,298	8,657	-	-	-	-	(10,205)	(250)
At 31 March 2024	587,888	48,806	766	17	116	1,734	25,253	664,580
Accumulated Depreciation & Impairment								
At 1 April 2023	-	(91)	(124)	(9)	-	-	-	(224)
Depreciation Charge for 2023/24	(9,893)	(1,074)	(71)	(1)	-	-	-	(11,039)
Acc. Depreciation WO to GCA	9,893	1,132	-	-	-	-	-	11,025
Derecognition - Disposals	-	16	-	-	-	-	-	16
Other movements in Depreciation and Impairment	-	3	-	-	-	-	-	3
At 31 March 2024	-	(14)	(195)	(10)	-	-	-	(219)
Net Book Value								
At 31 March 2024	587,888	48,792	571	7	116	1,734	25,253	664,361
At 31 March 2023	593,601	36,306	589	8	116	2,009	22,557	655,186

2022/23 Movement of Property, Plant and Equipment

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant furniture & equipment £000's	Infra- structure Assets £000's	Communi- ty Assets £000's	Surplus £000's	Assets under Construc- tion £000's	Total Property, plant & Equipment £000's
Cost or Valuation (GCA)								
At 1 April 2022	568,268	32,120	392	17	-	1,269	20,542	622,608
Additions	11,269	2,434	321	-	-	-	14,743	28,767
Acc Dep & Imp WO to GCA	(9,471)	(828)	-	-	-	-	-	(10,299)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	25,476	4,043	-	-	-	740	-	30,259
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(1,015)	-	-	(14)	-	-	(1,029)
Derecognition - Disposals	(4,334)	(1,896)	-	-	-	-	-	(6,230)
Assets reclassified (to)/from Held for Sale	-	(8,259)	-	-	-	-	-	(8,259)
Other movements in Cost or Valuation	2,393	9,798	-	-	130	-	(12,728)	(407)
At 31 March 2023	593,601	36,397	713	17	116	2,009	22,557	655,410
Accumulated Depreciation & Impairment								
At 1 April 2022	-	(50)	(84)	(8)	-	-	-	(142)
Depreciation Charge for 2022/23	(9,471)	(874)	(40)	(1)	-	-	-	(10,386)
Acc. Depreciation WO to GCA	9,471	828	-	-	-	-	-	10,299
Derecognition - Disposals	-	5	-	-	-	-	-	5
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
At 31 March 2023	-	(91)	(124)	(9)	-	-	-	(224)
Net Book Value								
At 31 March 2023	593,601	36,306	589	8	116	2,009	22,557	655,186
At 31 March 2022	568,268	32,070	308	9	-	1,269	20,542	622,466

8. VACANT POSSESSION VALUE OF COUNCIL DWELLINGS

In accordance with the Department for Levelling Up, Housing and Communities guidance, council house valuations are reduced from an open market value by a regional adjustment factor in recognition of their status as social housing. The adjustment factor is 41%. The council recognises council dwellings at a value of £587.888m (2022/23 £593.601m) at the balance sheet date. The vacant possession value of the council dwellings at 31st January 2024 was £1,408.462m (2022/23 £1,420.426m). There were a number of Right to Buy disposals that occurred between the 31st January 2024 valuation and the balance sheet date, so the vacant possession value at 31st March 2024 will be slightly reduced. The difference between vacant possession value and balance sheet value of dwellings shows the economic cost of providing council housing at less than market rents.

9. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The capital expenditure to be financed in 2023/24 is £30.124m (2022/23 £28.502). The analysis of the expenditure and the sources of financing used are set out in the following table:

	2023/24				2022/23			
	Dwellings £000's	Equipment £000's	Intangibles £000's	Total £000's	Dwellings £000's	Equipment £000's	Intangibles £000's	Total £000's
Total capital expenditure				-	28,594	1	184	28,779
Financing								
Borrowing	(2,880)			(2,880)				
Capital Receipts	(12,966)			(12,966)	(14,903)			(14,903)
Major Repairs Reserve	(8,591)			(8,591)	(9,377)			(9,377)
Grants	(3,890)			(3,890)	(1,312)			(1,312)
Revenue Contributions	(1,797)			(1,797)	(2,865)			(2,865)
Other Contributions	-			-	(45)			(45)
	(30,124)	-	-	(30,124)	(28,502)	-	-	(28,502)

10. CAPITAL RECEIPTS

In accordance with Part 1 of the Local Government Act 2003 housing capital receipts are subject to capital pooling requirements. A proportion of dwelling receipts can be retained with the remainder paid to the Government. However, 100% of the value of land sales may be retained if it is to be used for affordable housing. The receipts received can be analysed as follows:

	2023/24			2022/23		
	Council	Other	Total	Council	Other	Total
	Dwellings £000's	Properties £000's		Dwellings £000's	Properties £000's	
Sales proceeds	(4,946)	(6,115)	(11,061)	(5,686)	(10,143)	(15,829)
less: administrative costs	65		65	68		68
Net proceeds	(4,881)	(6,115)	(10,996)	(5,618)	(10,143)	(15,761)
Right to buy discount repaid	(20)		(20)	(77)		(77)
Mortgage principal repaid			-	-		-
	(4,901)	(6,115)	(11,016)	(5,695)	(10,143)	(15,838)
of which:						
Usable	(4,901)	(6,115)	(11,016)	(5,695)	(10,143)	(15,838)
Payable to Housing Pooled Capital Receipts			-			-
	(4,901)	(6,115)	(11,016)	(5,695)	(10,143)	(15,838)

11. INVESTMENT PROPERTIES

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

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

	2023/24 £000's	2022/23 £000's
Balance 1 April	71	71
Additions	-	-
Disposals	-	-
Net gain or loss on Fair Value	-	-
Transfers:		
- To / From Property, Plant & Equipment	-	-
Balance 31 March	71	71

12. ASSETS HELD FOR SALE

Description	2023/24 £000's	2022/23 £000's
Balance outstanding at Start of Year	-	-
Assets newly classified as Held for Sale :		
Property, Plant and Equipment	2,648	8,259
Assets Sold	(2,648)	(8,259)
Balance outstanding at End of Year	-	-

COLLECTION FUND

COLLECTION FUND STATEMENT

	Note	2023/24 Business Rates £000	2023/24 Council Tax £000	2023/24 Total £000	2022/23 Total £000
Income					
Council Tax Receivable	2		(134,225)	(134,225)	(127,391)
Business Rates Receivable	3	(78,749)		(78,749)	(87,477)
Contribution Towards Previous Year Estimated Deficit					
Central Government					(17,476)
City of York Council			(2,464)		(17,127)
North Yorkshire Police & Crime Commissioner			(459)		-
North Yorkshire Fire & Rescue Authority			(124)		(349)
Total Income		(78,749)	(137,272)	(212,974)	(249,820)
Expenditure					
Apportionment of Prior Year Surplus					
Central Government		590		590	-
City of York Council		579		579	-
North Yorkshire Police & Crime Commissioner				-	-
North Yorkshire Fire & Rescue Authority		12		12	-
		1,181	-	1,181	-
Precepts, Demands and Shares					
Central Government		43,976		43,976	45,558
City of York Council		43,097	107,752	150,849	146,689
Parish Councils			958	958	866
North Yorkshire Police & Crime Commissioner			20,253	20,253	19,174
North Yorkshire Fire & Rescue Authority		880	5,533	6,413	6,069
		87,953	134,496	222,449	218,356
Disregarded amounts - Enterprise Zone growth		1,744		1,744	-
Charges to Collection Fund					
Write Offs				-	-
Interest on refunds		-		-	-
Increase/(Decrease) in Allowance for Non Collection		1,055	647	1,702	2,076
Increase/(Decrease) in Provision for Appeals		400		400	1,006
Appeals charged to the Collection Fund		-		-	(1,406)
Cost of Collection		288		288	290
Transitional Protection Payments Receivable		(5,652)		(5,652)	165
		(3,909)	647	(3,262)	2,131
Total Expenditure		86,969	132,096	219,065	185,535
(Surplus)/Deficit Arising In Year		8,220	(2,129)	6,091	(29,333)
(Surplus)/Deficit Brought Forward		7,851	3,854	11,705	41,038
(Surplus)/Deficit Carried Forward		16,071	1,725	17,796	11,705

1. LEGISLATIVE BACKGROUND

This fund is an agent's statement that reflects the statutory obligation, under the Local Government Finance Act 1988, for billing authorities (i.e. City of York Council) to maintain a separate Collection Fund. This is a fund specifically for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR).

The statement shows the transactions of the Council in relation to the collection from taxpayers of sums due for council tax and NNDR, and their distribution to the Council, North Yorkshire Police and Crime Commissioner (NYPCC), North Yorkshire Fire and Rescue Authority (NYFRA), parish councils and central government.

2. COUNCIL TAX

The Council Tax is a charge on domestic property. Each property has been independently valued and put into one of eight bands (A to H). The charge for each property is calculated by reference to the 'band' charge. The Council Tax base for 2023/24 was 68,633.1 (68,220.4 in 2022/23).

In order to calculate the charge to be levied the estimated number of properties for each band for the year is converted to a Band D Equivalent figure (e.g. 20 band H properties is equivalent to 40 band D properties - $20 \times 18/9$). A new band, band A reduced, was introduced by the government to allow a discount to be given to those people who are entitled to a one-band discount but who live in a band A property.

This gives the tax base for the Council. The valuation bands, the Band D equivalent figures originally estimated for the year, the year-end Band D equivalent figures and the 2023/24 charges are included in the table below.

In addition, the government makes a contribution for properties classed as "Crown" properties in lieu of paying Council Tax. These contributed £653k (2022/23 £594k) to the Council Tax income.

Property Band	Property Value		Estimated Chargeable dwellings	Proportion of Band D	Estimated Tax Base	Average Charge In Year
A reduced	up to	£40,000	13.7	5/9	7.6	£1,081.18
A	up to	£40,000	7,507.2	6/9	5,004.8	£1,297.41
B	£40,000 to	£52,000	19,320.7	7/9	15,027.2	£1,513.65
C	£52,000 to	£68,000	22,168.4	8/9	19,705.2	£1,729.88
D	£68,000 to	£88,000	11,898.2	9/9	11,898.2	£1,946.12
E	£88,000 to	£120,000	7,111.6	11/9	8,692.0	£2,378.59
F	£120,000 to	£160,000	3,397.3	13/9	4,907.2	£2,811.06
G	£160,000 to	£320,000	1,736.8	15/9	2,894.7	£3,243.53
H	over	£320,000	89.0	18/9	177.9	£3,892.24
TOTAL			73,242.8		68,314.8	
Crown Properties					318.3	
Taxbase for the calculation of Council Tax					68,633.1	

The impact of Covid-19 was to reduce the Council Tax amount collectable due to an increased number of applicants for council tax support in comparison to prior to Covid. Post pandemic, this effect continues to be seen as a result of the cost of living crisis. The in year collection rate has increased again slightly to 97.14% compared to last year of 96.84%, but is still below pre Covid levels. It should be noted that the majority of amounts not collected in year are usually collected in the following financial year.

Outstanding arrears that are irrecoverable are written off against the allowance for impairment (formerly bad and doubtful debts) made in prior years, although wherever possible action continues to be taken to recover as much of these sums as possible. During the year arrears of £1,074k (2022/23 £350k) were written off against the impairment allowance for non-collection. The increased figure for 23/24 is largely seen as an impact of the increased arrears resulting from the pandemic, when collection rates were lower. An annual assessment of the level of arrears and their age and recoverability, the amount to be provided as provision for future write-offs and the value of outstanding appeals against the council tax band that has been awarded for new properties is undertaken. Following this exercise the level of provision set-aside against the impairment allowance for non-collection on the current level of arrears was increased by £647k (increase in 2022/23 of £957k). The impact on the balance of the impairment allowance is a reduction, allowing for the reducing arrears in year and the write-offs made in 23/24. Overall it is considered to be set at a prudent level at this stage, given the impact of the cost of living crisis as well.

3. INCOME FROM BUSINESS RATES

Under the arrangements for business rates, the Council collects NNDR for its area based on the local rateable value multiplied by a uniform rate. The rateable value at 31 March 2024 was 242,602,745 (2022/23 252,801,976) and the rate for 2023/24 was 51.2p (2022/23 51.2p), with a reduction to 49.9p (2022/23 49.9p) for small businesses. The Council has no control over these values.

The current business rates retention scheme aims to give Council's a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the collectable rates due. In 2023/24 as a member of the Leeds City Region (LCR) Business Rates pool, the Council retains 49% and the remainder is distributed to central government (50%) and the preceptors which in the case of York is 1% to North Yorkshire Fire and Rescue Authority (NYFRA).

The business rates shares payable for 2023/24 were estimated before the start of the financial year as £43.976m (£45.557m in 2022/23) to central government, £0.879m (£0.911m in 2022/23) to NYFRA and £43.096m (£44.646m in 2022/23) to City of York Council. These sums have been paid in 2023/24 and charged to the Collection Fund in year.

The financial year 2023/24 has seen the implementation of a new valuation list for rateable properties nationally. For York the overall impact of the 2023 revaluation was a 3.7% reduction in the gross rateable value. Collectible rates have therefore reduced in comparison to 2022/23, although the government provides reducing transitional protection over the next 3 years to phase in the impact of the reduction. In 2023/24 the Transitional Protection is £5.652m.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency (VAO) and hence business rates outstanding as at 31 March 2024. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The increase in provision charged to the collection fund for 2023/24 has been calculated at £400k (£1,006k in 22/23). The 2017 ratings list is now closed to new appeals, however the 23/24 financial year saw a large number of open appeals settled and refunds provided to rate payers, which resulted in a reduced gross rates payable at year end in comparison to the NNDR 1 budgeted position.

In 2023/24 the government has continued to offer increased business rates reliefs to retail properties, which are reimbursed to the Council through the General Fund account through the use of S31 grants. The impact of this to the Collection Fund is a deficit, which is offset by the additional grant income on the General Fund account which is held in reserve until the deficit is fully realised (in 2024/25).

The in year collection rate has continued to improve since the pandemic when there was a significant reduction (as low as 90% in 2020/21). In 2023/24 this has remained at 98% which is similar to pre-Covid levels. It should be noted that the majority of amounts not collected in year are usually collected in the following financial year. Although the collection rate has improved and overall arrears level has fallen, 2023/24 again saw a high level of write offs for historic debts against the impairment allowance for non-collection and as a result the allowance has needed to be increased back to the required level through, an increase of £1,055k (£1,119k in 2022/23).

4. DISTRIBUTION OF YEAR END (SURPLUS)/DEFICIT

As set out in note 1 the year-end (surplus)/deficit is distributed to Central Government, City of York Council, the North Yorkshire Police and Crime Commissioner (NYPCC) and the North Yorkshire Fire and Rescue Authority (NYFRA).

	2023/24 Business Rates £'s	2023/24 Council Tax £'s	2023/24 Total £'s	2022/23 Total £'s
Central Government	8,035,401	-	8,035,401	3,925,657
City of York Council	7,874,691	1,395,464	9,270,155	6,961,854
North Yorkshire Police Authority	-	258,740	258,740	580,278
North Yorkshire Fire and Rescue Authority	160,708	70,349	231,057	237,028
	16,070,800	1,724,553	17,795,353	11,704,817

ANNUAL GOVERNANCE STATEMENT

2023-2024 ANNUAL GOVERNANCE STATEMENT**Introduction**

City of York Council is a unitary Council with 47 councillors elected for a four-year term (2023-2027) to represent 21 local wards. All out elections were held in May 2023 and a change of political leadership led to the Labour Group forming an Executive. Since that time the make-up of the Council has been as follows:

- 24 Labour
- 19 Liberal Democrat
- 3 Conservatives
- 1 Independent

There are 31 Parish and Town Councils established within the boundary of City of York Council.

The 2023-24 financial year is set against a backdrop of challenging economic conditions where the UK slipped into a short recession, high levels of inflation and interest rates continued, and the cost-of-living crisis deepened.

What is Governance in City of York Council?

City of York Council ("the Council") is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively on behalf the of York council taxpayers.

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 order to discharge this responsibility, the Council must put in place proper arrangements for the governance of its affairs.

Governance is about how we ensure we are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner. Good governance leads to effective:

- Leadership and management;
- Performance and risk management;
- Stewardship of public money for York council taxpayers; and
- Public engagement and outcomes for residents and service users.

The Council has adopted a Local Code of Corporate Governance which is consistent with the seven principles set out in "proper practice" for the public sector, namely Delivering Good Governance in Local Government: Framework published by CIPFA/SOLACE 2016.

The overall aim of the Local Code of Corporate Governance is to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities;
- There is sound and inclusive decision making;
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

A copy of our Local Code is available on our website at www.york.gov.uk/CorporateGovernance

This Annual Governance Statement ("AGS") for 2023-2024 demonstrates how we have complied with our local code and met the requirements of Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, which requires us to prepare an annual governance statement.

What is the purpose of our Governance Framework?

