



Notice of a public meeting of

Audit and Governance Committee

To:	Councillors Hollyer (Chair), J Burton (Vice-Chair), Fisher, Merrett, Rose, Coles, Vassie and Binney (Independent Member)
Date:	Wednesday, 28 January 2026
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 1 to Agenda Item 13 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).

4. Minutes & Action Log (Pages 9 - 32)

To approve and sign the minutes of the meeting held on 12 November 2025.

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 Monday 26 January 2026.

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 2024/25 (Pages 33 - 120)

The report 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 2025.

7. Final Statement of Accounts 2024/25 (Pages 121 - 332)

The purpose of this report is to present for information the amended draft 2024/25 Statement of Accounts following near completion of the audit.

8. Treasury Management Monitor 3 (Pages 333 - 356)

Audit & Governance Committee are responsible for ensuring effective scrutiny of the treasury management strategy and policies, as stated in the Treasury Management Strategy 2025/26 approved by Full Council on 27 February 2025.

9. Treasury Management Strategy (Pages 357 - 404)

This report is a statutory requirement setting the strategy for treasury management and specific treasury management indicators for the financial year 2026/27.

10. Key Corporate Risks monitor 3 (Pages 405 - 452)

The purpose of this report is to present Audit & Governance Committee with an update on the key corporate risks for City of York Council.

11. Internal Audit Work Programme Consultation Report 2026/27 (Pages 453 - 470)

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 2026/27.

12. **Audit and Governance Work Plan** (Pages 471 - 472)

To consider the committee's work plan.

13. **Contract management: major project delivery** (Pages 473 - 496)

This report has been prepared to allow the committee to consider the contract management: major project delivery final audit report alongside external audit's 2024/25 audit completion report and the Key Corporate Risks Monitor 3.

14. **Urgent Business**

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

Democracy Officer:

Name: Robert Flintoft

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Reasonable Adjustments and Alternative formats statement

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We can also translate into the following languages:

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 میا 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	12 November 2025
Present	Councillors Hollyer (Chair), J Burton (Vice-Chair), Fisher, Merrett, Rose and Coles
In Attendance	<p>Bryn Roberts – Director Of Governance Debbie Mitchell – Director Of Finance Lorraine Lunt - Information Governance Manager/Dpo Mark Outterside - Director, Forvis Mazars Louise Stables - Audit Manager, Forvis Mazars Connor Munro - Assistant Director – Audit Assurance, Veritau Max Thomas - Head of Internal Audit, Veritau Jonathan Dodsworth, Assistant Director – Corporate Fraud, Veritau</p>
Apologies	Mr Binney – Independent Member

25. APOLOGIES FOR ABSENCE (17:31)

It was confirmed that apologies had been received from the Committee's Independent Member Mr Binney.

26. DECLARATIONS OF INTEREST (17:32)

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda. None were declared.

27. EXCLUSION OF PRESS AND PUBLIC (17:32)

Resolved: That the press and public be excluded from the meeting during consideration of Annexes 2-9 to Agenda Item 13 on the grounds that it contains 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).

28. MINUTES & ACTION LOG (17:32)

Resolved: That the minutes of the meeting held on 3 September 2025 be approved and then signed by the Chair as a correct record with the amendment to note that apologies were received from Independent Member Mr Binney and not Cllr Myers.

29. PUBLIC PARTICIPATION (17:38)

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

Gwen Swinburn raised concerns relating to governance, the Council's procedural processes, and asked that the Committee review the Council's delegated powers, citing the changes to public participation which had resulted in her not being able to register to speak at the extraordinary Council meeting.

30. INFORMATION GOVERNANCE PERFORMANCE REPORT (17:42)

The Information Governance Manager introduced the report and explained the process and requirements of the Council when responding to Freedom of Information Requests (FOI). If Members had specific queries relating to FOI's brought to them by residents, then they can contact the Information Governance Team. The Committee were also updated on two data breaches since last report at the Council, both had been addressed, and measures had been put in place to reduce happening again, and the Information Commissioner's Office were content with the actions taken by the Council.

Resolved:

- i. Noted the performance details contained in the report.

Reason: To provide Members with details and current performance from the Corporate Governance Team.

31. REVISED PUBLIC PARTICIPATION PROTOCOL (17:57)

The Director of Governance introduced the report outlining the changes made to the Council's Constitution, relating to Public Participation to remove public participation from Extraordinary Council Meetings relating to staffing matters. He confirmed that prior to using his delegated powers to amend the Constitution he had consulted with representatives of the three political groups at the Council prior to making the changes. Finally, he confirmed that for the appointment of the Chief Operating Officer the public have the right to observe the meeting but there is not a requirement to allow public speaking on the item.

Members raised concerns relating to how close the change was made to the Extraordinary Council Meeting and noted that they believed there should have been an officer decision published with tracked changes to make it easy to see what had been amended, members asked that in future when using delegated powers to amend the constitution that this be the case. The Committee also noted that they felt the Chair and Vice Chair of the Audit and Governance Committee should have been informed of any planned amendments and requested that in future this happen for other delegated level amendments.

The Committee considered whether the public participation section of the Constitution should have a wider review and agreed to set up a Constitution Working Group to review Appendix 8 - Public Participation Protocol.

Resolved:

- i. To establish a Constitution Working Group to review Appendix 8 of the Constitution- Public Participation Protocol;
- ii. Note the amended Public Participation Protocol.

Reason: To ensure the Constitution remains fit for purpose.

32. TREASURY MANAGEMENT MONITOR 2 (18:16)

The Director of Finance introduced the report which updated the Committee on the Council's Treasury Management. Members noted the information provided in the report and enquired about how the Council focuses and makes the most of its investments. The Director of Finance noted that the Council doesn't currently have a large amount of investments but those it does have follow a model of ensuring security, liquidity, and yield, as well as, considering the ethical, social, and governance arrangements of any potential investment.