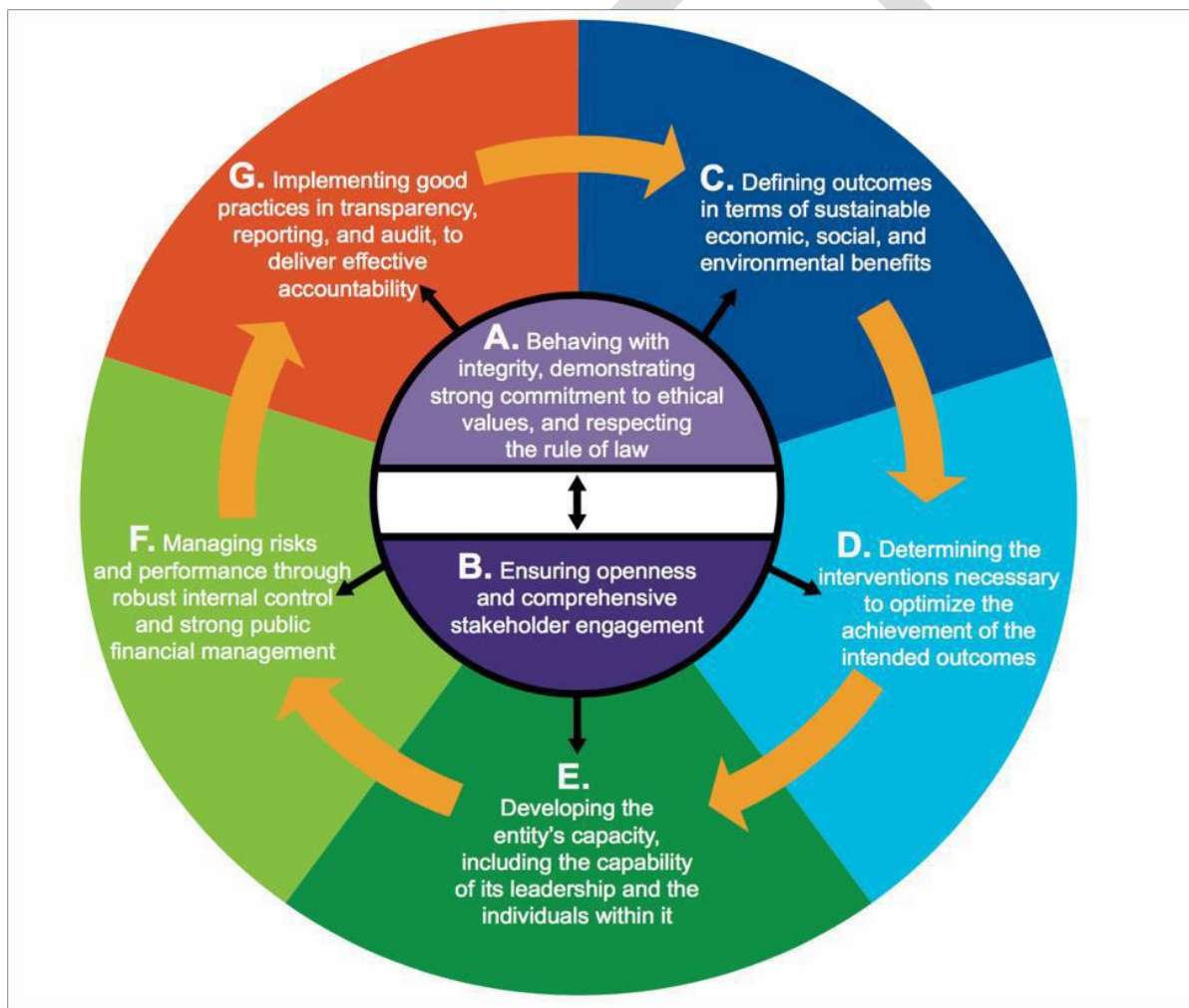
Our governance framework aims to ensure that in conducting our business, we:

- operate in a lawful, open, inclusive, and honest manner;
- make sure public money is safeguarded, properly accounted for, and spent wisely;
- have effective arrangements in place to manage and control risk;
- secure continuous improvements in the way we operate.

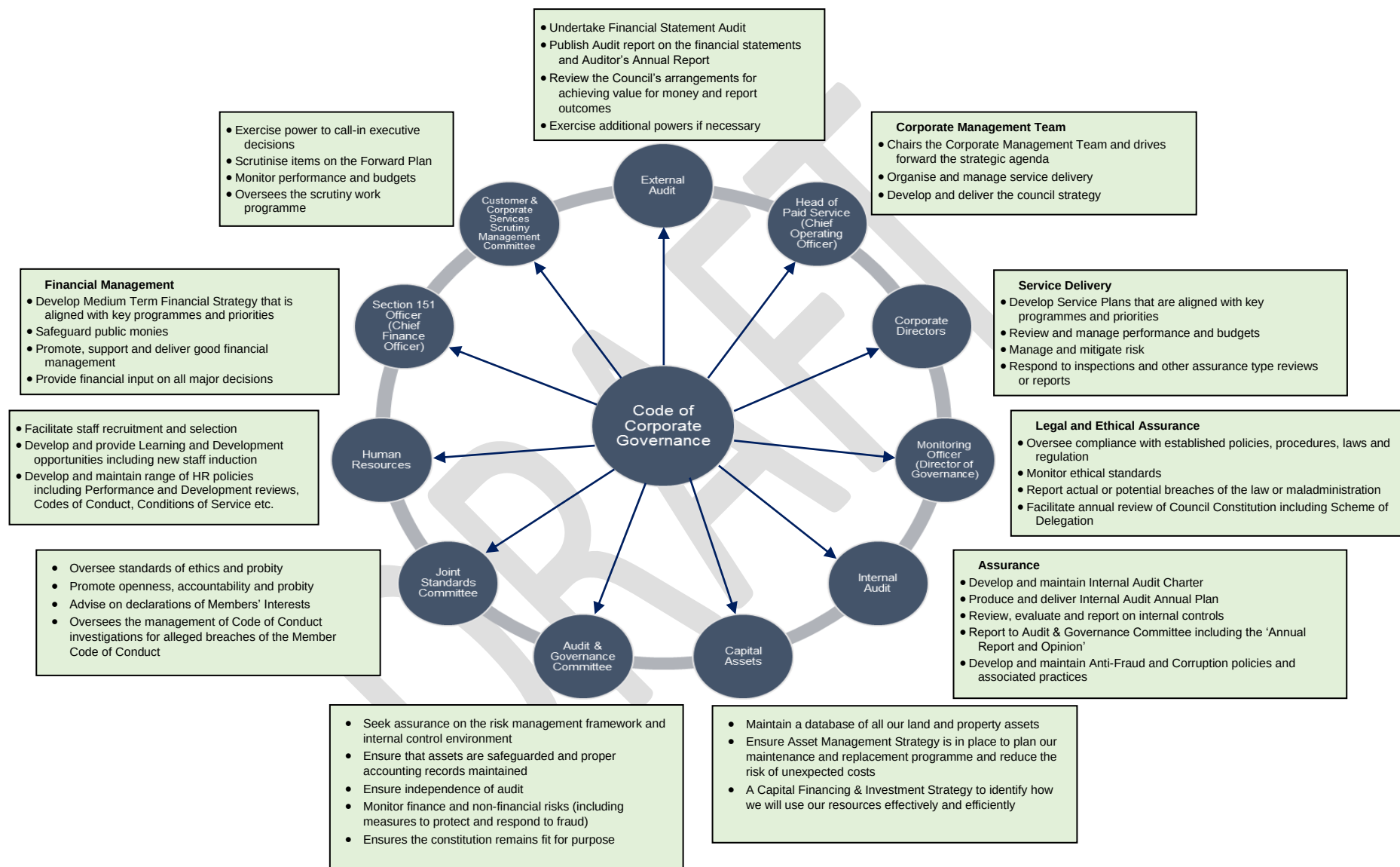
Our governance framework is comprised of the culture, values, systems, and processes by which we are directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

Our system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of Internal Control is based on an on-going process designed to identify and prioritise risks, evaluate the likelihood and impact should risks be realised, and efficiently, effectively, and economically manage such risks.

The "Delivering Good Governance" framework below envisages it will be a continuous process of seven principles with a core of A and B being about the behaviours of integrity, demonstrating a strong commitment to ethics and respecting the rule of law with practices being carried out in the spirit of openness and comprehensive stakeholder engagement.



Our Governance Roles and Responsibilities



What is our Governance Framework?

<i>What we do</i>	<i>How we deliver</i>
Constitution and decision-making framework Finance and Contract Procedure Rules Roles and Responsibilities Policy Framework Promote Employee Standards	Executive and scrutiny framework Project management Risk management Performance management
<i>How we set priorities for change</i>	<i>How we behave</i>
Medium Term Financial Strategy Community Engagement Partnership working/framework Strategic planning	Codes of conduct Employee values Leadership behaviours Whistleblowing, Standards and complaints procedures Behavioural standards

What Does Our Governance Assurance Framework look like?

Good assurance in any organisation provides confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved.

Our assurance framework is the structure within which Councillors and Senior Management identify the principal risks to the Council in meeting its key objectives, and through which we map out both the key controls to manage them and how they have gained sufficient assurance about the effectiveness of those controls. Our assurance framework underpins the statements made within this Annual Governance Statement.

Assurance can come from many sources, including:

- Internal: Self Assurance Statements, Corporate Management Team, Internal Audit Reviews, Scrutiny, Audit and Governance Committee, Service Reviews and performance intelligence, Governance Risk and Assurance Group (membership is key Statutory Officers), Corporate Governance;
- External: Inspections, External Audit, National Fraud Initiative, Partnerships, Trade Unions, stakeholders, and local forums

How has this Annual Governance Statement for 2023-2024 been prepared?

In preparing this Annual Governance Statement we have:

- Reviewed our existing governance arrangements against the CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- Assessed the effectiveness of our governance arrangements against the Local Code of Corporate Governance;
- Reviewed External Assessments; and
- Sought Self-Assurance Statements from all Directors.

How do we monitor and evaluate the effectiveness of our governance arrangements?

We continue to review the effectiveness of our governance arrangements on an ongoing basis and report on the position annually. The key sources of assurance that inform this review are outlined below:

- The work of Councillors (the Executive, and the Audit and Governance Committee) and Senior Officers (Corporate Management Team) who, individually and collectively, have responsibility for good governance;

- Consideration of the council's constitution and decision-making framework;
- The three statutory officers, being the Head of Paid Service, the Section 151 Officer, and the Monitoring Officer;
- The Head of Internal Audit's annual report on Internal Audit Activity 2023-2024, which provides independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements;
- Consideration of any control weaknesses or issues identified by the Head of Internal Audit as part of the Audit Plan and as reported to the Audit & Governance Committee;
- Consideration of the council's counter fraud strategy and the level of conformance to the CIPFA code of practice on managing the risk of fraud and corruption;
- Regular updates to Audit and Governance Committee on the council's risk register and any other issues highlighted through the council's risk management arrangements;
- Performance monitoring of key deliverables in the Council Plan as well as key performance indicators which are reported quarterly to Executive;
- Challenge through Overview and Scrutiny (for example review of the work programmes, recommendations to the Executive, call-in's, etc. as can be seen in the reports to Corporate Services, Climate Change and Scrutiny Management Committee);
- Inspections and assessments (such as Ofsted Inspection of Local Authorities Children's Services Framework and Sector Led Improvement activity in Children's and Adults Services, NHS data security and protection toolkit);
- Any comments made by our External Auditors in their Annual Report or as a result of their review of the Council's arrangements for securing economy, efficiency, and effectiveness (value for money);
- Recommendations and comments made by any other review agencies and inspectorates; and
- Regular updates to Audit and Governance Committee on complaints, concerns, comments and compliments and FOI/EIR, data protection and information governance

How do we know that our arrangements are working?

The table below details the seven principles of the CIPFA/SOLACE Delivering Good Governance framework. It provides an analysis of the effectiveness of how we conform with each element of the framework, and identifies areas where improvements are required. These are then listed in the action plan at the end of the statement.

Governance Principle	Sub-Principle	Assurance on Compliance
Acting in the public interest requires a commitment to effective arrangements for:		
Principle A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	1. Behaving with integrity	➤ The political and managerial leadership sets the tone. ➤ Through this leadership we ensure that the required policies are put into place and monitored. ➤ The Employee Code of Conduct forms part of the Council's Constitution and sets out the behaviours expected of employees. ➤ The Protocol on Officer Member Relations which forms part of the Constitution sets out the way Councillors and Officers should interact. ➤ Training has been made available to all Councillors following the whole-Council elections, including specialist training for those Councillors who are involved in a number of committees including Licensing, Audit & Governance Committee and Planning A. ➤ Joint Standards Committee produces an Annual Report to Council which includes a synopsis of Code of Conduct related complaints received during the Municipal Year in respect of Councillors (both City of York and Parish Councillors).
	2. Demonstrating strong commitment to ethical values	➤ In accordance with the Localism Act 2011, and in common with the majority of Councils, we have adopted the LGA Model Code of Conduct for our Councillors, which is in keeping with the general principles of public life. All Councillors and co-opted Members undertake that they will observe the Code of Conduct. Members and key Officers have been trained on the Model Code, including training as part of the Members Induction Programme.

		➤ The Joint Standards Committee monitors and reviews the Councillors' Code of Conduct and prepares an annual statement to Full Council. ➤ The Employee Code of Conduct provides guidance to our employees on the ethical framework within which we seek to conduct activities; and on the processes that the Council uses to ensure compliance with the highest ethical standards. City of York Council has adopted an Ethics Statement that reflects similar principles to the Nolan Principles which form the basis of the Members' Code of Conduct, and it is included in the constitution.
	3. Respecting the rule of law	➤ Codes of Conduct set out the standards of behaviour that are expected of our Councillors and Officers. Should these standards be breached, they will be dealt with, either through the Members' Code of Conduct complaints process or, in relation to Officers, action taken under our capability and/or disciplinary procedures. ➤ The Whistleblowing Policy adopted by the Council ensures its effectiveness from a safeguarding perspective and to make it easier for staff to raise concerns about malpractice or illegal activity. The Policy contains clear guidance about how to report a concern, who to contact and sources of internal and external support. ➤ The Whistleblowing Policy is complemented by the Counter Fraud and Corruption Policy, Fraud and Corruption Prosecution Policy, Counter Fraud Strategy, Anti-Money Laundering Policy, and Anti-Bribery Policy.
Principle B Ensuring openness and comprehensive stakeholder engagement	1. Openness	➤ We are committed to openness and publish information online in accordance with the provisions of the Local Government Transparency Code and the Freedom of Information Publication Scheme. ➤ We provide regular performance updates relating to information requests and complaints to management teams and the Audit & Governance Committee. ➤ We have in place procedures which allow, within certain parameters, the recording and filming of Council meetings, and for public participation in the majority of meetings. ➤ Only those reports which are considered exempt are dealt with in closed session (known as Part II), and for the majority of these reports there is a public facing report (known as

		Part I) which sets out the matter to be decided upon, but without the information that is exempt from publication.
	2. Engaging comprehensively with institutional stakeholders	➤ We engage with large numbers of stakeholders. We have a comprehensive engagement system with statutory stakeholders such as the NHS, Humber and North Yorkshire Health and Care Partnership (which was established in July 2022), North Yorkshire Police, Fire and Rescue Service. We have further subject based stakeholders particularly regional economic development such as the newly established York and North Yorkshire Mayoral Combined Authority (which came into being on 1st February 2024), West Yorkshire Combined Authority and have strategic links with North Yorkshire Council. Locally, we regularly engage with key institutions such as the universities, colleges, business representative and environmental groups, education system partners such as the academies, together with health and care partners in the NHS, private sector, and community sector. We have a comprehensive approach to working with key city leaders through the monthly partnership group. We also engage and consult extensively with our Local Trade Unions in respect of employment related issues. ➤ To shape the Climate Change plan, a group of sector specific stakeholders shared their views in roundtable discussions, and we continue to engage with institutional stakeholders through the independent York Climate Commission. ➤ We regularly engage with professional leads at the Head of Communications Group, the Higher Education Group, the Bus Group and the Sustainability Leads Group. Each of these groups provide rich insight about the challenges facing their sectors as we recover from the Coronavirus Pandemic and respond to the challenges of climate change and the cost of living.
	3. Engaging with individual citizens and service users effectively	➤ Local focus and community engagement are successfully promoted through a number of different activities: ➤ The Talk About Panel: a group of self-selected residents who comment on surveys throughout the year, the council actively promotes engagement in the panel through too hard to reach groups and those who are underrepresented. ➤ Our Big Conversation: invites residents to participate in different on and offline engagement activities designed to inform major council strategies such as the 10-year plan, the economic development, local transport plan and climate change strategies and related action plans. This has included targeted focus groups to encourage feedback from people who don't typically engage in council consultations, such as the

		disabled community, LGBTQi community, younger people not in work, etc. ➤ The Council Plan was consulted on prior to publication. ➤ Major capital programmes activities are heavily consulted on allowing residents to inform the build, structure, and shape of key developments across the city, influencing and adapting masterplans to meet their needs. ➤ Citizen's panel: Following a successful engagement activity that used focus groups to help set and inform waste recycling policy, we trialled a more regular approach to focus groups by inviting Talk About participants to join a citizens panel which was designed to explore key strategic issues presented through the budget consultation. We are reviewing whether to progress this for future budget consultations and have used the same approach to inform the 10-year plan. ➤ Statutory consultation also takes place in advance of all major traffic/highways schemes, changes to services and to support the Local Plan examination. ➤ Public consultation is undertaken on specific areas of service, or on matters that may have a substantive impact on residents, facilitated by our Communications and Consultation Teams. ➤ The Communications Team ensure that specific matters are promoted via the media and engage with the media over enquiries on specific matters. ➤ The complaints, comments, concerns, and compliments (the 4Cs) supports customer customers, residents and service users to have a more flexible manner to share their comments, complaints, concerns, and compliments with us. This enables us to identify themes and lessons learned for service providers across the council. Individual members of the public are able to participate in the majority of meetings, through the Council's Public Participation Protocol.
In addition to the overarching requirements for acting in the public interest found in principles A and B, achieving good governance also requires a commitment to, and effective arrangements for:		
Principle C Defining outcomes in terms of sustainable economic, social, and environmental benefits	1. Defining outcomes	➤ Following the 2023 local elections, the Council adopted a new 10-Year Plan, which was developed in partnership with city stakeholders and will respond to resident feedback. This was approved by Council on 21st September 2023. ➤ Resident feedback and stakeholder engagement is informing the outcomes which will be detailed in the economic development strategy, climate change strategy (and carbon reduction action plan) together with the Local Transport Strategy. ➤ Delivery of partnership priorities through partnership boards and strategies (for example Health and Well-being strategy, Children and Young People's Plan). ➤ The Council Plan 2023-2027 "One City, for all" sets out our vision and priorities. Over

		the next 4 years, the council will establish the conditions that would make the city of York a healthier, fairer, more affordable, more sustainable and more accessible place, where everyone feels valued, creating more regional opportunities to help today's residents and benefit future generations. The Council Plan identifies 4 core commitments: Equalities and Human Rights; Affordability; Climate and Health ➤ The fourth Monitor report presented to Executive provides an annual report with evidence about the council plan achievements and progress made in delivering the priorities and demonstrating value for money. ➤ A more robust Medium Term Financial Plan (MTFP) which aligns available resources to the activities of the Council Plan and setting out the financial plans for the next 3-4 years is currently being developed.
	2. Sustainable economic, social and environmental benefits	➤ Service plans have been agreed which include clear objectives, measures and risks that are actively managed during the year and inform the setting of individual objectives. ➤ Service plans feed into and align with both Directorate plans and in response to the Council Plan's priorities.
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	1. Determining interventions	➤ Corporate Management Team (CMT) and Executive review the council's performance on a quarterly basis. ➤ Review and challenge through directorate management team (DMTs) led Improvement Boards in key areas and regularly reporting to Corporate Management Team in respect of the provision of children's and adults' services. Peer reviews are undertaken where necessary and appropriate to inform senior leaders. ➤ Creation of cross council performance groups (e.g., enhanced corporate support for Adult Social Care provision). ➤ Quality assurance - examples of good practice exist at service level e.g. Children's Services. ➤ Regular challenge from inspectorates such as Ofsted and Care Quality Commission (CQC). Annual Conversations with Ofsted make sure that progress of our services is tracked and challenged in between inspections. ➤ Sector Led Improvement (SLI) challenge from regional peers in Children's and Adults' services and Public Health. ➤ Overview and Scrutiny has a planned work programme that they scrutinise throughout the year.