Resolved:

- i. Noted the Treasury Management Mid-Year Report and Review of Prudential Indicators 2025/26 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.

33. AUDIT PROGRESS REPORT (18:20)

The Committee noted the report presented by the Council's external auditors Mark Outterside and Louise Stables from Forvis Mazars.

Resolved:

- i. Noted the matters set out in the Audit Progress report presented by the external auditor.

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

34. COUNTER FRAUD PROGRESS REPORT 2025/26 (18:25)

Jonathan Dodsworth and Max Thomas from the Council's counter fraud service Veritau introduced the Counter Fraud Progress report and a breakdown of savings. The Committee enquired about QR code scams at Council car parks and whether this issue had been addressed. Jonathan Dodsworth noted that this was national issue and were highlighted in York between January and the Summer, work was undertaken with Transport and QR code stickers were removed quickly when found.

The Committee noted the 10 formal warnings identified in the report that had been issued and enquired about how Veritau decide which cases to pursue. It was confirmed that cases all different but that decisions were taken based on the Council's counter fraud policies and the expected return from any action.

Resolved:

- i. Noted the current and planned counter fraud activity.

Reason: To enable the Committee to consider the progress of counter fraud work in the current financial year.

35. AUDIT AND GOVERNANCE WORK PLAN (18:36)

The Committee considered its work plan for 2025/26. It was confirmed that an update on recruitment of a new independent member for the Committee and Joint Standards would be brought to the Committee in January. The Committee also recommended to go out with new adverts for independent members as soon as possible and to readvertise after Christmas if there hadn't been enough interest.

Members enquired about when the Council would plan to undertake a Community Governance Review. The Director of Governance noted that it was the Council's decision for when it would undertake a Community Governance Review but suggested that this wouldn't be something the Council would want to explore until after the Council's Boundary Review changes. Members therefore suggested they add a recommendation to the Audit and Governance Committee after the 2027 election to explore a Community Governance Review.

The Committee asked whether they would be receiving an update report on any NDA's in staff exits. It was confirmed that there had not been a report due to no NDA's being used since the Public Interest Report recommendations and that a further update would be included in the Annual Accounts Report.

Resolved:

- i. Noted the Committee work plan;
- ii. To recommend that the Council put out new adverts for independent members posts on Audit and Governance and Joint Standards Committees;
- iii. That a recommendation be added to the Committee action log to consider exploring a Community Governance Review.

Reason: To maintain a programme of work for the Committee and find new independent members for key Council Committees.

36. INTERNAL AUDIT PROGRESS REPORT 2025/26 (18:46)

Connor Munro and Max Thomas from the Council's Internal Auditors Veritau introduced the report on the Internal Audit Progress Report 2025/26. The Committee enquired about whether the audit into the Council's Section 106 money could be moved up the priority list and the auditors confirmed that they would discuss with Council officers about changing the priority of this audit in their work plan.

The Committee considered the rest of this item in private session as agreed at minute 27.

Resolved:

- i. Noted the progress made in delivering the 2025/26 internal audit work plan, and plans for delivery over the remainder of the year.

Reason: To enable members to consider the implications of internal audit findings, and to review planned activity for the remainder of 2025/26.

Cllr Hollyer, Chair

[The meeting started at 5.31 pm and finished at 6.52 pm].

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Completed Audit and Governance Committee Action Log 2025/26

Action Number	Date of Meeting	Title	Action	Action Owner	Status/ Outcome	To be completed by	Completed
74	04/09/24	Information Governance performance report	That an update on the repeated themes published within FOIs/EIRs to be provided in future reports to A&G	Lorraine Lunt	Future reports to A&G to include themes and link(s) to published disclosure logs Freedom of Information Responses Disclosure Log – City of York Council (https://www.york.gov.uk/FOIDisclosureLog) and York Open Data York Open Data – City of York CouncilYork Open Data – City of York Council (https://www.york.gov.uk/information-management/york-open-data)	Ongoing	Ongoing
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.	Bryn Roberts / Becky Eades		Ongoing	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)		Ongoing	No

93	14/05/25	Data security	Email to be shared with all members to remind them about the importance of using CYC devices for Council bussiness and the dangers assoisated with using other devices.	Lorraine Lunt	There was also the request for user training for Cllrs which I will work with Roy Grant/ICT on arranging. I will send out the guidance for Cllrs on their roles/responsibilities under data protection and check what is available from the previously provided training and guidance as part of the Members Induction programme to see if it is available to all on MyLo and if not, get it put onto MyLo.	30/09/25	No
94	14/05/25	Improving ways of working	To explore the possibility of a Member working group to identify best practice from Audit and Governance Committees at other local authorities.	Julie Gallagher	A briefing note on best practice has been provided to the Committee and attached to the 28 January 2026 agenda.		No
96	30/07/25	KCR Local Plan	Officers were requested to review whether a new KCR is required for the deliver of the local plan or whether this is sufficently covered across the Council's other KCRs	Debbie Mitchell/ Claire Foale	Officers have considered points raised and reviewed again the risks. The risks associated with a failure to update the Local Plan do not require a specific KCR.		Yes
102	03/09/25	KCR Changing Demographics	To share with the Committee the updated data set relating to KCR 4 Changing Demographics.	Sara Storey			No
103	03/09/25	Planning Committee	To add to the Committee work plan to review the affect of planning committee changes in autumn 2026.	Bryn Roberts	Will be added to the Committees 2026/27 work plan .	30/11/26	No

104	12/11/25	Independent Members	Officers to put out new adverts for independent members on A&G and Joint Standards.	Bryn Roberts	Applications closed on 31st December. Applications have been received, interviews delayed because of the by-election but expected to take place week commencing, 19th Jan.		No
105	12/11/25	Constitution Review	To establish a Constitution Working Group to review Appendix 8 of the Constitution- Public Participation Protocol	Bryn Roberts	A meeting of the Constitution Working Group took place on 22nd January, to review the Public Participation Protocol, feedback from the working group will be provided at the meeting.		No
106	12/11/25	Community Governance Review	The Committee recommends that the Audit and Governance Committee post the 2027 Council Election consider adding a Community Governance Review to its work plan to explore options for a review.	Audit and Governance Committee	On hold until completion of the Boundary Commission review and the new ward patterns have been embedded after the 2027 local elections.		On Hold

Completed Audit and Governance Committee Action Log 2025/26

Action Number	Date of Meeting	Title	Action	Action Owner	Status/ Outcome	To be completed by	Completed
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/Max Thomas	The internal audit report has been issued with a limited assurance opinion (see internal audit progress report). An action plan has been agreed with management to address the issues identified by internal audit.	30/07/25	Yes
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. Instructions given - to remain on the action plan until after Annual Council has taken place.	22/05/25	Yes
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)	With one exception, all the actions have been completed by the relevant service areas. The exception relates to the inclusion of specific wording in job descriptions to reflect the health and safety responsibilities of different roles. HR has confirmed that this action is being progressed.	Ongoing	Yes
95	30/07/25	Assests for Disposal	External Audit Progress Report made reference to £23m worth of assests for disposal. Officers to confirm what is included with in this list of assests to the Committee.	Debbie Mitchell	Information sent by email	07/08/25	Yes
97	30/07/25	External Debt	Officers to provide greater detail on the increase in external debt from 24/25 to 25/26.	Debbie Mitchell	Increase is due to increase in capital programme following slippage.		Yes

98	30/07/25	Audit and Governance Work Plan	Chair and Officers to review whether some of the Committee's January items can be moved to other Committee dates.	Chair/ Bryn Roberts/ Robert Flintoft	Internal audit report, Counter fraud report, and Improving ways of working reports to be delayed to March; Independent person recruitment report to be a verbal update as part of action log item.		Yes
99	30/07/25	Council Communications	Committee to recommend that Corporate Scrutiny review the Council's developing Communications Strategy. Internal Audit Report to be shared with Corporate Scrutiny Committee. Officers to provide feedback to the Committee on progress against the Audit report.	Robert Flintoft/ Debbie Mitchell	Emailed Cllrs Hollyer & Fenton, plus Claire Foale and Mike James to have a discussion and take forward as appropriate.		Yes
100	30/07/25	Member Induction Programme/ Training.	To share Member induction Programme Internal Audit Report with Joint Standards Committee to support work on Member Training and Induction.	Robert Flintoft/ Bryn Roberts	Report shared with the new Member working group on Member training and inductions.		Yes
101	30/07/25	Savings Plan	To Share Savings Plan Internal Audit Report with the Budget task and finish group.	Robert Flintoft/ Debbie Mitchell	Will be shared with task and finish group at their meeting 4th September.		Yes

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Action 94 – update for Audit and Governance Committee.

At a previous meeting of the Audit and Governance Committee, the Committee resolved to:

“To explore the possibility of a Member working group to identify best practice from Audit and Governance Committees at other local authorities.”

As a precursor to any working group, to inform the discussion, the Head of Democratic Services has reviewed current CIPFA guidance and how neighbouring Audit and Governance Committees operate.

- **Background:** CIPFA guidance dictates that Local Government bodies are expected to meet high standards of governance and accountability. An audit committee must provide a specialist forum to support and monitor the authority in the areas of governance, risk management, external audit, internal audit, financial reporting, and other related areas. There are a number of statutory duties, regulations, and standards relating to financial reporting, governance, and audit that the authority must comply with, and an audit committee is best placed to oversee these.

These arrangements are the enablers that allow the authority to deliver against its objectives and improve its performance. They are essential if the authority is to make best use of all its resources and minimise loss and waste. The audit committee helps the authority to fulfil its responsibilities for accountability to the local community, and meet the expectations of partners, regulators, and other stakeholders.

As the primary point of contact for the authority's auditors, it provides a forum to review audit conclusions and recommendations. The committee can escalate key recommendations for action, ensuring that areas of concern are given proper attention

- **Questions CIPFA recommends any local Authority audit committee should consider:**

How can we know if our audit committee is effective?	An Audit Committee should review and assess themselves annually or seek an external review.
What are the consequences if our audit committee is not effective?	<p>The main consequences will be that the authority may not address weaknesses in its governance, risk, and control arrangements at an early stage.</p> <p>The audit committee should be able to provide an overall view on the adequacy of assurance arrangements and the outcome of assurances received. If the committee is not effective Councillors, leaders and senior Officers cannot place reliance on its work.</p>
How can we make sure that the audit committee is more effective?	<p>Ensuring that the authority's committee is constituted in accordance with recommended practice, the CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022</p> <p>Enabling the audit committee to have the required members with knowledge and expertise.</p> <p>Planned programme of regular training as well as access to support and briefings for the audit committee members.</p> <p>Ensuring the committee's terms of reference are up to date, reflect recommended practice and that the committee is operating in accordance with them.</p>

	<p>Maintaining regular dialogue with the chair of the committee to review how well the committee is operating, provide feedback to the committee and understand any outstanding concerns the committee may have.</p>
<p>How and when should those in a leadership or governance role interact with the committee?</p>	<p>Putting forward people with knowledge, experience, or aptitude to be on the committee.</p> <p>Ensure that any vacancies for co-opted independent members are filled promptly.</p> <p>The Chief Executive should ensure that the audit committee is supported and attended by officers of appropriate seniority to be able to act on the audit committee's guidance</p> <p>The committee may make recommendations to senior officers, to other committees, or to the full member body.</p> <p>The committee should agree its own annual report with recommendations for action.</p> <p>The Chief Executive should ensure that a culture exists in which financial management, risk management and governance are given due weight and attention.</p>

- **Arrangements at Neighbouring Authorities:**

North Yorkshire Council:

At North Yorkshire Council, the Audit Committee oversees the Council's corporate governance, audit and risk management arrangements and approves the Statement of Accounts and Annual Governance Statement.