	2. Planning interventions	➤ Performance, audit, risk, and finance information is used to identify areas of concern and plan required interventions. ➤ There is an annual cycle of meetings that are planned through the municipal year, but internal procedures are flexible enough for Councillors to intervene, such as via call-in or the calling of extraordinary meetings, at any point in the year.
	3. Optimising achievement of intended outcomes	➤ Outcomes are monitored on a regular basis and open to scrutiny. Matters which are formally project managed are required to be reported upon via published highlight reports at regular intervals. The performance framework ensures capacity is considered in balancing priorities against affordability and social value. ➤ Service planning and objectives set for the year for services and individual members of staff and the outcomes of these are reviewed regularly as part of the performance review process. ➤ Major Projects Board to oversee major capital projects and seek assurances from project teams and advisors. ➤ Our Corporate Management Team has strategic oversight of major issues affecting the Council with a tightly managed forward plan. ➤ The project management toolkit “all about projects” provides a framework for delivering projects which includes identifying clear and achievable outcomes.
Principle E Developing its capacity, including the capability of its leadership and the individuals within it	1. Developing the entity's capacity	➤ The Head of Paid Service is responsible for the organisation of the staff. ➤ Leadership and Management is delivered through Corporate Management Team (meeting once a week) and Leading Together and The Corporate Leadership Group Network. ➤ The Council has a performance management framework for all of its staff. The process also involves appraisal by way of regular reviews of performance of those objectives including formal mid-year and end of year performance reviews which are formally recorded.

	2. Developing the capability of the entity's leadership and other individuals	➤ We have a programme of training available for both Councillors, by way of the Induction Programme delivered after the May 2023 elections, and Officers (at all levels). ➤ All new starters are required to undertake an induction programme, which is available both virtually and face to face, together with an evaluation of the sessions after they have been delivered. Induction is also supported by starter checklists for managers and employees to ensure all mandatory training and key Corporate and local information is cascaded. ➤ There is mandatory training for all staff on key policies via the e-Learning system. ➤ Professional members of staff are required to undertake additional training requirements (continuing professional development) as set by their professional bodies.
Principle F Managing risks and performance through robust internal control and strong public financial management	1. Managing risk	➤ We have adopted a formal system of risk management overseen by the Corporate Finance Team. ➤ This ensures that the council's assets are adequately protected, losses resulting from hazards and claims against the council are mitigated through the effective use of control measures, and that our managers are adequately supported in their responsibilities in respect of risk management. ➤ Departments maintain risk registers which include corporate, operational, reputational, project and partnership risks in accordance with best practice. ➤ Key staff receive training on risk management principles. ➤ We maintain a Corporate Risk Register containing the council's key strategic risks and these are monitored by the Corporate Management Team, and by the Audit & Governance Committee. ➤ We conduct robust and quality risk assessments for data protection and privacy issues to ensure we comply with the fundamental principles and requirements of legislation.
	2. Managing performance	➤ Principal performance targets are captured within our Performance management system and are subject to review (including Council Delivery Plan, Council Scorecard, and Departmental business and service plans). ➤ Individual projects have their own targets and performance reviews set within them and are reported via the projects teams as required. Major Projects are tracked through the Place Executive Recovery Group. ➤ Performance management is reported on a quarterly basis to the Executive, the Corporate Management Team, and the Corporate Services, Climate Change, and Scrutiny Management and Economy, Place, Access, and Transport Scrutiny Committees. Complaints, FOI/EIR, data protection and associated regulator feedback are included in

		these reports and are also reported to the Governance, Risk and Assurance Group, Corporate Management Team, and to Audit and Governance Committee.
	3. Robust internal control	➤ Preventative procedures are in place which include the segregation of duties, approval/authorisation process, security of assets and regular reconciliations. ➤ Assurance is gained through regular internal audits and reporting. ➤ Our Internal Audit Service has received an independent external review which demonstrates that the service conforms with the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit also presents the results of the Quality Assurance and Improvement Programme as part of the annual report to the Audit and Governance Committee.
	4. Managing data	➤ We have in place a suite of Policies and Procedures covering information governance and information security that are managed and monitored by the Corporate Governance Team and ICT. ➤ We have senior officers who fulfil the roles of the Senior Information Risk Owner, Caldicott Guardians, and Information Asset Owners and Administrators. ➤ All officers and Councillors are required to undertake mandatory e-Learning training on data protection and information security. ➤ Regular council wide communications and targeted awareness sessions with teams are provided to ensure the need, and process, for reporting of all potential breaches of Data Protection legislation is clearly understood and also that lessons are learned and implemented from them.

	5. Strong public financial management	➤ We have a budget setting process with the Budget and Medium Term Financial Plan decided annually by Council. ➤ Budget setting includes resident and business engagement. ➤ The Finance Strategy sets the overall direction for how we will fund our activities and invest in the future. ➤ We have in place a statutory Section 151 Officer with finance teams that support the budget holders. ➤ Financial Procedure Rules and Contract Procedure Rules are in place and are regularly updated.
Principle G Implementing good practices in transparency, reporting, and audit to deliver effective accountability	1. Implementing good practice in transparency	➤ Agendas for all Council meetings are publicly available on the website. ➤ We comply with the local Government Transparency Code 2015, publishing required information at https://www.yorkopendata.org/ ➤ We comply with The Openness of Local Government Bodies Regulations 2014 and the Freedom of Information Act publication scheme. ➤ We have a Whistleblowing Policy in place which is actively publicised.
	2. Implementing good practices in reporting	➤ We have in place comprehensive procedures for the making of decisions, either by Full Council, Committees, the Executive, or individual decisions made by Chief Officers or Executive Members. ➤ All reports are taken through Democratic Services and require clearance by legal and finance as a minimum. ➤ Reports for Council, Committees and Executive business and minutes of these meetings are available on our website, save for reports which contain information that is exempt from publication.

	3. Assurance and effective accountability	➤ The Constitution has been fully reviewed and a refreshed version was implemented in May 2022, following its approval by Full Council in April 2022. A rolling review of the Constitution is underway. ➤ The Constitution sets out the executive arrangements and the roles and responsibilities of the Leader of the Council, the Executive and each of the Cabinet Members and the roles and responsibilities of other Council Members. ➤ The Constitution sets out the functions of Council, Executive and the various committees. ➤ We have an effective Scrutiny function with a number of Scrutiny Committees whose responsibilities are also set out in the Constitution. ➤ The principal roles and responsibilities of the Chief Operating Officer and senior officers, including the Section 151 Officer and the Monitoring Officer, are also set out in the Constitution.

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What specific assurances do we receive?

Whilst a number of assurances have been obtained to support this conclusion, it is important that we consider the following specific assurances to support this statement:

1. Chief Finance Officer (Section 151 Officer)

The CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government (2016) requires that assurance is provided on a number of governance arrangements relating to the organisation including financial control, reporting, the approach to decision making, compliance with relevant codes and the influence of the CFO within the organisation. These have been considered within the context of this Statement and it has been established that our arrangements conform to the CIPFA requirements and the Section 151 Officer has no significant concerns.

2. Monitoring Officer

The Monitoring Officer is required to report to the Council in any case where it appears that any proposal, decision, or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989; (LGHA 1989). These have been considered within the context of this statement and the Monitoring Officer has no significant concerns to report.

3. Head of Internal Audit

In accordance with the Accounts and Audit Regulations 2015, the CIPFA Statement on the Role of the Head of Internal Audit 2019 and the Public Sector Internal Auditing Standards (PSIAS), the Head of Internal Audit provides an annual opinion on the overall adequacy and effectiveness of our risk management, internal control, and governance processes.

The Head of internal Audit is satisfied that sufficient work has been undertaken to allow him to draw a reasonable conclusion on the adequacy and effectiveness of our arrangements. Based on the work performed during 2023-2024, the Head of Internal Audit has provided the following opinion on our risk management, internal control and governance processes, in operation during the year to 31 March 2024:

*The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the council is that it provides **Reasonable Assurance**.*

The opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison and planning with officers. No reliance was placed on the work of other assurance providers in reaching this opinion, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.

Full details on the assurance provided by the Head of Internal Audit are detailed within the Internal Audit Annual Report for 2023-24 will be presented to the Audit & Governance Committee on 31 July 2024.

Under the Public Sector Internal Audit Standards (the Standards), we are required to undertake a review of the effectiveness of our Internal Audit function and to report the results to the Audit and Governance Committee. An independent assessment against the Public Sector Internal Audit Standards must be carried out every five years. The most recent independent assessment was completed in September 2023 by the Chartered Institute of Internal Auditors. The assessment concluded that the Internal Audit function generally conforms to the Standards. This is the highest rating that can be awarded. The Standards also require us to perform a self-assessment each year. The outcome of the recently completed self-assessment, included in the Internal Audit Annual Report for 2023-24, demonstrates that the service continues to generally conform to the Standards, including the Code of Ethics. The Council can therefore continue to place reliance on the work of internal audit and the opinions given.

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4. External Audit

External Audit of the Council is undertaken by **Forvis** Mazars LLP. They presented their Audit Completion Report for the year ending 31st March 2023 to Audit & Governance Committee on 31st January 2024. At the time of writing, their work on the 2022/23 accounts is substantially complete, awaiting assurance on one area. The 2023/24 audit will commence in July 2024.

Forvis Mazars also took the Auditor's Annual Report to Audit & Governance Committee on 22nd May 2024 which provided conclusions on the value for money (VFM) arrangements for the Council in 2022/23. Following the recommendations arising from the Public Interest Report, a significant weakness was identified in the 21/22 VFM arrangements. In the latest report it was noted that the recommended actions had been addressed and the significant weakness no longer applied.

5. SIRO and Data Protection

The Director of Governance is the Council's Senior Information Risk Officer (SIRO) and Senior Responsible Officer (SRO) for surveillance systems and use of investigatory powers. The Corporate Governance Team support these roles and is responsible for data protection, information governance, records management and oversight of the surveillance systems framework and use of investigatory powers policy and procedures.

There have been small decreases in the number of reported potential and actual personal data breaches in 2023-24 financial year from the previous year. The reporting of potential as well as actual breaches indicates the ongoing awareness that timely reporting ensures the Council can take the necessary actions in a timely way, to safeguard information, inform individuals and regulators where it has been determined appropriate to do so, conduct robust investigations and make recommendations to reduce the risk of further breaches.

The number of significant breaches reported to Information Commissioners Office has remained the same i.e., 1 in 2022-2023 and one in 2023-2024.

The Council maintains the required level of assurance on the annual NHS Digital data security and protection toolkit.

The Council received positive assurances in respect of its use of investigatory powers and covert surveillance e.g., RIPA in its last inspection by the Investigatory Powers Commissioner Office (IPCO) inspection that took place on 27th August 2021. These are undertaken by the IPCO every three years. Updates on the required work and ongoing actions from this inspection were reported to Audit and Governance Committee and training was provided for the Committee to enable their oversight of the council's use of covert surveillance, acquisition of communications data and use of a Covert Human Intelligence Source (CHIS).

The Council continues to provide mandatory data protection and information security e-learning for all staff including agency staff and Elected Members. The requirement for this training to be completed annually is reinforced by regular all staff communications and targeted messages to senior managers. There is also ongoing targeted guidance and support provided for the roles of SIRO, information asset owners, Caldicott Guardians, and for investigatory powers/covert surveillance applying and authorising officers.

Ongoing work continues in the Council's ICT infrastructure to strengthen against Cyber-attacks, improve disaster recovery arrangements and record retention.

In this context, however, it is important to note that in mid-September 2023, the Council received an enforcement notice from the Information Commissioner in respect of a backlog of Freedom of Information (FOI) requests which had either not received a reply or had received a reply without the knowledge of the Information Governance team. Notwithstanding the Council's assurance that the situation would receive appropriate priority, the notice was issued on 13 September 2023, requiring that the Council respond to all those outstanding FOI requests within a period of six months, and publish an action plan for formalising the measures we would take to ensure we complied with our legal duties. The action plan was published within

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the requisite 35 days, and responses were sent in respect of all the outstanding FOI requests by the end of November 2023, some three and a half months in advance of the deadline. This failure on the Council's part was deeply regrettable, and an apology was made publicly and to the Audit and Governance Committee.

6. Senior Management Assurance Statements

Senior Management Assurance Statements were produced by all Directors for the financial year 2023-24. In the Assurance Statements, the Directors' self-assessed compliance and detailed the basis of Assurance and the frequency of testing and review. Most of these statements/assurances evidenced full compliance with the principles of good governance. Areas for development are detailed at the end of this statement.

Significant Governance Issues

The governance and internal control arrangements can provide a reasonable assurance but not an absolute assurance against material misstatement, safeguarding of assets or loss. This Statement is intended to provide reasonable assurance. In concluding this review of the Council's Governance Framework and Internal Control arrangements, new issues identified have been included in the tables below. There are also three issues that have previously been identified that have been progressed sufficiently and no longer require disclosure in this statement, although have been included for completeness this year.

A detailed plan to address existing weaknesses and ensure continuous improvement in the system of internal control has been produced in response and this will be subject to regular monitoring by the Council's Corporate Management Team and the Audit & Governance Committee, where appropriate.

In addition to the above, and for the sake of completeness, it is important to note that the publication of the 2022-23 draft Annual Governance Statement was unfortunately delayed, resulting in a necessary short extension to the objection period for the Council's accounts for 2022-23, although no objections were submitted within the extended period. That Annual Governance Statement was approved in principle by the 12 September 2023 meeting of the Audit and Governance Committee, and following final amendments was signed by the Leader and the Chief Operating Officer for submission with the annual accounts at this meeting.

Neither the Enforcement Notice nor the delay in publishing the 2022-23 AGS constitute ongoing governance issues, however; rather, they represent individual instances of service failure, which have been dealt with appropriately and resulted in no long-term impact on the Council.

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COMPLETED Governance issues arising from the previous Annual Governance Statement (2022-23)

YEAR IDENTIFIED	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2023-24												
2021-22	Absence Management Following the introduction of the one-day reporting system for absence, manager have had a consistent and easy tool to manage, update and report employee absences which is now an embedded process. Training for all new managers with staff responsibilities takes place. The system went live in Sept 2019 and was valuable during the COVID periods. This system is now due to be reconsidered and expires in late 2022. Options for an alternative inhouse system with similar or appropriate electronic recording and live real time alerts is not available in iTrent and the risk of not having a system for the future could mean that managers do not have effective and efficient tool to assist to manage absence and absence may not be recorded consistently across the Council	Executive approval granted in November 2022 to re procure one day reporting system alongside the Occupational Health contract. Work has been undertaken to assess the “iTrent” absence module and this is not functional or accurate to allow managers to see live up to date absence information.	The access and use of the absence system is now business as usual. The new contract with Medigold for absence management was implemented in July 2023 and is now integrated within the council’s Occupational Health service. Efficiencies are being met with the two services under one contract and employee and managers are able to access new dashboards and tool to assist with absence management. This is in addition to training and support from HR to manage absence. Service reviews with the contractor take place monthly to raise any system issues. Latest data published for “Average Sickness Days per FTE - CYC (Excluding Schools) - (Rolling 12 Month)” is: <table><tr><td>2018/19</td><td>2019/20</td><td>2020/21</td><td>2021/22</td><td>2022/23</td><td>2023/24</td></tr><tr><td>11.3</td><td>11.6</td><td>8.8</td><td>11.8</td><td>11.9</td><td>11.3</td></tr></table>	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	11.3	11.6	8.8	11.8	11.9	11.3
2018/19	2019/20	2020/21	2021/22	2022/23	2023/24										
11.3	11.6	8.8	11.8	11.9	11.3										

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YEAR IDENTIFIED	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2023-24
2022/23	Robust Delivery of the City Election in May 2023	Extensive preparatory work and regular involvement from the Returning Officer, together with the Monitoring Officer, electoral staff, communications team, and representatives from the Electoral Commission ensured a safe and well-run election in May 2023, with no challenges to results and with an increased postal vote base and turnout. A Members Induction Programme was prepared by the Assistant Director, Policy, and Strategy, and was delivered by a variety of officers and outside agencies, ensuring returning and new members had access to essential and desirable training in a timely manner. This was particularly aided by each session being filmed and made available after the event for those members who were unable to attend the face-to-face training sessions.	Following the success of the 2023 election, continued preparation is underway in the electoral team to deliver the 2024 Combined Authority Mayoral Election and the 2024 General Election. This has been boosted by the arrival of the Head of Democratic Governance.
2022/23	Impact of North Yorkshire devolution and creation of combined authority	Work with colleagues in North Yorkshire Council (NYC) and Office for the Police, Fire and Crime Commissioner (OPFCC) to define and implement effective and compliant governance arrangements for the new Combined Authority, subject to Executive approval. A new Joint Committee for devolution with NYC was established. Significant work has been undertaken by the Chief Operating Officer, Chief Finance Officer, and Head of Human Resources, together with other Corporate Directors and Directors, to prepare the Council for the forthcoming York & North Yorkshire Combined Authority (YNYCA).	The Combined Authority was officially launched on 1st February 2024. A significant amount of work has been undertaken to reach the creation date, with key officers adding to the success. Work continued up to May 2024 when the Mayor was elected. Preparation for the Mayor included ensuring an appropriate induction was available to welcome them, a suitable staffing structure is in place for the Mayor to serve York and North Yorkshire, funding sources are in place, a safe and legal constitution with appropriate governance structures and the efficient transition of the Office of the Police Fire and Crime and

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YEAR IDENTIFIED	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2023-24
			Fire Service to the Combined Authority. As its own legal entity the Combined Authority now has its own Audit and Governance structure. Work will continue to take place to develop new relationships with officers across City of York Council as new funding opportunities become available as a result of the Devolution deal.