The Standards & Governance Committee oversees ethical standards, member conduct, dispensations, temporary parish council appointments, election arrangements, community governance reviews, and related recommendations to Council, ensuring compliance with statutory duties and promoting good governance. It advises the Council on changes to the Code of Conduct and monitors, reports and investigates, where necessary, complaints made about Councillors breaching their code of conduct, this includes Parish and Town Councillors. The Committee has 10 members appointed to reflect the political balance of the Council. It is advised by a group of Independent Persons who provide an independent perspective on the complaint.

Training provided

Audit Committee – Training is provided ahead of each meeting, with sessions organised by officers and Internal Audit. Below is a list of training that we have had or have planned.

December 2024 - Counter Fraud / March 2025 - Role of the Audit Committee / June 2025 – Teckal Companies

September 2025 – Statement of Accounts scrutiny / December 2025 - Data protection/information security

Treasury Management (external training to be arranged) – timing tbc.

Standards and Governance Committee – Training is provided for all Members upon appointment to the Committee. Refresher training is also provided by the Deputy Monitoring Officer and Senior Governance Lawyer ahead of any hearings.

Task and finish groups

Audit Committee – The Corporate Governance Working Group was set up by the Audit Committee to review the Statement of Final Accounts, Annual Governance Statement, and other complex documents. The Working Group has private, in-depth discussions and reports back to the Audit Committee with recommendations which are then discussed publicly. The Working Group's membership is decided by the Audit Committee and meetings on an ad hoc basis.

Standards and Governance Committee – The most recent Working Group was in relation to a Community Governance Review of parish electoral arrangements.

A Standards Bulletin is produced for each scheduled Committee meeting and included within the agenda. This is also shared with all Parish and Town Councils and Elected Members.

West Yorkshire Combined Authority Audit and Governance Committee:

The CA have 5 meetings over the municipal year which are chaired by an independent member; the committee is made up of 8 elected members from across the five West Yorkshire constituent councils, appointed to reflect political balance across the county, together with 3 independent members (including the chair).

There are a number of standing items on each agenda including:

- Internal Audit Update (update report covering the work of internal audit for the current audit plan year to date)

- Compliance Dashboard Reporting (update on compliance with Regulatory requirements and internal controls)
- Risk Management (update on risk management activities)
- Data Officer Protection Report (update on information governance performance data)
- External Audit Report (update from our external auditors)
- Each year the Annual Audit Report and Opinion is taken through the Committee.

There have been several training sessions for members this year with each addressing a specific topic such as risk management, statement of accounts, role of internal audit etc. Attendance and engagement at meetings is generally quite good.

Leeds City Council:

The Committee has 6 ordinary meetings per municipal year, all of which are webcast. Each year in-line with CPFA 2022 Audit Committee guidance, Committee Members are provided with the following:

- The annual CIPFA self-assessment surveys both on good practice and the skills and knowledge available on the Committee
- The Member Development Plan is proposed at the March Committee meeting for the following municipal years' training and development. This considers the requirements of an audit committee as per CIPFA guidance and also the areas where Members feel that additional oversight or awareness would benefit them when receiving assurance reports throughout the year.
- The Member Development Plan is presented at each of the six Committee meeting during the year to both ensure that the training plan is at the forefront of Committee Members minds but also to monitor achievement against the plan and upcoming events. Members are encouraged at each meeting to raise

any areas that may not be included in the plan but Members would benefit from further advice and guidance.

Committee cycle

There are six Corporate Governance and Audit Committee's throughout the year, with dates spread to incorporate key dates such as the presentation and approval of the Council's Accounts and Annual Governance Statement in line with the statutory deadlines.

For each of these Committee meetings, there are at least two briefing meetings prior to the Committee date, one with only officers who are attending Committee (Officer's Co-ord) and presenting reports and one directly with those presenting reports and the Chair of the Committee (Chair's Brief). This provides an opportunity for assurance reports to be peer reviewed, to brief the Chair of the Committee, answer any queries ahead of the Committee meeting and provides an opportunity for the Chair to brief officers of questions that may be asked during the Committee meeting.

Member Engagement A training attendance record is kept throughout the year and this is shared with the Chair of the Committee and where necessary, escalated with relevant party Whips to encourage participation. Attendance at Committee is also monitored and reported in the Committee's annual report that is presented to Full Council annually.

Task and Finish groups There are no Task and Finish groups as a direct consequence of the work completed by the Committee.

- **Next steps**

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

Below is the CIPFAs position statement in relation to Audit Committees, as well as a link to training offered by CIPFA <https://www.cipfa.org/training>



CIPFA-Audit-Commit
tee-Position-Statement

Members may wish to consider whether the CYC Audit and Governance Committee is operating effectively, and if not, whether any of the examples above highlight areas for further development. When considering next steps, EMs must be mindful of CYC's financial circumstances and the resources available, whether in terms of officer capacity or financial support, to deliver this work.

Issues to consider:

- Further training and development for EMs that mirrors the work programme
- Briefing from Officers/External Auditors prior to meetings.
- Evaluate any skills and knowledge gaps
- Effective questioning techniques
- Annual review of the Audit Committees effectiveness
- Establishment of Task and Finish Groups to undertake deep dives on areas of concern

- Review the report template
 - Look at mechanisms to keep all Councillors informed of the work of the Audit and Governance Committee
-

Report Author – Julie Gallagher

Head of Democratic Services

December 2025

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Meeting:	Audit & Governance Committee
Meeting date:	28/01/2025
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 Completion Report 2024/25 and Draft Auditors Annual 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 2025.
2. Attached at Annex B is the Draft Auditors Annual Report which contains draft commentary on the Value for money (VFM) arrangements at the Council.

Recommendation and Reasons

3. Note the matters set out in the Audit Progress Report and draft Auditors Annual 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:	160/01/2026

Annexes

A – Audit Completion Report year ended 31 March 2025

B – Draft Auditors Annual Report (containing draft value for money conclusion) year ended 31 March 2025



Audit Completion Report

City of York Council – year ended 31 March 2025

January 2026

Members of the Audit and Governance Committee

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

28 January 2026

Forvis Mazars

Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2025

We are pleased to present our Audit Completion Report for City of York Council (“the Council”) for the year ended 31 March 2025. The purpose of this report is to summarise our audit findings and conclusions.

This report is intended solely for the Audit and Governance Committee for the purpose of communicating certain matters that, in our professional judgement, are relevant to your oversight of the financial reporting process. To the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extracts, or any re-interpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification by any third party is entirely at their own risk.

We appreciate the courtesy and co-operation extended to us by City of York Council throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

Yours faithfully



Mark Outterside

Forvis Mazars LLP

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- 04 Significant findings
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- D Appendix D: Confirmation of our independence
- E Appendix E: Other communications

Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to City of York Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

Executive Summary

Executive summary

Scope

We have been engaged to audit the financial statements of City of York Council for the year ended 31 March 2025 which are prepared in accordance with the 2024/25 Code of Practice on Local Authority Accounting.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the Code of Audit Practice.

Audit status

Our audit procedures are now substantially complete for the year ended 31 March 2025.

Please refer to the ‘*Status of our audit*’ section for a list of audit matters outstanding at the date of this report. We will provide an update to the Audit and Governance Committee on completion of those outstanding matters by way of a follow-up letter.

Areas of focus and audit approach, and significant findings

We have not made any changes to our initial risk assessment and planned audit approach that was communicated to the Audit and Governance Committee in our Draft Audit Strategy Memorandum. It is therefore confirmed that the Draft Audit Strategy Memorandum is the final version.

Significant control deficiencies

We did not identify any significant deficiencies in internal control.

The non-significant control observations that we have identified to date are set out in ‘*Appendix A: Internal control conclusions*’.

Audit misstatements

A summary of the unadjusted misstatements above our reporting threshold we have identified to date is set out in the ‘*Summary of misstatements*’ section.

We have identified no adjusted misstatements above our reporting threshold to date.

Audit opinion

At the time of issuing this report and subject to the satisfactory conclusion of our remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix C.

Value for Money

We anticipate having one significant weakness 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 details have been provided in the ‘*Value for Money*’ section of this report.

Wider reporting 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.

Reporting to the group auditor

We have not yet received group instructions from the National Audit Office in respect of our work on the Council’s WGA submission. We are unable to commence our work in this area until such instructions have been received. Consequently, we anticipate not being able to issue our audit certificate when we sign the audit opinion.

Executive summary

Qualitative aspects of the Council’s accounting practices

We have reviewed the Council's accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances. Draft accounts were received from the Council by 30 June 2025 and were of a good quality, with good supporting working papers.

Significant matters discussed with management

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

- We discussed the Council's arrangements for the first time implementation of IFRS16, including the Council's approach to valuing the right of use assets.
- We discussed the trial balance with Management due to a prior year control recommendation. For further details see section 5.
- As with our other local government clients, we have reviewed the Council's arrangements for managing its Dedicated School Grant balance. Discussions with management indicate that City of York Council receives safety-valve funding, which provides significant mitigation of the associated financial risk.

Significant difficulties during the audit

Aside from some challenges in obtaining transaction data from the trial balance, as noted in the control recommendation in section 5, we have not experienced any significant difficulties and have received full co-operation from management.

Other matters of significance

We encountered no significant difficulties during our audit and had no significant disagreements with management. There was effective co-operation and communication between Forvis Mazars, management, and the Audit and Governance Committee during our audit. All requested information and explanations were provided to us.

Other matters we are required by ISA (UK) 260 *Communication with Those Charged with Governance* to communicate to you have been set out in Appendix E.

Status of the audit

Status of our audit

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

Employee benefits We have recently received the year end payroll to general ledger reconciliation, which we initially requested in Oct 2025. We are yet to review the reconciliation provided.	●
Non-pay expenditure We are working with officers to resolve our final queries in relation to our sample testing of expenditure items and Dedicated Schools Grant (DSG).	●
Income We are finalising our sample testing of non-grant income.	●
Property, Plant and Equipment We are finalising our work on the valuation of land, buildings, council dwellings and surplus assets. We are also finalising our work on the reconciliation of the fixed asset register to the general ledger. We are also completing our work on the Council's minimum revenue provision.	●
Investment Properties We are finalising our work on the valuation of investment properties.	●
Accounting for leases under IFRS 16 We are finalising our work on the implementation of IFRS 16 to leases and service concession arrangements.	●
Unusable and Usable Reserves We are completing our work on the Movement in Reserves Statement and unusable reserves.	●
Whole of Government Accounts We have yet to complete our procedures in respect of the Council's WGA submission.	●

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

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

Audit Quality Control Procedures

Our audit work is currently subject to review by the Manager, Engagement Lead, and Engagement Quality Reviewer.