CURRENT Governance issues arising from the 2023-24 Annual Governance Statement

	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2023-24
1 – Existing Issue, updated	Financial Risks (i) Pressures - Impact of funding reductions - The council continues to face significant funding pressures and changes to both national and regional funding regimes which naturally present a potential risk to the council's overall governance arrangements and financial resilience. There is currently uncertainty around any future government funding and the long-term impact on income streams, including business rates and	The outturn position for 2021/22 was an overspend position and therefore this remains a significant risk. The Council again set a balanced budget for 2022/23 and made proper provision for growth along with a contingency to support continued recovery from the pandemic. The Medium-Term Financial Strategy (MTFS) reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. This continues to be updated and refreshed. This informs the budget process for future years. There remain significant challenges to deliver savings and outturn within the approved budget. The uncertainty around central government funding remains an issue.	The outturn position for 2022/23 was also an overspend position and there is again an overspend in 2023/24, therefore this remains a significant risk. A balanced budget was set for 2023/24 and 2024/25. Significant provision for growth were made as well as allocations to support the increased cost from high inflation throughout 2023. The Medium-Term Financial Strategy continues to be updated and presented to CMT and Executive. The uncertainty around central government funding remains an issue. The 2024/25 settlement was again a one-year deal, with no longer term indication of local government finance reform. Further development of the medium-term financial plan will
Existing Issue			

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	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2023-24
	council tax. The financial position of the health economy in York, and the impact that may bring for the Better Care Fund, and implications on the Adult Services budget (ii) Major capital projects The council has a number of major capital projects at different stages, including York Central, York Outer Ring Road, and the Housing Delivery Programme. As outlined above, the economic conditions following the pandemic will have a significant, ongoing financial impact on the capital programme.	Ongoing discussions with Health Organisations in York, and reporting to Health & Wellbeing board There are significant risks associated with the range of major schemes which have been identified in various reports, including the potential implications for both capital and revenue budgets. Key programmes include Housing Delivery and York Central. Ongoing regular reporting to various member meetings, alongside effective project management continues to be essential to ensure risks can be mitigated/ managed. The council has put in place dedicated project management expertise for its major projects and invested in a project management system to manage programme / cost risks attached to these major projects. Major projects will need to be reviewed to assess any new risks and to ensure that the financial assumptions are still sound. Clarity of delineation of the roles of those Members and Officers concerned with the delivery of projects and those concerned with regulatory decisions has been factored into the project management and protocols are in place in respect of decision making to provide necessary ethical walls within the organisation and in line with the council's constitution.	be needed during the year to ensure continued financial resilience.

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	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2023-24
2 – Existing Issue, updated	Local Plan The Council has submitted a draft Local Plan for inspection, however a final version is yet to be approved. Planning policy sits within a national regulatory framework; non-compliance with that framework means that planning decisions by the local authority can be successfully challenged both in the Courts and through the Secretary of State. In addition, failure to adopt a compliant Local Plan, given the expectations embodied in the National Planning Policy Framework (NPPF) leaves undeveloped areas of the city vulnerable to development proposals which the council will be unable to stop. Also given Ministerial statements failure to progress a plan could lead to interventions by Government into the City's planning services	At an extraordinary meeting of Full Council on 17th May 2018 members resolved to submit the Local Plan to the Planning Inspectorate for examination. The Local Plan was submitted on 25th May 2018. The Council will have proceeded through three phases of the public inquiry by the end of July 2022 with a fourth and final stage being held in September 2022. This is significant progress however the Local Plan making process is highly procedural and still needs to progress through multiple statutory processes before adoption which will if successfully completed be in 2023. Updates to the Local Plan examination timetable and correspondence with the Inspectors can be found at www.york.gov.uk/localplanexamination	The Council continues to respond to the requests of the planning Inspectors in respect of their requirements in the Local Plan public enquiry process. Clearly the Council is not in control of the process and there remains risks with the adoption of the plan and the associated timetable. In respect of resources the Councils 2021 budget provided permanent ongoing funding for the Councils forward Strategic Planning team beyond the Local Plan process. The Corporate Director of Place has also taken direct responsibility for the next phase of the public enquiry and whilst interim staffing arrangements have been made the skills remain in high demand and capacity is stretched within the team. Following on from a hearing on the 6th March 2024 regarding the Gypsy and Traveller policies / site provision the Council is expecting the Examination process to conclude in 2024. New Legislation is anticipated with regard to the Local Planning framework and all political parties at a national level have identified this as an issue for the next Government.
3 – Existing issue, updated	Embedding Good Governance across the Council – To continue to promote a culture of good governance across the council by continuing to embed the revised constitution and ensure it remains fit for purpose; to continue to embed member development following the city	The work of embedding good governance continued throughout 2022-2023, with no significant governance issues identified (although occasional human errors required remedial action to be taken). As a consequence, the Audit and Governance Committee noted the completion of the Governance Action Plan in November 2022.	Good progress has been made over the year 2023-24 in embedding good governance, supplemented by increased stability within the Democratic Services team brought on by the arrival of the new Head of Democratic Governance. The Audit and Governance Committee received an update on the cultural change programme at its meeting on 19 July 2023, and endorsed the proposed approach of incorporating

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	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2023-24
	Election in 2023.	Subsequently, the Local Government Association undertook a review of the culture of the organisation, which has resulted in a requirement to develop a further cultural change programme, to be reported to the Audit and Governance Committee in the new municipal term, and to be implemented over the following years.	the necessary change training into the overall Members' Induction and ongoing training programme. Further reports will be brought to the Committee across the 2024-25 year, in order to ensure that progress is maintained, and that all actions identified by the Local Government Association are included in the ongoing Member training programme.
4- New Issue for 2023/24	Contract Management arrangements – To reestablish the correct contract management procedures for both officers and members ensuring there is clarity around any issues arising.	<i>New issue</i>	
5- New Issue for 2023/24	Resourcing and capacity – the Council has an ambitious set of major projects, as well as key developments in regional devolution alongside the provision of key services to residents. All are competing demands on the limited resources available which creates risk in achieving objectives. This is a cross cutting issue that impacts on the progress of all the governance issues identified.	<i>New issue</i>	

What Are Our Key Governance Development Priorities for 2024-25 ?

City of York's key governance priorities for 2024-25 are:

2024-25 Priority	Planned/Proposed Action	Responsible Officer(s)
Financial Risks/MTFS/Financial sustainability	<i>Existing priority</i>	Director of Finance (Section 151 Officer)
Local Plan	<i>Existing priority</i> To secure the adoption and implementation of the Local Plan.	Director of City Development
Embedding Good Governance across the Council	<i>Existing priority</i> To continue to promote a culture of good governance across the council by continuing to embed the revised constitution and ensure it remains fit for purpose. Implementation of new Corporate Improvement Framework will be key.	Head of Paid Service Monitoring Officer Section 151 Officer Chief Officer HR & Support Services
Embedding good contract management across the authority	<i>New priority</i>	Head of Paid Service Monitoring Officer Section 151 Officer
Resourcing & Capacity	<i>New priority</i>	Head of Paid Service Chief Officer HR & Support Services

Assurance Opinion of the Leader of the Council and the Chief Operating Officer

We have been advised on the effectiveness of the governance framework by senior management. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

It is our opinion that the Council's governance arrangements in 2023-24 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2024-25.

Having considered all the principles contained in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are also satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

C Douglas

.....
Councillor C Douglas
Leader of the City of York Council

Ian Floyd

Ian Floyd
Chief Operating Officer

GLOSSARY

DRAFT

Accounting Concepts

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

Accounting Period

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

Accounting Policies

Accounting Policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy will, for example, specify the estimation basis for accruals where there is uncertainty over the amount.

Accruals

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

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made

Actuarial Gains and Losses

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

Agency

The provision of services by one body (the Agent) on behalf of, and generally reimbursed by, the responsible body.

Amortisation

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

Appropriation of Land or Buildings

The transfer of a holding of land or buildings from one service area to another, at current market value.

Asset

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

Assets Under Construction

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

Authorised Limit

The level of external debt that the Council may have. This limit cannot be breached in any circumstances and is set annually by the Council.

Balance Sheet

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

CDS

Credit Default Swap

Capital Charge

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

Capital Expenditure

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

Capital Expenditure charged to Revenue Account (CERA)

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

Capital Financing

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

Capital Adjustment Account

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

Capital Programme

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

Capital Receipts

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

Cash Flow Statement

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

Charging Council

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

Cipfa Accounting Code of Practice

Guidance issued by CIPFA to ensure Local Authorities comply with IFRS.

Collection Fund

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

Commutation Option

This is an option available from 6 April 2006 to members of the North Yorkshire Pension Fund to take a larger lump sum on retirement in exchange for a smaller future pension payment.

Community Assets

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

Community Charge

A flat rate charge which was payable by all registered chargepayers within the Council's area. The income from the charge was used to finance a proportion of the Council's expenditure.

Consistency

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

Contingent Asset

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

Contingent Liability

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

Corporate and Democratic Core

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

Council Tax

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

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

Creditors

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

Current Assets

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

Current Liabilities

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

Current Service Cost

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

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 (due to ceasing an activity) and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors

Amounts due to the Council for goods or services provided within the accounting period but not received at the balance sheet date.

Deferred Consideration

Expenditure which is determined precisely at the time of the acquisition of an asset, but where the payment is delayed for a defined period.

Deferred Credits

Amounts due to the Council from the sale of fixed assets that are not receivable immediately on sale, but will be received in instalments over agreed periods of time.

Deferred Debtors

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

Deferred Liabilities

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

Defined Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Pension Scheme

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

Depreciation

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

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Economic Infrastructure Fund (EIF)

A fund set up to deliver economic benefits for the city.

Emoluments

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

Exceptional Items

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

Expected Rate of Return on Pension Assets

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

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items nor do they include any prior period items merely because they relate to a prior period.

Fixed Asset Register (FAR)

A system that allows the council to measure and record assets in line with International Financial Reporting Standards and the IFRS-based code of practice on local authority accounting in the United Kingdom (the code).

Fees and Charges

Income arising from the provision of services.

Financial Instruments and the Financial Instruments Adjustment Account (FIAA)

Financial Instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another. They refer to both financial assets and financial liabilities and includes both the straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. The FIAA is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

Financial Regulations

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

Financial Year

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

Fixed Assets

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

General Fund

The main account of the Council that records the costs of service provision except those shown in the Housing Revenue Account and the Collection Fund.

Going Concern

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

Government Grants

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

Gross Carrying Amount (GCA)

Amount at which fixed assets are included in the notes, prior to the provision for accumulated depreciation.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account (HRA)

A separate account to the General Fund recording all the transactions relating to the provision of council houses.

Impairment

A reduction in the value of a fixed asset below its current value on the Council's balance sheet.

Income and Expenditure Account

The Income and Expenditure Account combines the income and expenditure relating to all the Council's functions including the General Fund and the Housing Revenue Account.

Infrastructure Assets

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

Intangible Fixed Asset

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

Interest Cost

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

International Financial Reporting Standards (IFRS)

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

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

Investment

An investment is considered to be long term if it is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified as such only where an intention to hold the

investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet the above criteria should be classified as current assets.

Investment Properties

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

Leasing

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

Lenders Option Borrowers Option (LOBO)

A LOBO loan is a loan that permits the lender to nominate a revised interest rate payable on the debt at periodic dates and also gives the borrower the option as to whether to pay the revised rate or repay the debt in its entirety.

Liability

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

Liquid Resources

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

Materiality

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Minimum Revenue Provision (MRP)

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

Monitoring Officer

Under the provisions of the Local Government and Housing Act 1989 Councils have a duty to appoint a Monitoring Officer to ensure the lawfulness and fairness of Council decision making. Councils may choose who to designate as Monitoring Officer except that it may not be the Head of Paid Service (Chief Operating Officer). In York the Monitoring Officer is Janie Berry, Director of Governance.

National Non-Domestic Rates (NNDR)

An NNDR poundage is set annually by central government and collected by Charging Authorities. The proceeds are redistributed by the government between Local Authorities.

Net Book Value (NBV)

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

Non-Operational Assets

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

Operational Assets

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

Operational Boundary

This is a measure of the most money the Council would normally borrow at any time during a financial year. It may be exceeded temporarily, but a regular pattern of borrowing above this level should be avoided.

PA92

These are tables of figures used by actuaries for standard mortality reflecting mortality experience in the period 1991-94, with assumptions for future rates of change. The 'mc' to 'medium cohort' which was introduced to reflect the increased life expectancy of a specific age group of retirees.

Past Service Cost

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

Post Balance Sheet Events

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

Precept

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

Precepting Council

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

Prior Year Adjustments (or Prior Period Adjustments)

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

Provisions

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

Prudence

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

Prudential Indicators

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

Public Works Loan Board (PWLB)

A government agency that lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury. Councils are free to borrow as much as they like from the PWLB provided that it is prudent, affordable, sustainable and within the prudential indicators set at full council.

Realisable Value

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

Related Party

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

Reserves

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

Residual Value

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

Retirement Benefits

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

Revaluation Reserve

This account contains surpluses and losses arising from the periodic valuation of fixed assets.

Revenue Expenditure

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure which may be properly capitalised, but which does not result in, or remain matched with, tangible fixed assets.

Revenue Support Grant (RSG)

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

Scheme Liabilities

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

Section 151 Officer (S151)

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

Service Reporting Code of Practice (SeRCOP)

Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice (BVACOP). It is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Settlement

An irrevocable action that relieves the employer (or the defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements can include: a lump-sum cash payment to

scheme members in exchange for their rights to receive specified pension benefits; the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Subsidiary

This is an entity over which the reporting Authority is able to exercise control over operating and financial policies and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

Support Services

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

Tangible Fixed Assets

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

Temporary Borrowing/Investment

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

Trading Services

These are activities of the Council where the workers are directly employed to carry out specified tasks. Such organisations were formerly known as Direct Service Organisations (DSO). In York the work is undertaken under the name of Neighbourhood Services.

Treasury Management

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Trust Funds

Money owned by an individual or organisation that is administered by the Council.

Unapportionable Central Overheads

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

Useful Life

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

Vested Rights

In relation to a defined benefit pension scheme these are for active members, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners, their preserved rights and for pensioners, pensions to which they are entitled.

Work in Progress

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

Write Out (WO)

Removal of an Asset by charging to the CIES, or reversal of accumulated depreciation against a fixed asset on revaluation of that asset.

DRAFT

Audit & Governance Committee – work plan

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

Theme	Item	Lead officers	Scope
17th March 2025			
Veritau (internal audit / counter fraud)	Audit Committee Self-Assessment	<u>Veritau</u> <u>Max Thomas / Richard Smith</u>	To share the results of the self-assessment undertaken.
Veritau (internal audit / counter fraud)	Internal Audit Work Programme	<u>Veritau</u> <u>Max Thomas/ Richard Smith</u>	
Veritau (internal audit / counter fraud)	Counter Fraud Risk Assessment and Workplan	<u>Veritau</u> <u>Max Thomas/ Richard Smith</u>	
Risk	Key Corporate Risks monitor 3	<u>CYC</u> <u>Debbie Mitchell</u>	Update on Key Corporate Risks (KCRs) including focus on KCR1
Governance	York Open Data Update	<u>CYC</u> <u>Ian Cunningham / Debbie Mitchell</u>	
Governance	Polling District and Polling Place Review	<u>CYC</u> <u>Lindsay Tomlinson / Emma Calvert</u>	To report on the outcome of consultation exercise.
14th May 2025			
Veritau (internal audit / counter fraud)	Annual Report of the Head of Internal Audit	<u>Veritau</u> <u>Max Thomas/ Richard Smith</u>	

Veritau (internal audit / counter fraud)	Annual Counter Fraud Report	<u>Veritau</u> <u>Max Thomas/ Richard Smith</u>	
Risk	Key Corporate Risks monitor 4	<u>CYC</u> <u>Debbie Mitchell</u>	Update on Key Corporate Risks (KCRs) including focus on KCR 2
Finance	No Purchase Order No Pay - update	<u>CYC</u> <u>Debbie Mitchell</u>	
8th July 2025			
Risk	Key Corporate Risks monitor 1	<u>CYC</u> <u>Debbie Mitchell</u>	Update on Key Corporate Risks (KCRs) including focus on KCR 3
Finance	Draft Statement of Accounts 2024/25	<u>CYC</u> <u>Debbie Mitchell / Emma Audrain</u>	
Finance	Treasury Management Outturn	<u>CYC</u> <u>Debbie Mitchell</u>	
3rd September 2025			
External Audit	Audit Strategy Memorandum 2024/25	<u>Mazars</u> <u>Mark Outterside</u>	
Risk	Key Corporate Risks monitor 2	<u>CYC</u> <u>Debbie Mitchell</u>	Update on Key Corporate Risks (KCRs) including focus on KCR 4
Finance	Treasury Management Monitor 1	<u>CYC</u> <u>Debbie Mitchell</u>	
12th November 2025			
Finance	Treasury Management Monitor 2	<u>CYC</u> <u>Debbie Mitchell</u>	
External Audit	Audit Progress Report	<u>Mazars</u> <u>Mark Outterside</u>	
28th January 2026			
Risk	Key Corporate Risks monitor 3	<u>CYC</u> <u>Debbie Mitchell</u>	Update on Key Corporate Risks (KCRs) including focus on KCR 5

Finance	Final Statement of Accounts 2024/25	<u>CYC</u> <u>Debbie Mitchell /</u> <u>Emma Audrain</u>	
Finance	Treasury Management Monitor 3	<u>CYC</u> <u>Debbie Mitchell</u>	
Finance	Treasury Management Strategy	<u>CYC</u> <u>Debbie Mitchell</u>	
External Audit	Audit Completion Report 2024/25	<u>Mazars</u> <u>Mark Outterside</u>	
11th March 2026			
Risk	Key Corporate Risks monitor 4	<u>CYC</u> <u>Debbie Mitchell</u>	Update on Key Corporate Risks (KCRs).

Upcoming items:

- Councillor Code of Conduct

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Meeting:	Audit and Governance Committee
Meeting date:	29/01/2025
Report of:	Head of Internal Audit (Veritau)
Portfolio of:	Cllrs Lomas Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Audit and Governance Committee Report: Internal Audit Work Programme Consultation 2025/26

Subject of Report

1. This report outlines arrangements for developing the internal audit work programme. It also asks for the Audit & Governance Committee's views on any areas it thinks should be considered for audit in 2025/26.