Audit Completion and Post Balance Sheet Events

Our standard work on the audit completion, including, review of the final statement of accounts and Annual Governance Statement, review of post balance sheet events considerations, finalisation of our technical review of the accounts, receipt of your management representation letter and reviewing management going concern assertion will be undertaken during the final stages of the audit.



Value for Money Arrangements

We issued our draft Auditor's Annual Report (AAR) on the 26th November 2025. We will report our final commentary on the Council's value for money arrangements in our final AAR. We will issue the AAR alongside the audit opinion and by the 27th February 2026 backstop deadline.



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 and risk summary

Audit approach and risk summary

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 30 July 2025.

Materiality

Our provisional materiality at the planning stage of our audit was set at £10.4m using a benchmark of 2% of gross operating expenditure as per the Audit Strategy Memorandum.

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 organizations as a third-party organisation 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.

Audit approach and risk summary

	Audit risk/ key area of judgement	Fraud risk	Judgement	Error	Substantive audit procedures	Tests of controls	Misstatement identified	Control recommendations	Conclusion	Page ref to finding
Significant risks	Management override of controls	●	○	○	●	○	○	○	Subject to the satisfactory completion of our testing of accounting estimates, there are no matters to bring to your attention regarding management override of controls.	14
	Valuation of land, buildings, surplus assets and investment property	○	●	●	●	○	○	○	Subject to the satisfactory completion of our testing on this significant risk detailed in section 2, there are no matters to bring to your attention regarding the valuation of land, buildings, surplus assets and investment property.	15
	Net defined benefit asset/liability valuation	○	●	●	●	○	●	○	Subject to the satisfactory completion of our testing on this significant risk detailed in section 2, there are no matters to bring to your attention regarding the net defined benefit asset/liability valuation. We have identified one unadjusted disclosure misstatement – see section 6 for further details.	16
Other key areas of judgement, and enhanced risks	Accounting for leases under IFRS 16	○	●	○	●	○	○	○	Subject to the satisfactory completion of our testing on this significant risk detailed in section 2, there are no matters to bring to your attention regarding the accounting for leases under IFRS 16.	17

Significant findings

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Significant risks

Management override of controls

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

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 instruments 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 the satisfactory completion of our testing of accounting estimates, there are no matters to bring to your attention regarding management override of controls.

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Significant risks

Valuation of land, buildings, surplus assets and investment property

Description of the risk

Council Dwellings £585m, other land and buildings £408m are the Council's highest value assets. The balance sheet also includes investment properties totalling £72m and surplus assets totalling £23m.

Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate 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 judgments and number of variables involved.

How we addressed this risk

We addressed this risk through:

- critically assessing the Council's arrangements for ensuring that land and buildings, investment property and surplus asset valuations are reasonable and not materially misstated;
- critically assessing 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;
- considering the competence, skills and experience of the valuers and the instructions to the valuers;
- substantively testing a sample of revaluations;
- critically reviewing the Council's own considerations of assets not revalued in the year and why they are not materially misstated; and
- where necessary, performing further audit procedures on individual assets to ensure that the basis of valuations is appropriate.

Audit conclusion

Subject to the satisfactory completion of our testing on this significant risk detailed in section 2, at the time of drafting this report, there are no matters to bring to your attention regarding the valuation of land, buildings, surplus assets and investment property.

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Significant risks

Net defined benefit asset/liability valuation

Description of the risk

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.

How we addressed this risk

We addressed this risk through:

- critically assessing the competency, objectivity and independence of the North Yorkshire Pension Fund’s Actuary;
- liaising 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 included 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;
- reviewing 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 included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and
- agreeing 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 the satisfactory completion of our testing on this significant risk detailed in section 2, at the time of drafting this report, there are no matters to bring to your attention regarding the net defined benefit asset/liability valuation. We have identified one unadjusted disclosure misstatement – see section 6 for further details.

Significant findings

Other key areas of management judgement/ enhanced risks

Accounting for leases under IFRS 16

Description of the risk

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The Council will recognise lease liabilities and corresponding right of use assets.

The new standard also applies to the Council's Private Finance initiatives (PFI) arrangements from 1 April 2024.

On transition to IFRS 16 on 1 April 2024, the Council will apply the standard retrospectively without restatement and with the cumulative effect of initially applying the standard recognised in the general fund balance at that date.

This is a complex area therefore we have assessed it as a key area of management judgement and an enhanced risk.

How we addressed this risk

We addressed this risk through:

- critically reviewing the accuracy and completeness of the Council's assessment of leases under IFRS 16;
- reviewing the accounting treatment for a sample of leases to test the valuation of the liability and right of use asset;
- reviewing the work that the Council has carried out for the implementation of IFRS16 to PFI liabilities on 1 April 2024; and
- substantively testing PFI lease balances to ensure they have been correctly classified and accurately measured under the new standard. This will involve targeted review of the models the Council have applied to derive balances for presentation in the financial statements.

Audit conclusion

Subject to the satisfactory completion of our testing on this significant risk detailed in section 2, at the time of drafting this report, there are no matters to bring to your attention regarding the accounting for leases under IFRS 16.

Significant findings

Wider responsibilities

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

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

We do not expect to exercise any of these powers as part of our 2024/25 audit.

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

05

Summary of misstatements

Summary of misstatements

Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Strategy Memorandum, issued on 30 July 2025. Any subsequent changes to those figures are set out in the *‘Audit approach and risk summary’* section of this report.