Policy Basis

2. The work of internal audit is governed by the Accounts and Audit Regulations 2015, and the Public Sector Internal Audit Standards (PSIAS).
3. In accordance with these standards, and the council's internal audit charter, internal audit is required to seek the views of the Audit & Governance Committee when developing each year's work programme.

Recommendation and Reasons

4. The Audit & Governance Committee is asked to:

- provide its views on areas that should be considered a priority for inclusion in the 2025/26 internal audit work programme.

Reason

Internal audit professional standards require that the views of this committee are considered when developing the internal audit work programme.

Background

5. Internal audit provides independent and objective assurance and advice on the council's operations. It helps the council to achieve its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control, and governance processes.
6. The PSIAS, and the council's audit charter, require internal audit to draw up an indicative programme of work based on an assessment of risk.
7. The standards require internal audit to independently form a view on the risks facing the council. However, they also require the opinions of the Audit & Governance Committee, and those of senior council officers, to be taken into account when forming that view.
8. A specific public sector requirement for internal audit is that the risk-based plan (or work programme) must take into account the need to deliver an annual internal audit opinion.
9. Internal audit work programmes cover a range of risk areas to ensure that the work undertaken enables Veritau to meet the requirement to provide an overall opinion on the governance, risk management, and control framework operating in the council.
10. The consultation report included at Annex 1 contains information on our approach to developing the work programme, background on our internal audit opinion framework, and some examples of arrangements, systems and processes we could review under each aspect of the framework.
11. Consultation with senior council officers on proposed 2025/26 internal audit work will be undertaken over the next two months. A

draft internal audit work programme will then be brought to this committee in March 2025 for its approval.

Consultation Analysis

12. Not relevant for the purpose of the report. This report represents the first stage of consultation on the development of the 2025/26 internal audit work programme.

Risks and Mitigations

13. The requirements of the PSIAS would not be met if the Audit & Governance Committee's views were not sought in the development of the internal audit programme. This could result in external scrutiny and challenge.

Contact details

For further information please contact the authors of this report.

Author

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Job Title:	Head of Internal Audit
Service Area:	Veritau Limited
Telephone:	01904 552940
Report approved:	Yes
Date:	17/01/2025

Background papers

- None

Annexes

- Annex 1: Internal Audit Work Programme Consultation Report 2025/26

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Internal Audit Work Programme Consultation 2025/26

Date: 29 January 2025

Annex 1

CONTENTS

- 3** Introduction
- 4** Approach: The Opinion Framework
- 6** Key assurance areas
- 10** Questions for the committee to consider
- 11** Next steps
- 12** Appendix A: the opinion framework

Introduction



Professional standards: work programme development

- 1 The Public Sector Internal Audit Standards (PSIAS), and the council's audit charter, require internal audit to draw up an indicative programme of work based on an assessment of risk. The standards require internal audit to independently form a view on the risks facing the council. However, they also require the opinions of the Audit and Governance Committee and senior council officers to be considered when forming that view.
- 2 A specific public sector requirement for internal audit is that the risk-based programme must take into account the requirement to produce an annual internal audit opinion. Internal audit work programmes cover a range of risk areas to ensure that the work undertaken enables Veritau to provide an overall opinion on the framework of governance, risk management, and control operating at the council.
- 3 This report provides information on Veritau's approach to planning audit work. It also asks for the committee's views on areas it considers a priority for internal audit in 2025/26. This is the first stage in consultation on the annual programme of work. A full draft programme will be brought to the committee for approval at its 26 March 2025 meeting.

The year ahead for City of York Council

- 4 Much like other local authorities across the country, City of York Council will continue to face significant financial challenges as it moves into 2025/26. This is despite a significant reduction in its forecast overspend for 2024/25, which was £2.7m as at September 2024 (down from circa £11m at this stage in previous years)¹.
- 5 The council has been under cost control for all of 2024/25 and it is likely that this will continue into 2025/26, alongside other measures to bring spending down to affordable levels over the short to medium term. Delivery of the council's savings programme will also therefore remain a key priority. Savings will be required across the council but particularly within adult's and children's social care which continue to overspend. Actions to safeguard the council's financial viability into 2025/26 and beyond are particularly important since the council's general reserves, of £6.9m, are currently below the minimum level of £7.4m (i.e. as recommended by the council's Chief Finance Officer and approved by Budget Council in February 2024).
- 6 While much of the council's focus for 2025/26 will be on the scale of the financial challenges it faces, it will also face a range of other challenges to delivery of its services, its strategic objectives, and ultimately to its

¹ 2024/25 Finance and Performance Monitor 2 (Executive, 14 November 2024)

systems of governance, risk management, and internal control. These challenges include:

- ▲ responding to legislative and regulatory change: most notably the Procurement Act and Procurement Regulations, and others that will be introduced by the new government.
- ▲ responding to increased demand and complexity in customer needs: especially within adult's and children's social care services.
- ▲ maintaining and improving service levels in response to regulator requirements: for example, with new standards and inspection regimes issued by the CQC and the Regulator of Social Housing.
- ▲ delivering key place-shaping projects across the city: for example, York Central, Castle Gateway, and York Station Gateway.

- 7 For internal audit to add most value, it needs to align its work to areas of greatest risk and highest priority. The next sections of this report explain how we do this at City of York Council, by applying our 'opinion framework'.

Approach: The Opinion Framework



Background

- 8 In addition to the requirements referred to in paragraphs 1 and 2, the PSIAS also expect that the risk-based programme of work is linked to, and contributes to:
- ▲ the management of strategic risks, and
 - ▲ the achievement of organisational objectives and priorities.
- 9 The annual opinion is the most important output from internal audit and a key source of objective assurance that the council's leadership team and councillors can use to inform the annual governance statement. The opinion must therefore be well founded if it is to give proper assurance to the council.

The opinion framework

- 10 Veritau has established an opinion framework. This reflects the requirements of the PSIAS and the council's internal audit charter, to enable us to deliver an annual opinion.
- 11 The opinion framework sets out the principles that will be used to develop and manage the audit work programme. It ensures that assurance coverage is targeted towards priority areas to allow us to develop a properly informed annual opinion. We continuously revisit priorities during the year so that the work programme remains up to date.

- 12 The opinion framework is comprised of three main parts. The main component is a definition of several key assurance areas. These represent areas of internal control that we think are essential to the proper functioning of the council. Systems and controls in each area need to be operating effectively to maximise the likelihood that the council's objectives are achieved without undue exposure to risk.
- 13 The 11 areas we have identified are those that we believe make the most significant contribution to achievement of organisational objectives or give rise to the greatest risks. They are based on our internal audit experience in local government and good practice guidance. The 11 areas cover both corporate arrangements, and management of risks and controls in individual service areas that collectively contribute to the council's wider objectives.
- 14 Overlaid on the key assurance areas are two further components of the framework:
 - ▲ Organisational risks
 - ▲ Organisational objectives
- 15 The risks that are most important for audit planning are those set out in the council's Key Corporate Risk (KCR) Register. These are the risks included in quarterly monitoring reports presented to the committee by the Chief Finance Officer.
- 16 There are many other risks associated with the wide range of services the council delivers. Where appropriate, service risks are considered as part of individual audit assignments. However, the risks on the KCR register are those considered most significant to the achievement of the council's objectives and therefore are the main focus for internal audit planning. There are currently 12 risks on the KCR register.
- 17 The council's organisational objectives are expressed in its 2023-27 Council Plan as priorities. There are seven priorities covering health and wellbeing, education and skills, economy and employment, transport, housing, sustainability, and how the council operates. These priorities are expected to create the conditions to make the city of York a healthier, fairer, more affordable, more sustainable and more accessible place, where everyone feels valued.
- 18 The council's strategic ambitions, and the mechanisms by which they are delivered, are a key consideration when identifying and prioritising engagements for inclusion in the internal audit work programme.
- 19 The internal audit work programme will be developed by looking to have appropriate coverage across all 11 of the key assurance areas. In deciding what work is a priority in each area, we also consider which audits will

also provide coverage of strategic risks and corporate ambitions and priorities.

- 20 An overview of the process followed in using the opinion framework to determine audit priorities, and so to develop the internal audit work programme, is included in Appendix A.

Key assurance areas



Key assurance areas: an overview and examples

- 21 Details of the 11 key assurance areas are set out below. We have provided definitions, and some examples of arrangements, systems, and processes we could audit within each area. The examples are for illustrative purposes and are not exhaustive. Some audits we will consider for inclusion in the work programme are also likely to cut across a number of the key assurance areas.

Strategic planning

- 22 Strategic planning covers the arrangements the council has to define and develops its strategy, or direction, and make decisions on resource allocation to successfully pursue this strategy. It also encompasses the control measures in place to guide strategy implementation. The council's strategy and policy framework is comprised of three core interdependent 10-year strategies (relating to the local economy, health and wellbeing, and climate change), supporting strategies, the Council Plan, and other key plans and policies which give effect to the strategies.
- 23 This area is of importance to internal audit as effective strategic planning is a prerequisite for delivering long term, sustainable success.

Examples

▲ Social care delivery and commissioning	▲ Organisational development
▲ Local Plan delivery	▲ Carbon reduction

Organisational governance

- 24 Governance is the combination of processes and structures implemented to inform, direct, manage and monitor the activities of the council toward the achievement of its objectives. At its most visible, governance involves the set of policies put in place for the direction and control of the organisation and the establishment of rules and procedures for making decisions and for complying with relevant legislation and regulations. Governance also encompasses business ethics, leadership, strategic management, and control activities. In a local authority context, the principles of effective governance are set out in CIPFA / Solace's 2016 Delivering Good Governance in Local Government: Framework.

- 25 Internal audit is expected to assess and make appropriate recommendations to improve the council's governance processes. It is also expected to evaluate risk exposures relating to compliance with laws, regulations, policies, procedures and contracts.

Examples

▲ Adherence to Constitution	▲ Declarations of interests & gifts and hospitality
▲ Policy framework	▲ Democratic governance

Financial governance

- 26 Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... *make arrangements for the proper administration of their financial affairs...*". Financial governance involves arrangements for giving a reliable account of the money spent and income received, stewardship of public resources, compliance with legal and regulatory requirements, ensuring value for money, supporting effective decision-making, and facilitating planning and resource allocation.
- 27 The PSIAS require that internal audit evaluates the adequacy and effectiveness of controls relating to the reliability and integrity of financial information.

Examples

▲ Income collection & debt management	▲ General ledger / accounting records
▲ Payroll	▲ Ordering and creditor payments

Risk management

- 28 Risk management encompasses the council's arrangements for identifying, assessing, managing, and controlling potential events or situations to provide reasonable assurance that its objectives will be achieved. It involves being aware of risk exposures, selecting appropriate risk responses that align risks with the council's risk appetite, and communicating relevant information in a timely manner across the organisation.
- 29 As the council's internal audit provider, the PSIAS expect that we evaluate the effectiveness of risk management processes and contribute to their improvement.

Examples

▲ Risk management processes	▲ Health and safety

▲ Insurance

▲ Disaster recovery

Information governance

- 30 Information governance is the set of multi-disciplinary structures, policies, procedures, processes, and controls implemented to manage information across the council. These governance arrangements should support the council's immediate and future regulatory, legal, risk, environmental and operational requirements.
- 31 Given its links to information asset security, compliance risk, and the importance of data in driving and informing the council's decisions and operations, it is an important area for internal audit coverage.

Examples

▲ Data protection impact assessments

▲ Records management

▲ Data sharing agreements

▲ Rights of individuals requests

Performance management and data quality

- 32 Performance management refers to the systematic process by which the council plans, monitors, and improves the delivery of the services it provides to the public. The starting point for performance management is the council's strategic ambitions which then filter down the organisation to directorate, service, team and individual levels. The council's performance management framework aims to join up delivery at all levels by setting clear, achievable targets which can be accurately monitored and reported, with corrective action being taken promptly and appropriately.

Examples

▲ Performance framework

▲ Data quality

▲ Staff appraisals

▲ Management information

Procurement and contract management

- 33 Effective procurement is vital for any local authority to ensure that it maximises value for money in its service delivery. Every procurement process undertaken by the council needs to comply with the provisions of its Constitution (including the Contract Procedure Rules) and the objectives set out in its Procurement Strategy. Public sector procurement also needs to comply with the Procurement Act 2023 and Procurement Regulations 2024 which will come into effect from 24 February 2025.
- 34 Once a procurement exercise is completed and the contract begins, it is essential that it is monitored regularly to ensure compliance with terms and conditions, to manage delivery risk, and to assess performance.

Examples

▲ Individual procurement exercises	▲ Contract management
▲ Compliance with the CPRs	▲ Category management and forward planning

People management

- 35 This area covers all aspects of the management of human resources across the council. For example, recruitment and selection, remuneration, attendance management, training and talent development, individual performance management, equal opportunities, welfare and industrial relations, working arrangements, culture, and discipline.
- 36 The council's people are essential to the achievement of its objectives, and there are a wide range of potentially significant risks in this area.

Examples

▲ Training	▲ Attendance management
▲ Equalities, diversity, and inclusion	▲ Recruitment processes

Asset management

- 37 Asset management involves the proper management, safeguarding and recording of assets. It seeks to align the asset base with the council's corporate ambitions and objectives. Key areas for effective asset management include strategic planning, maintenance of accurate records, an understanding of the physical location of assets, allocated responsibility for assets, and periodic and systematic physical verification of the existence, condition, and performance of assets.
- 38 Ensuring the safeguarding of assets is one of five key risk areas that the PSIAS require internal audit to evaluate when providing assurance on the adequacy and effectiveness of the council's risk management arrangements.

Examples

▲ Fleet management	▲ Asset repair and maintenance
▲ Housing standards	▲ Acquisition, transfer, and disposal

Programme and project management

- 39 Programmes are a collection of related projects managed in a coordinated way. This can bring benefits and control over and above what is achievable from managing projects individually. Projects are discrete, clearly defined, shorter-term engagements, involving the application of

processes, methodologies, and specific/cross-functional skills and methodologies to achieve specific and measurable outcomes.

- 40 Effective project management is important for the council to ensure resources are used efficiently and to achieve value for money. Particularly for large and high-profile projects that bring about significant change. Internal audit is expected to evaluate risk exposures relating to the effectiveness and efficiency of council programmes and projects.

Examples

▲ All About Projects compliance	▲ Individual review of projects
▲ Project assurance arrangements	▲ Project governance and risk management

IT governance

- 41 Information technology (IT) governance is a sub-discipline of organisational governance. It relates to leadership, organisational structures, policies, and processes that ensure that information technology supports council strategies and objectives. IT governance should also support the management and oversight of the council's business as usual activities.
- 42 The PSIAS require internal audit to assess whether information technology governance supports the council's strategies and objectives.

Examples

▲ Cybersecurity	▲ IT asset management
▲ Access controls	▲ IT systems development

Questions for the committee to consider



- 43 As part of our preparations for the audit work programme for 2025/26, the committee is invited to express a view on any areas it feels should be considered a priority for internal audit work. In considering this, relevant questions may include the following:
- ▲ For any of the council's strategic risks, are there any which the committee would like internal audit to look at, to provide additional assurance about arrangements for the management of the risk?
 - ▲ What are the biggest threats to the achievement of the council's priorities?
 - ▲ Are there any of the 11 key assurance areas where the committee feels internal audit should pay particular attention, to provide it additional comfort that arrangements are operating effectively?

- ▲ Are there any specific elements within the 11 key assurance areas that the committee would like internal audit to look at during 2025/26?
- ▲ Irrespective of the assurance areas, risks and council priorities, does the committee have any specific suggestions for internal audit assignments we should consider in 2025/26?

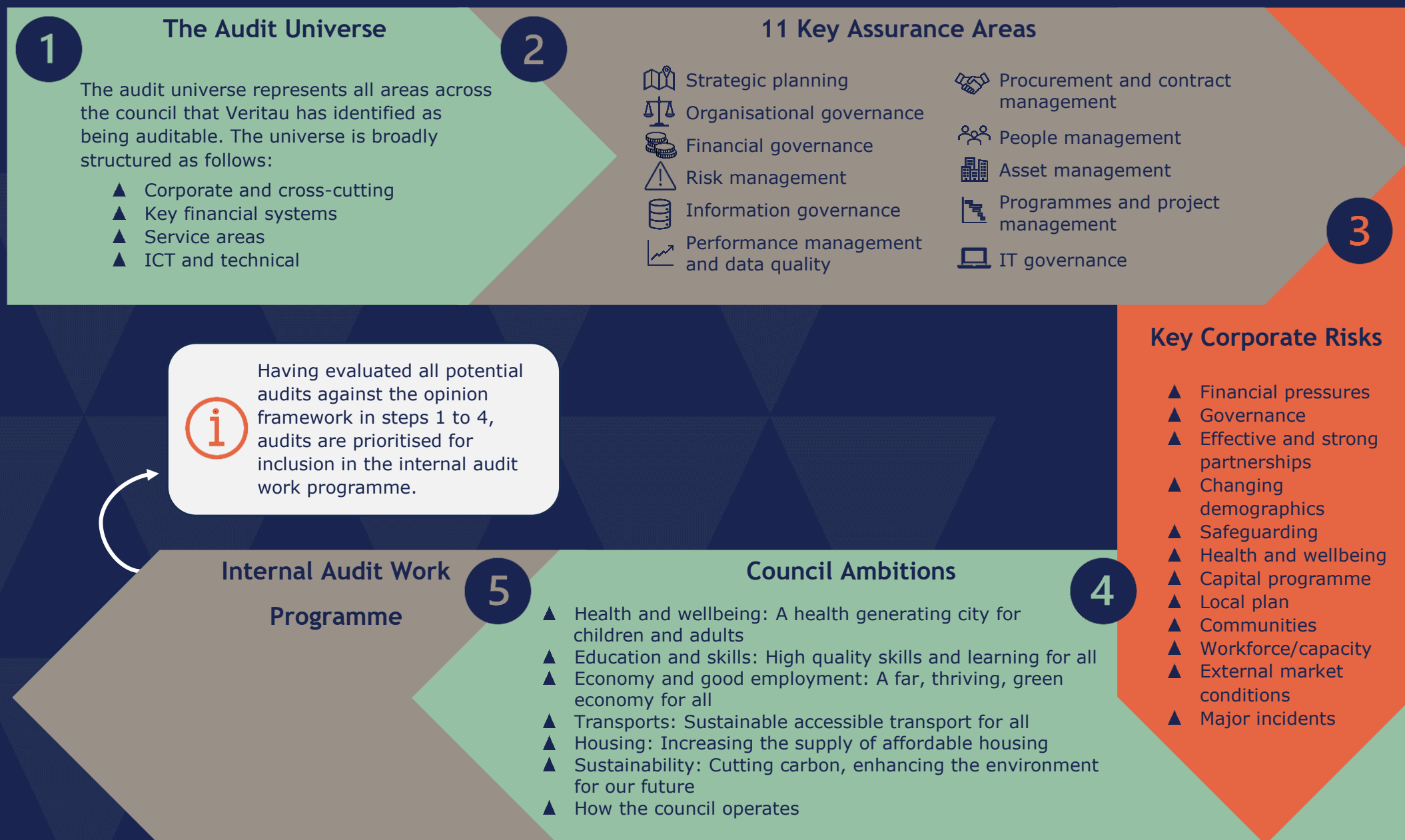
Next steps



- 44 Following consultation with the committee we will hold further discussions with officers to understand their view of priorities for internal audit work over the next year. Initial meetings have already commenced during January, and consultation will continue into February and March 2025.
- 45 Alongside this we will continue to keep abreast of emerging issues relevant to the public sector as well as any specific sectoral risks or developments including any relevant changes to legislation. We will also continue to review committee papers and other relevant background information to ensure we have an up-to-date picture of the challenges and issues facing the council.
- 46 Information collected will be used to develop the indicative long list of audits to be included in the 2025/26 internal audit work programme. This will be brought to the committee for approval at its 26 March 2025 meeting.
- 47 Our risk assessment and the programme of work will continue be updated and revisited throughout the year to ensure audit work continues to target priority areas.



THE OPINION FRAMEWORK





Meeting:	Audit and Governance Committee
Meeting date:	29/01/2025
Report of:	Head of Internal Audit (Veritau)
Portfolio of:	Cllrs Lomas Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Audit and Governance Committee Report: Audit & Counter Fraud Progress Report

Subject of Report

1. This report provides an update on the delivery of the internal audit work programme for 2024/25, and on counter fraud activity undertaken so far in the year.

Policy Basis

2. The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, and the council's internal audit charter, periodic reports on internal audit work are presented to this committee.
3. The committee is also responsible for the overview and effectiveness of counter fraud arrangements.

Recommendation and Reasons

4. The Audit and Governance Committee is asked to:

- Note the progress made in delivering the 2024/25 internal audit work programme, and current delivery intentions over the remainder of the year
- Note current and planned counter fraud activity.

Reason

To enable members to consider the implications of internal audit and counter fraud findings, and to review planned activity for the remainder of 2024/25.

Background

5. The 2024/25 internal audit work and counter fraud work programmes were approved by this committee at its meeting on 22 May 2024.
6. To conform with professional standards, and the council's audit charter, the Head of Internal Audit must report periodically to this committee on the progress made against the internal audit work programme, and on the results of audit activities undertaken.
7. Annex 1 to this report provides an update on progress made in delivering the internal audit work programme. This includes a summary of completed work, work currently in progress, and work scheduled for the remainder of the year. It also reports on outcomes from the follow-up of actions agreed in previous audit reports.
8. The counter fraud progress report is contained in annex 2. It reports on progress against the counter fraud work programme. A range of work is detailed, including activity to promote awareness of fraud, work with external agencies, and information on the level of fraud reported to date.

Consultation Analysis

9. Senior council officers and this committee have been consulted during the development of the 2024/25 work programmes on which this progress report is based. However, no consultation was required in the preparation of this report.

Risks and Mitigations

10. The council will not comply with proper practice for internal audit if the results of internal audit work are not reported to senior management and the Audit and Governance Committee. This could result in external scrutiny and challenge.

Contact details

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Report approved:	Yes
Date:	17/01/2025

Background papers

- 67. Internal Audit and Counter Fraud Work Programmes 2024/25

Annexes

- Annex 1: Internal Audit Progress Report
- Annex 2: Counter Fraud Progress Report
- Exempt annex 3: Officer declarations of interest and gifts & hospitality final audit report
- Exempt annex 4: VAT accounting final audit report

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Internal Audit Progress Report 2024/25

Date: 29 January 2025

ANNEX 1

CONTENTS

3	Background
3	Internal audit progress
5	Follow up
6	Appendix A: Internal audit work in 2024/25
9	Appendix B: Current priorities for internal audit work
13	Appendix C: Summary of key issues from finalised audits
15	Appendix D: Audit opinions and finding priorities
16	Appendix E: Follow up of agreed actions



BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the council's operations. It helps the organisation to achieve its overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control, and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government, and the CIPFA Statement on the role of the Head of Internal Audit.
- 3 In accordance with the PSIAS the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Audit & Governance Committee, and to identify any emerging issues which need to be brought to the attention of the committee.
- 4 The internal audit work programme was agreed by this committee in May 2024.
- 5 Veritau has adopted a flexible approach to work programme development and delivery. Work to be undertaken during the year is kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the council.
- 6 The purpose of this report is to update the committee on internal activity up to 17 January 2025.



INTERNAL AUDIT PROGRESS

- 7 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in appendix A. Appendix A also details other work completed by internal audit during the year.
- 8 Since our last report to this committee, two audits have been finalised. These are the audits of officer declarations of interest and gifts and hospitality and of VAT accounting. A further four internal audit engagements have reached draft report stage. These will be finalised over the coming weeks.
- 9 A total of 16 audits are underway at the time of reporting. A further nine audits are at the background planning stage, in preparation for commencement during the final quarter of 2024/25.

Contract management audit: Audit & Governance Committee request

- 10 In our last report to this committee in November, we introduced the second audit of contract management which was added to the 2024/25 work

programme at the request of the committee. Since then, we have issued a specification and begun work, with the following areas in scope:

- Objective 1: suitable contract terms are included within contracts,
- Objective 2: contract management procedures are in place and have been communicated,
- Objective 3: training is provided in respect of the contract management procedures.

- 11 Taking objectives two and three first, our provisional conclusions are that improvements can be made to strengthen the council's procedures and guidance on contract management. While we understand that the Commercial Procurement Team is working on material in preparation for the new Procurement Act and Regulations (which introduce more detailed contract management and performance requirements), none are currently available. With the council not currently having defined procedures or guidance it follows that there is also no corporate training offer. Instead, reliance is placed on the experience and ability of the named contract manager to manage the contract effectively.
- 12 Objective one is where most of our work will be focused. To date, we have identified several key criteria against which sampled contracts will be assessed. These include contractual provisions for performance, dispute resolution, variation, extension, and termination, among others. We have also selected a sample of 10 contracts (including the expired Salvation Army contract) for review against these criteria. Fieldwork is currently underway and, in addition to the review of criteria, will also involve testing to confirm that contract management meetings are being held and performance data provided where applicable.
- 13 We expect to conclude the audit in February 2025. The final outcomes from this audit will, as usual, be shared with members of the committee on conclusion of the audit. They will also be presented as part of the Head of Internal Audit annual report scheduled for the 14 May 2025 meeting.
- 14 In addition to the audits noted above, we have also continued to support the council by certifying central government grants, undertaking consultative engagements in a number of areas, and providing support and advice on risk- and control-related matters.
- 15 The 2024/25 work programme, showing current priorities for internal audit work, is included in appendix B. All work is now categorised as either 'do now' or 'do later'.
- 16 Audits categorised as 'do now' will be undertaken over the remainder of 2024/25 and, once completed, will mark the conclusion of the current year's work programme.
- 17 Audits categorised as 'do later', of which there are 19, will be considered for inclusion in the 2025/26 internal audit work programme alongside other audit priorities that emerge during ongoing consultation. The internal audit work programme is designed to include all potential areas that should be

considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year (work is deliberately over-programmed). The 2025/26 programme is currently being developed and will be presented to the committee for its approval at the 26 March 2025 meeting.

- 18 The two audits that have been finalised since the last report to this committee are included in appendix C. The appendix summarises the key findings from these audits, and includes actions agreed with officers to address identified control weaknesses. The finalised reports in appendix C are also included as exempt annexes to this report.
- 19 Appendix D provides the definitions for our audit opinions and finding ratings.

FOLLOW UP

- 20 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed. As a result of this work, we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits. A summary of the current status of follow up activity is included at appendix E.

APPENDIX A: INTERNAL AUDIT WORK IN 2024/25

Audits in progress

Audit	Status
Member induction programme	Draft
Housing benefits	Draft
Contract management (major projects)	Draft
NHS DSP Toolkit: accountable suppliers	Draft
Contract management (inc. Salvation Army)	In progress
Commercial asset performance	In progress
Savings plans	In progress
Travel and subsistence	In progress
Carbon reduction and climate adaptation	In progress
Physical information security (satellite sites)	In progress
Main accounting system	In progress
Safety Valve	In progress
Clifton Green Primary School	In progress
School themed audit: purchasing and best value	In progress
Residential care: Beehive / Wenlock Terrace	In progress
Unaccompanied asylum seeker children	In progress
Continuing healthcare	In progress
Payments to care providers and contract management (ASC&I)	In progress
Public protection	In progress
ICT disaster recovery	In progress
FOI and EIR improvement plan	Planning
Performance management framework	Planning
Risk management	Planning
Funded early education	Planning
Schools themed audit: pupil premium	Planning
Children's direct payments	Planning
Green waste subscription service	Planning
Public EV charging strategy	Planning
Project management	Planning

Final reports issued

Audit	Reported to Committee	Opinion
Officer declarations of interest and gifts & hospitality	January 2025	Substantial Assurance
VAT accounting	January 2025	Substantial Assurance
Ordering and creditor payments	November 2024	Substantial Assurance
Highways maintenance scheme development	November 2024	Reasonable Assurance
Section 106 agreements	November 2024	Reasonable Assurance
Asset management (TEPHC)	November 2024	Reasonable Assurance
Adult safeguarding	November 2024	Reasonable Assurance
Health and safety (TEPHC)	November 2024	Limited Assurance
ICT procurement and contract management	November 2024	Reasonable Assurance
Wigginton Primary School	November 2024	Reasonable Assurance
Procurement Act: preparedness assessment	November 2024	Substantial Assurance
Physical information security compliance	July 2024	Reasonable Assurance
Absence management	July 2024	Reasonable Assurance
Project management	July 2024	Substantial Assurance
Agency staff (C&E and ASC&I)	July 2024	Reasonable Assurance
NHS Data Security and Protection Toolkit (thematic review)	July 2024	No Opinion Given
Adult education (York Learning)	July 2024	Substantial Assurance
Foster carer payments	July 2024	Limited Assurance
Business continuity	July 2024	Reasonable Assurance
Payroll control	July 2024	Substantial Assurance

Other work in 2024/25

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- ▲ Follow up of agreed actions
- ▲ Grant certification work:
 - ▲ Scambusters
 - ▲ UKSPF assurance return support (2023/24)
 - ▲ UKSPF assurance return support (mid-year 2024/25)
 - ▲ Supporting Families
 - ▲ West Yorkshire Combined Authority (YORR and TCF)

- ▲ Department for Transport (BSOG, LTP, Tadcaster Road, NPIF STEP)
- ▲ Social Housing Decarbonisation Fund (wave 2, 2023/24)
- ▲ Homes England compliance audit
- ▲ Pooling Housing Capital Receipts return (2023/24)

▲ Consultative engagements:

- ▲ Fact-finding review into adult social care provider overpayments
- ▲ Review of the Food and Fuel voucher scheme administration (including data analytics)
- ▲ Review of processes for managing transport direct payments
- ▲ Review of highways maintenance decisions (Heworth Without ward)

▲ Provision of support and advice:

- ▲ Duplicate creditor payments analysis
- ▲ Void recharge policy development

APPENDIX B: CURRENT AUDIT PRIORITIES

Audit / Engagement	Rationale
Strategic / corporate & cross cutting	
Do now	
Member induction programme	Provides assurance on system development, following work with the LGA.
Contract management (major projects)	Provides coverage of more than one key assurance area.
Contract management (inc. Salvation Army)	Being undertaken in response to known issues, and at the request of A&G.
Physical information security (satellite sites)	Forms part of a rolling programme of assurance.
NHS DSP Toolkit: accountable suppliers	Forms part of a rolling programme of assurance.
Commercial asset performance	Provides coverage of more than one key assurance area.
Savings plans	Linked to a key corporate risk. Provides broader assurance.
Carbon reduction and adaptation	Emerging risk area.
Travel and subsistence	Identified in consultation with officers.
FOI and EIR improvement plan	Being undertaken in response to known issues previously reported to A&G.
Performance management framework	No recent coverage. Provides assurance on key assurance area.
Risk management	Key area of corporate governance. Provides broader assurance.
Do later	
Data quality	
Use of CCTV and investigatory powers	

York 2032: partnership governance

Public health: procurement and contract management

Financial systems

Do now

Housing benefits	Key material system, with risk of error and fraud.
Main accounting system	No recent coverage. Provides coverage of a key assurance area.

Do later

Sundry debtors
Housing rents

Service areas

Do now

Safety Valve	Emerging risk area.
Clifton Green Primary School	Provides assurance on organisational and financial governance at this setting.
School themed audit: purchasing and best value	Emerging risk area. Provides broader assurance coverage.
Unaccompanied asylum seeker children	Emerging risk area.
Residential care: Beehive / Wenlock Terrace	Being undertaken in response to known areas for improvement.
Continuing healthcare	Risks / controls are changing.
Payments to care providers and contract management (ASC&I)	Provides coverage of more than one key assurance area.

Public protection	Risks / controls are changing.
Funded early education	Risks / controls are changing due changes being implemented by the DfE.
Schools themed audit: pupil premium	Provides broader assurance coverage.
Children's direct payments	Risks / controls are changing.
Green waste subscription service	Risks / controls are changing with the implementation of this new service.
Public EV charging strategy (tariff management)	Risks / controls are changing. Linked to council priorities.

Do later

Alternative provision	Emerging risk area.
Section 17 payments	Being undertaken in response to known areas for improvement.
Danesgate Community School	
Managing customer finances (ASC&I)	Identified in consultation with officers.
Referrals and care assessments (ASC&I)	
Care and support planning (ASC&I)	
Landlord regulatory standards	
Council house repairs	
Locality working / ward committee model	
Community safety strategy	

Technical / projects

Do now

ICT disaster recovery	Provides broader assurance. Linked to key corporate risk.

Project management

Provides coverage of key assurance area.

Do later

ICT applications / database security

Key attack vector for threat actors. Provides assurance on security controls.

Cybersecurity: user awareness

IT projects / systems development

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

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
Officer declarations of interest and gifts and hospitality (January 2025)	Substantial Assurance	The audit reviewed arrangements for administering the council's officer declaration of interests and gifts and hospitality processes, including associated recordkeeping. It also reviewed the availability and accuracy of policy and procedure documents and uptake of code of conduct training.	Processes for administering officer declarations and gifts and hospitality were found to be operating effectively. One weakness was observed. This related to uptake of the council's code of code of conduct training, which was 60% across the sample of officers tested. New starters must complete the training within two months of commencing employment. All officers are expected to complete the training annually. Other minor improvement opportunities were identified, including making declarations and gifts and hospitality data easier to locate on the council's website and improving the consistency with which gift and hospitality information is submitted and retained.	Officers will be reminded of the requirement to complete the code of conduct training within two months of commencing employment and annually thereafter. The MyLO learning platform has been configured to send automated reminders. Web Services will add a link from the Corporate Management Team page on the council's website to officers' declarations of interests on York Open Data. The gifts and hospitality submission methods will be reviewed to ensure that there is consistency

System/area (month issued)	Opinion	Area reviewed	Comments / Issues identified	Management actions agreed
				in the information supplied, particularly the reasons for accepting gifts and hospitality.
VAT accounting (January 2025)	Substantial Assurance	The purpose of this audit was to review the effectiveness of the council's arrangements for VAT accounting.	The council's VAT accounting processes were found to be operating effectively. VAT reconciliations are completed regularly and accurately, with any errors or miscoding corrected on Civica. Working papers were available to support the council's calculation of VAT exemptions. A small number of minor issues were identified arising from use of procurement cards. Not all invoices named the council, and some invoices did not record a VAT registration number (yet VAT had been applied). There were also some instances of VAT being claimed without a VAT invoice or receipt being available.	The VAT policy for procurement cards will be updated on the intranet site. Finance will send regular reminders to procurement card users to reinforce VAT requirements.

APPENDIX D: ASSURANCE AUDIT OPINIONS AND FINDING PRIORITIES

Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on four grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Finding ratings

Critical	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Significant	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Moderate	The system objectives are not exposed to significant risk, but the issue merits attention by management.
Opportunity	There is an opportunity for improvement in efficiency or outcomes but the system objectives are not exposed to risk.

APPENDIX E: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Audit and Governance Committee.

To simplify the presentation of follow-up information, all agreed actions which had previously been reported to this committee on the priority 1-3 scale have been converted to reflect their equivalent rating under Veritau's new rating system of critical, significant, moderate. This is required now that internal audit reports have begun being presented in Veritau's new format.

To remind the committee, Veritau is no longer attaching priorities to agreed actions. Instead, ratings of 'critical', 'significant', 'moderate' and 'opportunity' are given to each detailed finding raised in our reports. These ratings reflect the severity of the issue identified. Agreed actions then inherit the rating of the finding to which they are attached.

A total of 112 actions have been followed up so far during 2024/25, up to 31 December 2024. A summary of the priority of these actions and the outcome from the follow up activity is below. Actions are marked as superseded if circumstances have changed sufficiently that the action is no longer required. Revised dates are agreed where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable.

Actions followed up	
Priority of actions	Number of actions followed up
Critical	0
Significant	70
Moderate	42
Total	112

Results of follow up of agreed actions		
Action implemented	Revised date agreed	Superseded
0	0	0
47	22	1
35	5	2
82	27	3

Counter Fraud Progress Report 2024/25

Date: 29 January 2025

ANNEX 2

CONTENTS

- 3** Background
- 3** Counter Fraud Management
- 4** Multi-Agency Work
- 4** Investigative Work
- 5** Appendix A – Summary of Investigative work



BACKGROUND

- 1 Fraud is a significant risk to the public sector. The Public Sector Fraud Authority estimated that between £39.8 and £58.5 billion of public spending was lost to fraud in 2021/22¹. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2 Veritau delivers a corporate fraud service to the council which aims to prevent, detect and deter fraud and related criminality. The counter fraud team investigate allegations of fraud, plan and take part in counter fraud campaigns (eg the National Fraud Initiative), undertake fraud awareness activities with staff and the public, and maintain and update the council's counter fraud framework and associated policies.
- 3 The purpose of this report is to update the Committee on counter fraud activity in 2024/25.