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to the Audit and Governance Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Description	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Creditors classification				
Dr: Current creditors			379	
Cr: Non-current creditors				379
Our sample testing of creditors identified one item (value £44k) that had been classified as a current creditor, however the payment was not due until June 2026, more than one year following the Balance Sheet date of 31 March 2025. As such the balance should have been classified as a non current creditor. The value of £379k represents the error extrapolated over the sampled population.				
Aggregate effect of unadjusted misstatements			379	379

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Disclosure misstatements

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

- Note 30 Senior Officer’s Remuneration – the other officers remuneration table has been updated to correct the number of non-school’s officers in the £90,000 to £94,999 banding from two to one.

In addition to the above, we identified a small number of minor disclosure and presentational issues during our audit of the financial statements. These have all been amended by the Council.

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

- The Pension Fund auditor identified an understatement of level 3 assets of £13.849m in the pension fund’s assets. We have calculated the Council’s share of this error as 18.17% and therefore the potential impact would be that the Council’s pension assets are understated by £2,516k. While this would not impact the Council’s balance sheet due to the effect of the asset ceiling, it would have an impact on the disclosure in Note 40.

We will obtain written representations confirming that, after considering the unadjusted disclosure misstatements, both individually and in aggregate, in the context of the annual report and financial statements taken as a whole, no adjustments are required.

Fraud considerations

Fraud considerations

We have a responsibility to plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

Your responsibilities

Management has primary responsibility for the prevention and detection of fraud. It is important that management, with Audit and Governance Committee oversight, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which is reinforced by the Audit and Governance Committee’s active oversight.

Our responsibilities

We have a responsibility for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in a misstatement is intentional or unintentional. Two types of intentional misstatements are relevant to us – misstatements resulting from fraudulent financial reporting, and misstatements resulting from the misappropriation of assets.

ISA presumed fraud risks

As set out in the ‘*Audit approach and risk summary*’ section, the risks of fraud in management override of controls were identified as significant risks. The risk of fraud in revenue recognition has been rebutted.



Value for Money

Value for Money

Approach to Value for Money

We are required to form a view as to 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 in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

This is the first audit year where we have undertaken our value for money (VFM) work under the full 2024 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place, and to report in the auditor's report where we are not satisfied that arrangements are in place. Where we have issued a recommendation in relation to a significant weaknesses this indicates we are not satisfied that arrangements are in place. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

A key change in the 2024 Code of Audit Practice is the requirement for us to issue our Auditor's Annual Report for the year ending 31st March 2025 to you in draft by the 30th November 2025. This is required whether our audit is complete or not. Should our work not be complete, we will report the status of our work and any findings to up to that point (and since the issue of our previous Auditor's Annual Report).

The Code requires us to structure our commentary to report under three specified criteria:

- **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 by exception. We will also highlight emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

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. This commentary will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria. We intend to issue the Auditor's Annual Report in February 2026.

Status of our work


Pending resolution of the outstanding issues highlighted in section 2 above, we have completed our work in respect of the Council's arrangements for the year ended 31 March 2025 and have identified 1 significant weakness in arrangements and have made associated recommendations. We provide further details on the identified significant weakness and our recommendations later in this section of our report.

Our draft audit report at Appendix C confirms that we have 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 2026.

Value for Money

Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported no risks of significant weakness in arrangements that we had identified as part of our planning procedures. Since presenting our Audit Strategy Memorandum we have identified one risk of significant weakness in arrangements. Our response to the identified risk is outlined in the table below.

Risk of Significant Weakness in Arrangements		Financial Sustainability	Governance	Improving the 3Es	Work Undertaken and Conclusions Reached
1	<p>Capital project management and governance</p> <p>The York Station Gateway project is to redevelop the front of the train station in order to improve access for vehicles, cyclists and pedestrians. The capital scheme was approved in 2020 and commenced in late 2023. It is due to be completed by early 2027. The scheme had an original a budget of £26m. During 2024-25 internal audit undertook a review of the contract management arrangements for delivery of major projects, which included the York Station Gateway project. This was requested by the Section 151 Officer and Monitoring Officer following an internal review, with Internal Audit being asked to undertake further work to identify the key messages. The review highlighted that the potential for a significant overspend in relation to the York Station Gateway project was not reported for two years, with monthly update reporting for major contracts not highlighting any significant issues over the life of the project. The review identified significant weaknesses in the project management of the York Station Gateway project which has resulted in significant overspend and delay. The current overspend of £18.5m (71% of planned budget) has required the diversion of funding from other capital projects to allow it to be completed satisfactorily.</p> <p>Given the delays in reporting the potential overspend and weaknesses identified in the project management arrangements we have raised this as a risk of significant weakness in arrangements.</p>				<p>Work undertaken</p> <p>Our procedures included:</p> <ul style="list-style-type: none">• discussions with Internal Audit;• reviewing the Internal Audit report;• discussions with key members of management including the Section 151 Officer and Monitoring Officer; and• reviewing relevant documentation provided by management. <p>Conclusions</p> <p>We have concluded that a significant weakness in arrangements has been identified. For further details see page 27.</p>

Value for Money

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below. At the time of drafting this report, although the significant risk has been confirmed, the wording of the significant weakness and the related recommendation has not yet been reviewed through the firm's consistency process. This could result in changes to the final wording reported in our Auditor's Annual Report for this significant weakness.