COUNTER FRAUD MANAGEMENT

- 4 In October 2024 the government announced changes to the Right to Buy scheme². The maximum discount available was reduced from £102k to £24k for all applications made in Yorkshire and the Humber region after 21 November 2024. News of the reduction led to a significant increase in applications received by the council ahead of the discount reduction date. The counter fraud team undertake verification checks on all Right to Buy applications to identify potential fraud and money laundering. The team worked closely with colleagues from Housing and Legal to ensure that the checks continued to be delivered quickly to meet the statutory time limits associated with the scheme. Verification checks have been made on 108 applications in 2024/25; the majority of these (70%) were for applications submitted after the government's announcement.
- 5 In December, the counter fraud team worked with colleagues from Parking Services to undertake a proactive day of action to tackle misuse of disabled parking badges in the city. It is an offence to misuse a blue badge and abuse of the scheme reduces access to disabled parking spaces for legitimate badge holders. Officers checked 162 badges over the course of one day and three instances of suspected misuse were identified for further investigation. The work was supported by the charity Disabled Motoring UK and was promoted by the council's communication team.
- 6 Veritau shares alerts on fraud threats identified by partners in the counter fraud community, including the National Anti-Fraud Network (NAFN). "Career polygamy" is currently a high profile topic nationally. This type of fraud occurs when someone illicitly works full time for multiple organisations at the same time. The team provide regular intelligence about

¹ [Cross Government Fraud Landscape Report 2021-22](#), Public Sector Fraud Authority

² [Future of social housing protected through Right to Buy reforms](#), HM Government

individuals found to be polygamously working with the council's Human Resources Department. Other recent NAFN alerts shared include false invoices being sent to local authorities and fraudsters impersonating senior council officers to obtain payments.



MULTI-AGENCY WORK

- 7 The National Fraud Initiative (NFI) is a large-scale data matching exercise that involves all councils and other public sector bodies in the UK. The work of the NFI is overseen by the Public Sector Fraud Authority (PSFA) and the exercise runs every two years. The counter fraud team ensures that the council meets government data matching requirements and best practice. Data from council departments was submitted in October. An initial tranche of 2,731 matches has been produced with more expected later this year. The counter fraud team will assess the matches produced by the NFI and investigate where appropriate.
- 8 A targeted data matching exercise by the NFI is also underway. All councils are required to send details of residents claiming single person discounts to the NFI annually. The data will be used to identify potentially fraudulent council tax discounts. Data will be sent to the NFI in mid-January and the resulting matches will be returned shortly afterwards.



INVESTIGATIVE WORK

- 9 Between 1 April 2024 and 10 January 2025, the counter fraud team received 346 referrals of suspected fraud. Seventy-six investigations have been completed this year and there are currently 77 cases under investigation. One person accepted a formal caution in lieu of prosecution for the misuse of a relative's blue badge. Two council properties which were being misused have been returned the council and re-allocated to people on the housing waiting list. Five internal investigations have been completed. Thirteen people have received formal warnings for fraud relating to the council tax reduction scheme, council tax and business rates discounts, housing applications and the misuse of blue badges. In a further ten cases the team has provided information to council teams to allow them to recover money owed.
- 10 The team has completed 115 verification checks on applications for Right to Buy, and school placements. Four compliance checks have been completed for residents claiming council tax support.
- 11 Counter fraud savings³ are tracked by monitoring repayments to the council following fraud investigations and calculating the value of stopping ongoing fraud. To date £245k of counter fraud savings have been identified.

³ Counter fraud savings consist of money recovered during the course of the year (debts may have been calculated in previous years as well as the current financial year), the value of applications that would have been successful, eg Right to Buy or Financial Assistance, and 12 months of savings where an ongoing fraud has been stopped through the work of the counter fraud team.

APPENDIX A: SUMMARY OF INVESTIGATIVE WORK 2024/25

The tables below show the success rate of investigations and levels of savings achieved through counter fraud work, and the number of referrals received, cases under investigation, and completed cases in 2024/25.

	2024/25 (As at 10/01/25)	2024/25 (Target: Full Yr)	2023/24 (Actual: Full Yr)
Amount of counter fraud savings (quantifiable savings - eg repayment of loss) identified through fraud investigation	£244,641	£200,000	£206,854
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	46%	30%	55%

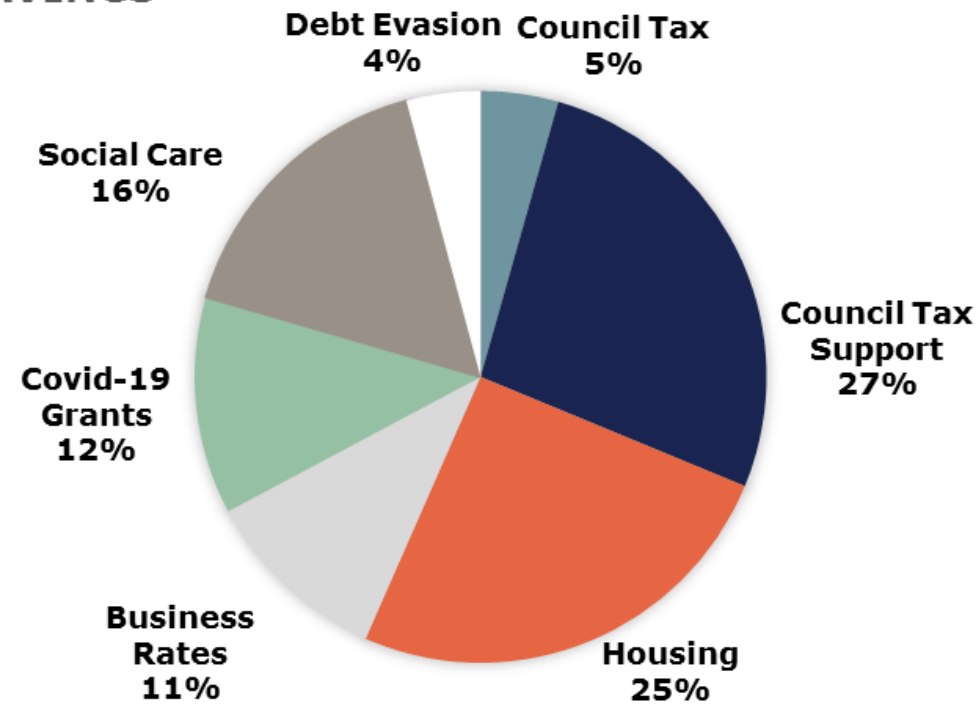
	2024/25 (As at 10/01/25)	2023/24 (Full Year)
Referrals received	346	377
Number of cases under investigation	77	63 ⁴
Number of investigations completed	76	119
Number of compliance checks completed	4	n/a
Number of verifications completed ⁵	115	54

⁴ As at the end of the financial year (ie 31/03/2024)

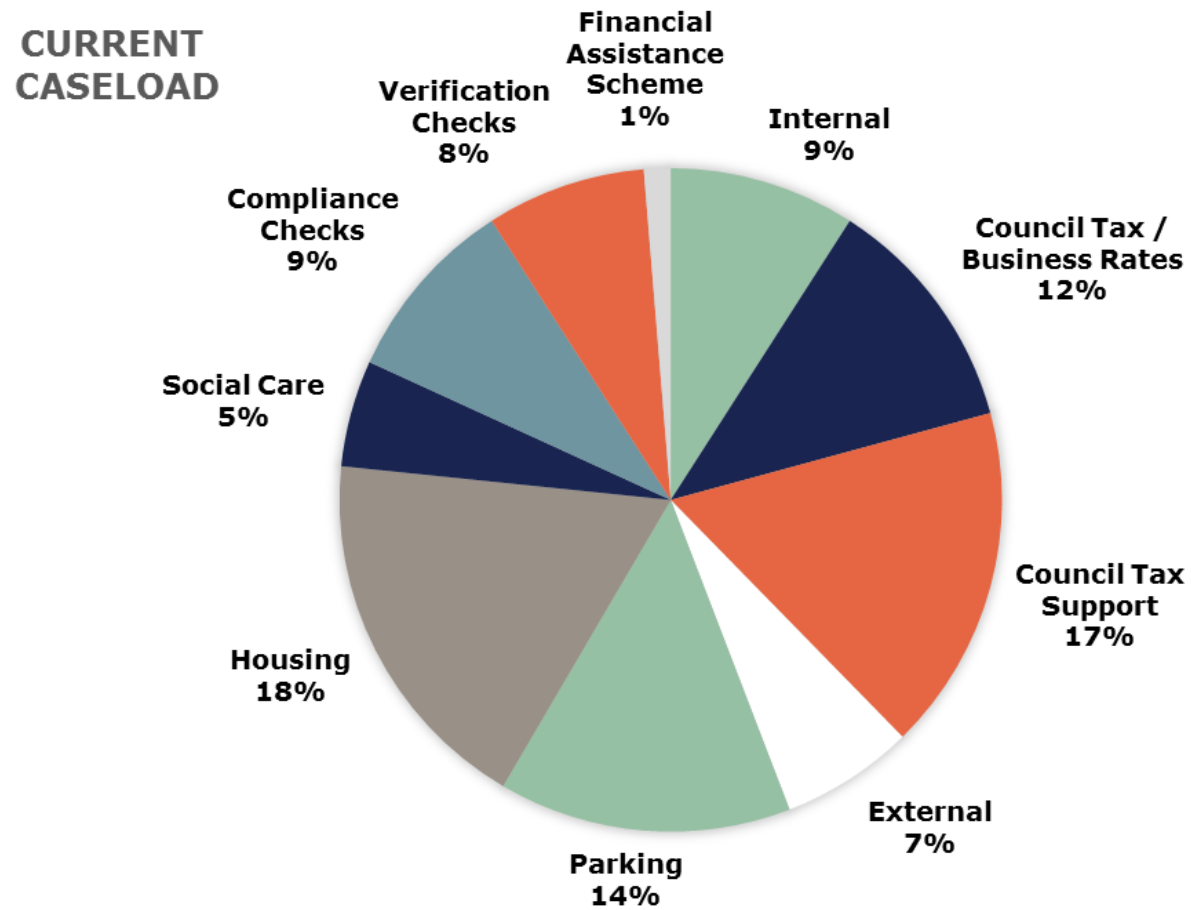
⁵ Verification cases are reviews of applications for Right to Buy and school placements.

The chart below shows a breakdown of the counter fraud savings identified this year (£245k) by area of fraud.

COUNTER FRAUD SAVINGS



The following chart shows the proportion of different case types under investigation (77) as at 10 January 2025.



Activity	Work completed or in progress
Fraud detection and investigation	The service promotes the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following: • Council Tax Support fraud – Fifteen council tax support (CTS) investigations have been completed and there are 15 cases under investigation. Fraud in this area can occur when claimants provide false information when they apply for support or if they fail to declare changes to their income or assets. Work in this area has resulted in £58k of savings for the council. Four compliance checks have been completed – these did not identify any problems with claims. • Council Tax and business rates fraud – Council Tax fraud often involves households falsely claiming single person discount, however other types of discounts can also be abused. Business rate fraud relates to false or incorrect claims for discounts like small business rate relief. Fourteen investigations have been completed this year and ten are ongoing. Savings of £67k have been calculated following fraud investigations in this area. • Adult Social Care fraud – The team has completed five investigations in this area and four are ongoing. Fraud in this area relates to deprivation of capital, financial abuse, direct payment fraud, and abuse of position. Investigation work has led to £40k of savings being identified in 2024/25. • Housing fraud – There are 12 investigations ongoing in this area. The majority of cases investigated by the team relate to sub-letting and abandonment of council properties. The team also investigates false applications to the Housing Register, potentially fraudulent Right to Buy purchases, and homelessness fraud. Thirteen investigations have been completed. Two council properties have been recovered. • Internal fraud investigations – Five internal fraud investigations have been completed. There are seven ongoing.

Activity	Work completed or in progress
	• External (or third party) fraud – Fraud in this area relates to financial scams perpetrated against the council, eg mandate fraud or cybercrime. Four investigations have been completed and five are ongoing. • Parking fraud – Parking fraud usually relates to blue badge abuse, however the team also investigate the misuse of residential parking permits by landlords of holiday lets. Fifteen investigations have been completed – 12 relating to blue badges and three to parking permits. One person accepted a formal caution in lieu of prosecution. Six people have received formal warnings for the misuse of blue badges. One holiday let owner had their residential permit removed and has been issued with a formal warning.

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Meeting:	Audit and Governance Committee
Meeting date:	29/01/2025
Report of:	Director of Governance and Monitoring Officer
Portfolio of:	Cllr Claire Douglas Leader including Policy, Strategy and Partnerships

Audit and Governance Committee Report: Corporate Governance Team Report

Subject of Report

1. This report provides Members with updates in respect of:
 - corporate governance team performance report
 - Information Commissioners Office (ICO) cases
 - Local Government and Social Care Ombudsman (LGSCO) and Housing Ombudsman Service (HOS) cases
 - HOS complaint handling code assessment
 - Investigatory Powers Commissioner (IPCO) inspection including Audit and Governance Committee's "fit for purpose" review of the covert surveillance policy and procedures and data report. This will be discussed and conducted with the exclusion of the press and public.

Policy Basis

2. Having appropriate processes and procedures in place to ensure the council
 - investigates and responds to complaints (corporate, adults social care and children social care), comments, compliments and concerns, and Ombudsmen cases
 - manages and monitors valid and in time responses to all FOI and EIR requests and other requests for information or information disclosure
 - provides support, advice and guidance for data protection and privacy compliance

- provides support, advice and guidance for covert surveillance undertaken by the council
 - provides assurance to customers, employees, contractors, partners, and other stakeholders that all information, including confidential and personal information, is dealt with in accordance with legislation and regulations and its confidentiality, integrity and availability is appropriately protected.
3. Compliance is aligned to the current and draft Council Plan which is part of the council's corporate code of governance. This also then aligns with the 10-year Plan (York 2032) such as performance management and service planning.

Recommendation and Reasons

4. Members are asked:

- (i) To note the performance details contained in this report and provide any comments or feedback.

Reason: So that Members are provided with details and current performance from the Corporate Governance Team.

- (ii) To note the details from the updates contained in this report and provide any comments or feedback.

Reason: So that Members are provided with updates from the areas of responsibility from the Corporate Governance Team.

- (iii) To note the outcomes of the IPCO inspection and conduct the required the "fit for purpose" review of the covert surveillance policy and procedures and data report.

Reason: So that Members are provided with the IPCO inspection report and findings and can conduct their "fit for purpose" review

Background

5. Corporate Governance Team performance report

6. The full performance indicators are available on York Open Data at <https://data.yorkopendata.org/group/transparency>
7. Due to the timescales for drafting and publishing reports for this Audit and Governance Committee and validating data in our KPI scorecards, the scorecard for Q3 is not available for this report. Therefore, I have provided collated information into the tables shown in Annex 1 covering 1 October 2024 to 27 December 2024.

Requests for information

8. I can confirm the performance data published for FOI/EIR request does meet the legislative requirements set out in part 8.5 of the [section 45 code of practice](#) as well as the additional ICO guidance [How to report on your performance on handling requests for information under FOIA 2000 | ICO](#) such as the number of requests subject to FOIA or EIR, the time period that the data is split into and performance against statutory timescales for FOI/EIR.
9. The council received a total of 550 requests for information from 1 October 2024 to 27 December 2024. These include FOI, EIR, SARs and other requests for information such as requests from the police for information that we may hold for an investigation.
10. A snapshot % of in time performance for FOI, EIR and SAR requests is shown in the table below with the same information for the same reporting period in 2023/2024 for comparison.

	1/10/24 to 27/12/24 - % in time	Q3 - 2023/2024 % in time
FOI	93%	87%
EIR	97%	94%
SAR	79%	79%

11. Whilst we are achieving a high % of responses being completed within the statutory timescales for FOI and EIR requests, we remain vigilant about this, given that the ICO enforcement notice for FOI/EIRs ended in March 2024.

12. We are continuing the work with service areas and managers to embed the improvements in the number and percentage of SARs being responded to in time and identify opportunities for further improvements. This includes where it may be appropriate to extend the response timescale, being considered in a timely way. It is important to note that the ICO provides clear guidance for when extending the timescale may be appropriate and that this cannot be solely because the individual requests a large amount of information.
13. We are also continuing to look into whether the ICO allows in SAR performance reporting, to record as in time, a SAR response that has been sent out in an extended timescale. If this is permitted, then there is likely to be a higher % of in time responses going forward.

ICO cases

14. There has been one published decision notice by the ICO about the council's handling and responding to FOI/EIRs on their website since the last report to this Committee. The complaint to the ICO was not upheld and the ICO did not require us to take any further steps or actions.
15. The request was for information about the management structure at the council and in the response we relied on section 40 of FOIA to withhold some information, as it was considered to be personal data, and refused the remaining information requested under section 21 of FOIA as it was information already reasonably accessible to the requester and provided links to the information. The requester did not dispute the exemptions we relied on when raising this with the ICO but that the council holds further information. After providing the details and evidence the ICO asked for, they found that, on the balance of probabilities, we do not hold further information falling within the scope of the request. The full published decision notice is on the ICO's website at [Basic templates](#) and at Annex 2.

Complaints

16. Between 1/10/24 and 27/12/24, there were a total of 272 cases complaints received and dealt with under the procedures for adult social care complaints, children social care complaints, corporate

complaints and corporate complaints not Housing. This is a small decrease from the number received in Q2.

17. A snapshot for this reporting period is shown in the table below and further details can be found in Annex 1.

Complaints	total received – 1/10/24 to 27/12/24	total received – Q3 23/24
Corporate	257	369
ASC	7	7
CSC	8	8

18. We continue to collaborate with managers and service areas to ensure in time performance continues to be addressed for all complaints. However, we do need to recognise that there may be potential impacts on this due to the increased demand on many service areas, the restrictions the ongoing budget and financial circumstances are placing on these services and the complexity of complaint cases.
19. The decrease in corporate complaints is likely to be from the ongoing work with waste services to identify and resolve disputes at an early stage.
20. From feedback from service areas, ongoing requests for reports and information to support assessments, inspections etc, work is ongoing with the business intelligence team, on further changes needed to the configuration of the case management system reporting capabilities to ensure appropriate and relevant information is provided.

LGSCO and HOS cases

21. During the reporting time period of 1/10/24 to 27/12/24, there were ten cases concluded by the Local Government and Social Care Ombudsman (LGSCO) and one case concluded by the Housing Ombudsman Service (HOS). The decisions are shown below, and details can be found in Annex 3.
- 9 cases were closed after initial enquiries and no further action
 - 1 case was upheld with findings of fault and injustice

- 1 case was determined as maladministration with orders and recommendations
22. The CGT undertakes ongoing work with CMT, Directorate Management Teams as well as with individual service areas to ensure that we share learning opportunities across the council and to identify areas for improvement from Ombudsmen cases.

HOS complaint handling code self-assessment

22. We have completed a review and updated our self-assessment for the HOS complaint handling code, and this will be published on the council website by 31 January 2025. [Housing Ombudsman Self Assessment – City of York Council](#)
23. Section 9 - scrutiny and oversight of the [Complaint Handling Code 2024 | Housing Ombudsman Service](#) requires us to have a “Member responsible for Complaints” (MRC) and we are now working up the detailed plan for the MRC role and responsibilities.

Investigatory Powers Commissioner (IPCO) inspection including Audit and Governance Committee’s “fit for purpose” review

24. This is to be discussed and conducted with the exclusion of the press and public as it is information relating to our use of covert surveillance powers and as such it can be considered as information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. The documents have been provided in Annex 4
25. We also cannot publish or disclose information originating from the IPCO, as the IPCO acts to support the Judicial Commissioners in their work (i.e. an Inspection report) and stems from targeted changes introduced by the Investigatory Powers (Amendment) Act 2024. As such, Judicial Commissioners are now listed as bodies dealing with security matters under Section 23(3)(p) of FOI. This means there is an absolute exemption from FOI in relation to information which is held by other public authorities that relates to the activities of Judicial Commissioners and IPCO. For this reason, the IPCO’s inspection report cannot be made publicly available either in part or in full. This means we also cannot publish or discuss in a public meeting our internal plans in response to the IPCO’s inspection report.

26. The council was notified in May 2024 of the three yearly inspection by the IPCO regarding our compliance with the Regulation of Investigatory Powers Act 2000 and the Investigatory Powers Act 2016.
27. Service areas and managers that use these powers, supported gathering the evidence and information to provide the written submission response to the IPCO by their deadline.
28. The onsite physical inspection was conducted on 23 September 2024. The council was informed on 25 October 2024 of the IPCO's five observations for the council and that alongside the council's assurances that these would receive the necessary attention, the IPCO was satisfied that our ongoing compliance with RIPA and the Investigatory Powers Act 2016 will be maintained.
29. The next inspection is due in 2027.

Consultation Analysis

30. No consultation was undertaken for the items in this report. However, feedback from reports to CMT, meetings and discussions with managers informs this report and where required, internal and/or external consultation will be conducted to progress the work and actions required to comply with the improvement plan in response to the ICO enforcement notice.

Risks and Mitigations

31. The council has a duty to comply with the various aspects of complaints, data protection, covert surveillance, and information governance related legislation. Failing to comply with these can result in Regulators and/or Ombudsmen taking actions against the council such as reprimands, enforcement action, monetary fines, financial remedies for individuals. Often these decisions and actions are published on the Regulator or Ombudsmen websites, as well as doing press releases and statements. This can lead to reputational damage, reduce the council's overall effectiveness as well as a loss of trust in the council.

32. In some circumstances individual members of staff may be at risk of committing criminal offences for example if they knowingly or recklessly breach data protection legislation and compliance requirements or deliberately destroy, alter, or conceal a record after it has been requested.
33. Data protection impact assessments (DPIAs) are an essential part of our accountability obligations and is a legal requirement for any type of processing under UK GDPR. Failure to conduct a DPIA when required may leave the council open to enforcement action, including monetary penalties or fines. However, as there is no personal data, special categories of personal data or criminal offence data being processed for this performance report, there is no requirement to complete a DPIA.

Wards Impacted (optional section)

34. Not applicable for this report.

Contact details

35. For further information please contact the author of this Report.

Author

Name:	Lorraine Lunt
Job Title:	Information governance and feedback manager/DPO
Service Area:	Governance and Monitoring
Telephone:	01904 554145
Report approved:	Yes – 20 January 2025
Date:	17 January 2025

Background papers

Information provided for the item to be conducted with the exclusion of the press and public

- IPCO report and action plan
- Covert surveillance policy and procedures
- Use of covert surveillance data report

Links to background information shown in the report

<https://data.yorkopendata.org/group/transparency>

[section 45 code of practice](#)

[How to report on your performance on handling requests for information under FOIA 2000 | ICO](#)

[Action we've taken | ICO](#)

[Housing Ombudsman Self Assessment – City of York Council](#)

Annexes

Annex 1 – Corporate Governance Team performance report

Annex 2 – Full ICO decision notice

Annex 3 – Ombudsmen cases

Annex 4 – IPCO documents – exclusion of press and public

Abbreviations used in this report

CGT – Corporate Governance Team

HOS - Housing Ombudsman Service

LGSCO – Local Government and Social Care Ombudsman

ICO - Information Commissioner's Office

IPCO – Investigatory Powers Commissioner's Office

FOI – Freedom of Information Act

EIR – Environmental Information Regulation

SAR – (Data) Subject Access Request

ASC - Adult social care

CSC - Childrens social care

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1 October to 27 December 2024						Q3 - 2023/2024		April 2024 to March 2025-YTD		Previous Years		
	Received	In Progress	Complete	Response in time		Number received	Response in time	Q1	Q2	2021/2022	2022/2023	2023/2024
FOI total	231	40	191	177	93%	211	87%	97%	97%	79%	83%	83%
EIR total	163	24	139	135	97%	160	94%	98%	99%	85%	89%	96%
SAR total	42	14	28	22	79%	47	79%	46%	40%	72%	64%	72%
Disclosure of Information Requests total	Received	In Progress	Complete	Agreed for release								
	114	9	105	88	84%							
TOTAL	550											

Annex 1 - A&G CGT performance report

				Total received in Q3 2023/2024	2024/2025 total received		Previous Years Total received		
Directorate Corporate complaints/ corporate complaints not housing	Received	In Progress	Complete		Q1	Q2	2021/2022	2022/2023	2023/2024
Adult Social Care and Integration	1	0	1						
Children and Education	1	0	1						
Customer and Communities	25	6	19						
Place	230	47	183						
Total	257	53	204	369	278	276	1,368	1,866	1,310
Adult Social Care procedure	7	1	6	7	1	7	43	37	43
Children Social Care procedure	8	3	5	8	8	5	45	49	37
TOTAL	272	57	215	384	286	288	1456	1952	1390

Freedom of Information Act 2000 (FOIA)

Decision notice

Date: 26 November 2024

Public Authority: City of York Council
Address: West Offices
Station Rise
York
YO1 6GA

Decision (including any steps ordered)

1. The complainant has requested information with regards to the management structure at City of York Council (the council). The council refused to provide some information, relying on section 40, as it considered it to be personal data, and it refused the remaining information under section 21 of the FOIA – information reasonably accessible – providing links to the information.
2. The complainant did not dispute the exemptions but considers that the council holds further information. The Commissioner has found that, on the balance of probabilities, the council holds no further information falling within the scope of the request.
3. The Commissioner does not require any steps.

Request and response

4. On 18 March 2024 the complainant made the following information request to the council:

"The dates, times, named parties and their organisations of all correspondence, consultations etc in any form and meetings of the Chief Operating Officer in the period from 4th May 2023 to date appertaining to the senior Management Structure of the City of York Council.

In addition, I would like the qualified person to give their reasonable opinion as to the rationale for providing me or not providing me with the content of all the above identified interactions and to provide me with whatever information they deem appropriate as part of this request."

5. The council responded on 23 April 2024 applying section 21 of the FOIA – information reasonably accessible – and provided weblinks to the information it held. It also applied section 40 to withhold the personal data of identifiable individuals.
6. The complainant requested an internal review on 29 April 2024 as he considered that the council held further information. Specifically, he considered that the council would hold a similar document to that produced in 2020 – Consultation on CMT (corporate Management Team) structure.
7. The council provided its internal review on 24 May 2024 stating that it does not hold such a document for 2024.

Scope of the case

8. The complainant contacted the Commissioner on 31 May 2024 to complain that the council has not provided all the information it holds.
9. The scope of the case is for the Commissioner to determine whether the council has provided all the information it holds falling within the scope of the request. As the complainant has not disputed the council's application of section 40 or 21, the Commissioner will not investigate the application of these exemptions.

Reasons for decision

Section 1 of the FOIA – Information held/ not held

10. Section 1 of the FOIA states that any person making a request for information to a public authority is entitled to be informed in writing by the public authority whether it holds information within the scope of the request, and if so, to have that information communicated to them.
11. Where there is some dispute between the amount of information identified by a public authority and the amount of information that a complainant believes may be held, the Commissioner, following the lead of a number of First-tier Tribunal decisions must decide whether, on the civil standard of the balance of probabilities, the public authority holds any information which falls within the scope of the request (or was held at the time of the request).
12. The council has told the Commissioner that its managers from the Human Resources (HR) Department and Chief Operating Officer (COO) were asked to search both their electronic and paper filing systems.
13. It explained that these were the most relevant places to locate any held information as those officers were involved in the restructure. The COO initiated and managed the internal restructure with the support of the council's HR Department. They then brought details of the restructure and all relevant reports to the council's Staffing Matters and Urgency Committee (SMUC) for Elected Members to make their decision.
14. The council has confirmed that no other department would hold information relevant to the request.
15. With regards to the consultation on CMT, the complainant has said that not holding such a document is contrary to the statement of the Chief operating officer who, at the staffing matters and urgency committee on the 22nd of January, and 10.04 mins into the meeting, said that he would be consulting partners.

16. The council responded to the Commissioner on this point, stating that it received guidance from the Local Government Association (LGA), including general advice on layers of management within organisations. This is explained in the reports¹ published at the SMUC meetings. An example of this can be seen in Appendix 1 – Report to SMU on 22 Jan 2024 at point 13 onwards.
17. With regards to the complainant expecting a similar document to that produced in 2020 – Consultation on CMT (corporate Management Team) structure, the council has told the Commissioner that there was no obligation for it to carry out a consultation with partners and therefore no similar document is held.
18. It further explained that this is because the restructure of the CMT in 2020 included the role of the COO and therefore there was a wider discussion and consultation with external partners. Annex A of that discussion focused on the role of Chief Operating Officer or Chief Executive. The 2024 CMT restructure did not include the role of the COO and therefore whilst external partners may have been interested in the restructure, they had no role in determining how the structure will look.
19. The council has therefore concluded that it holds no further information relevant to the scope of the request.
20. The Commissioner has considered the above explanations from the council of the searches carried out and by whom, and accepts it has contacted the most relevant departments in order to locate what is held.
21. The Commissioner has not seen any evidence that demonstrates further information is held and therefore finds, on the balance of probabilities, that the council holds no further information falling within the scope of the request.

¹ [Browse meetings - Staffing Matters and Urgency Committee](#)

Right of appeal

22. Either party has the right to appeal against this decision notice to the First-tier Tribunal (Information Rights). Information about the appeals process may be obtained from:

First-tier Tribunal (Information Rights)
GRC & GRP Tribunals,
PO Box 9300,
LEICESTER,
LE1 8DJ

Tel: 0203 936 8963

Fax: 0870 739 5836

Email: grc@justice.gov.uk

Website: www.justice.gov.uk/tribunals/general-regulatory-chamber

23. If you wish to appeal against a decision notice, you can obtain information on how to appeal along with the relevant forms from the Information Tribunal website.
24. Any Notice of Appeal should be served on the Tribunal within 28 (calendar) days of the date on which this decision notice is sent.

Daniel Perry
Senior Case Officer
Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

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Annex 3 – A&G CGT report Ombudsmen cases

Omb Ref Which Omb Directorate Service area Date of final decision	Omb outcome	Summary of Final Decision	Actions	Date Actions Complete
24 008 632 LGSCO Place Highways 15/10/2024	Closed after initial enquiries – no further action	We will not investigate Miss Y's complaint because any injustice is not significant enough to justify our involvement.	na	na
23011844 LGSCO Children & Education Children 15/10/2024	Upheld: fault and injustice	We found fault by the Council on Mr Y's complaint about its failures for several years to ensure his son attended school. It failed to send him copy minutes promptly, delayed, failed to follow its own Practice Standards, and had weak management oversight. This caused him and his son distress. The agreed action remedies the injustice caused.	Pay £250 to Mr Y for the injustice caused by the identified failings. b) Pay £350 to his son for the injustice caused by the identified failings.	12/11/2024

24010617 LGSCO Corporate Services Council Tax 22/10/2024	Closed after initial enquiries – no further action	We will not investigate this complaint about a council tax query and summons because there is insufficient evidence of fault causing injustice.	na	na
24009430 LGSCO Place Planning 29/10/2024	Closed after initial enquiries – no further action	We will not investigate Mr X's complaint about the Council not enforcing against planning breaches at a caravan site and how it investigated the matter. There injustice caused to Mr X by the matters complained of to warrant us investigating. We also cannot achieve the outcome he seeks.	na	na
24008531 LGSCO Adult Social Care & Integration Finance 4/11/2024	Closed after initial enquiries – no further action	We will not investigate Mrs X's complaint about the Council's refusal to refund her for the period her husband did not use the services of his care provider. This is because there is insufficient evidence of fault.	na	na
24011364 LGSCO Place Public Realm 6/11/2024	Closed after initial enquiries – no further action	We will not investigate this complaint about the Council's decision to relocate a public waste bin. This is because there is insufficient evidence of fault by the Council.	na	na

24 011 053 LGSCO Place Waste 04/12/2024	Closed after initial enquiries – no further action	We will not investigate this complaint about missed recycling collections. The complainant has confirmed collections are now made according to the published schedule. We consider further investigation would not lead to a different outcome.	na	na
24014405 LGSCO Corporate Services Council Tax 09/12/2024	Closed after initial enquiries – no further action	We will not investigate this complaint about Council tax discounts because there is a right of appeal to a Valuation Tribunal.	na	na
24013406 LGSCO Place Waste	Closed after initial enquiries – no further action	We will not investigate Mr X's complaint about a missed garden waste collection. This is because Mr X has not suffered a significant personal injustice which would justify an investigation	na	na
24012809 LGSCO Place Planning 19/12/2024	Closed after initial enquiries – no further action	We will not investigate this complaint about the Council's handling of a planning application. This is because there is not enough evidence of fault by the Council and the complainant has not suffered significant	na	na

		personal injustice from the result		
202344656 HOS Place Housing 23/12/2024	Mal-administration	maladministration by the landlord in respect of its response to the resident's concerns about damp, mould, and water ingress. Maladministration by the landlord in respect of its handling of the resident's complaint.	Orders	ongoing
			Within 4 weeks , the landlord is to:	
			a. Write to the resident to apologise for the failings identified in this report.	
			b. Pay the resident £1,100 compensation, comprised of:	
			i. £850 in recognition of its handling of the resident's reports of water ingress, damp, and mould.	
			ii. £250 in recognition of its poor complaint handling.	

		c. Assign, and provide the resident with details for, a member of staff to be a point of contact for him and to monitor the ongoing works through to completion.	
		d. Contact the resident to confirm any household vulnerabilities and record these on its system to inform its approach to any future repairs.	
		e. Instruct a surveyor to complete a comprehensive survey of the resident's property and the flat roof across the block to establish:	
		i. The cause of the water ingress into the resident's property and the works required to remedy this. This should include an assessment of the flat roof and water drainage.	
		ii. The levels of damp within the resident's property (via the use of appropriate tools), whether any other factors may be contributing to the damp and mould growth, and whether it should undertake any remedial works to reduce the impact.	

		iii. Any other works required to put right the internal parts of the resident's property, and what internal remedial works it is willing to complete, or fund, to put right the damage to the decorations that was contributed to by its delays.	
		f. As part of the survey, the landlord should consider arranging access with other ground floor residents to determine whether the issue affects more than just the resident's property and whether wider remedial works are required.	
		Within 6 weeks , the landlord is to write to the resident to:	
		a. Provide the findings of the survey and the scope of works required to remedy water ingress and damp to the property. It should provide a copy of the surveyor's report to both the resident and the Ombudsman.	
		b. Offer a schedule setting out the timescale in which it intends to complete the works, including any internal remedial works.	

		c. Consider the resident's claim for additional energy costs as a result of needing to run a dehumidifier and confirm what evidence of additional costs it will require to consider the request.	
		d. Give its decision regarding whether it is willing to complete, or fund, remedial works to the internal decoration of the property and what this would entail. It should consider the resident's vulnerabilities and that he is unable to complete the work himself. If it decides not to complete any internal decoration work, it should support the resident with making a claim via its insurers should he wish to do so. The landlord is to complete a management review of the resident's case to establish points of learning. It should provide a copy of the review to its senior leadership team and the Ombudsman.	
		Within 12 weeks. The review should consider (at a minimum):	
		a. Its processes for diagnosing, prioritising and resolving leaks and whether it has adequate systems in place to ensure that it can differentiate	

		between leaks reported in different areas of a block or building.	
		b. Its current record keeping practices alongside the recommendations made in the Ombudsman's Spotlight report on Knowledge and Information Management (available on our website). It should provide a copy of its self-assessment as part of the review.	
		c. Any staff training, including in relation to its complaints handling (to comply with the Complaint Handling Code) and record keeping, that may improve its future responses to similar cases and complaints.	
		d. Points of learning that can be taken from the case, and actions it could take to improve its future response to similar cases. The landlord is to write to the Ombudsman to provide evidence of compliance with these orders within the specified timescales.	
		Recommendations	

			It is recommended that the landlord reviews its complaint handling policy to bring this in line with the statutory Complaint Handling Code alongside its ongoing communication with the Ombudsman's Duty to Monitor team. It should confirm how it intends to proceed with its statutory obligation within 4 weeks	

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