Identified significant weakness in arrangements		Financial Sustainability	Governance	Improving the 3Es	Recommendation for improvement	Council's response
1	<p>Capital project management and governance</p> <p>The York Station Gateway project is to redevelop the front of the train station in order to improve access for vehicles, cyclists and pedestrians. The capital scheme was approved in 2020 and commenced in late 2023. It is due to be completed by early 2027. The scheme had an original a budget of £26m. During 2024-25 internal audit undertook a review of the contract management arrangements for delivery of major projects, which included the York Station Gateway project. This was requested by the Section 151 Officer and Monitoring Officer following an internal review, with Internal Audit being asked to undertake further work to identify the key messages. The review highlighted that the potential for a significant overspend in relation to the York Station Gateway project was not reported for two years, with monthly update reporting for major contracts not highlighting any significant issues over the life of the project. The review identified significant weaknesses in the project management of the York Station Gateway project which has resulted in significant overspend and delay. The current overspend of £18.5m (71% of planned budget) has required the diversion of funding from other capital projects to allow it to be completed satisfactorily.</p> <p>The Council have undertaken a review to identify lessons learned which has included input from finance, procurement and legal and have looked back at the York Station Gateway (YSG) project with project managers. This process has highlighted a number of key issues in the project management of major projects, including oversight of the capital programme, internal officer skills and experience, the need for a more strategic approach to procurement and the need to strengthen the internal governance arrangements. The outcome of the review was reported to the Executive in July 2025. The Council has commenced work to strengthen the governance arrangements in place for project management of major capital projects and to improve project assurance. The Council have recognised major capital projects as a governance issue arising within 2024-25 within the Annual Governance Statement</p>				<p>The Council should continue to implement the actions identified through the review of lessons learned and the Internal Audit review in order to strengthen the project management and governance arrangements in place for major contracts. This will ensure that potential project overspends and/or overruns are identified at the earliest opportunity and ensure emerging risks to project delivery can be mitigated effectively.</p>	

Appendices

- A: Internal control conclusions
- B: Draft management representation letter
- C: Draft audit report
- D: Confirmation of our independence
- E: Other communications

Appendix A: Internal control conclusions

Other 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 control that is necessary 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 the 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 the Council’s internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in Appendix A 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 Appendix A should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant control deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal control set out in this section to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Appendix A: Internal control conclusions

Other deficiencies in internal control

Payroll Leavers – Implementation

Description of deficiency

Our walkthrough of the payroll key business process identified a leaver that had been notified to the payroll department on the 25 Feb 2025. However, the employee had notified of their intention to leave on a letter dated 12 Aug 2024, with a leave date of 8 Sept 2024. The delay in notifying payroll resulted in the payment of salary for a period in excess of 5 months after the employees leave date with a value of £11k. The failure to promptly notify the payroll department of a leaver is an internal control weakness.

Potential effects

Payments are made to individuals who have ceased to work for the Council, resulting in potential financial loss to the Council, if the overpayments cannot be recovered.

Recommendation

Notification of leavers should be submitted to the payroll department in a timely manner to ensure the leaver is removed from the payroll system prior to their leave date and to ensure there is no overpayment of salary.

Management response

This was picked up with the individual manager and head of service at the time citing the impact. When the manager realised that this was outstanding it was immediately actioned. It was an oversight based on a number of operational circumstances and full recovery of the overpayment has been undertaken. There was HR Advisory Circular issued in November 2023 (HR Advisory Number 20/2023) which covers leavers payroll processing and the impacts of late submissions. This will be reissued again as a timely reminder for all managers in February 2026.

Appendix A: Internal control conclusions

Other deficiencies in internal control (continued)

Payroll Control Account – Implementation

Description of deficiency

Our walkthrough of the payroll key business process identified that the monthly payroll control account reconciliations are being prepared, however there is no documented review and approval by a second officer.

Potential effects

Discrepancies may not be investigated and resolved in a timely manner.

Recommendation

The monthly payroll control accounts should be reviewed and approved by a second officer. Evidence of this review should be retained.

Management response

Payroll control account reconciliations are regularly reviewed and evidence of this is held with the Financial Management System. We will give consideration to creating a separate log if required.

Appendix A: Internal control conclusions

Other deficiencies in internal control (continued)

Exit Packages – Implementation

Description of deficiency

Our testing of exit packages highlighted one exit package that had not been approved by the Section 151 officer in accordance with the Council's procedures. We have reviewed the exit package and are content that it is appropriate and has been paid in accordance with the employee's terms and conditions of employment. The exit package was subject to approval by the Chief Officer for Education.

Potential effects

Lack of Section151 approval increases the risk of an inappropriate exit package payment being made.

Recommendation

All exit packages to be approved by the Section 151 officer in accordance with the Council's procedures.

Management response

There is a form and guidance which outlines the signatures and authorisation processes required for an exit payment, which includes as a final stage approval from the S151 Officer / Director of Finance. This particular case was a school and all other signatures where sought. The oversight of this particular case was highlighted with the school and as part of a wider piece of work, maintained schools are to receive guidance on what must be authorised by the Council as the employer. This guidance includes HR processes, policy and regulations and Health and Safety matters. It is anticipated that this will be sent to schools early March 2026. Discussions have also taken place with North Yorkshire Council to ensure that this is reinforced for those schools who receive HR / employment advisory services from outside of City of York Council services.

Appendix A: Internal control conclusions

Other deficiencies in internal control (continued)

Reconciliation of the Trial Balance

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.

Management response

We acknowledge that generating a TB in the format that Audit require is complex and are happy to discuss how we could improve the understandability of our method, within the limitations of the system that we currently use and its reporting capabilities.

Appendix A: Internal control conclusions

Follow up on previous internal control points

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

Equity Investments

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.

Current year update:

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.

Current position

Equity investments have been valued based on the latest available information (2024/25 draft accounts in most cases). Finance team knowledge of the relevant companies would mean any changes in circumstances potentially impacting the valuation would be known. This recommendation has therefore been addressed.

Appendix A: Internal control conclusions

Follow up on previous internal control points (continued)

Property, plant and equipment valuations

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.

Current year update: *Our work on the valuation of land, buildings, surplus assets and investment properties is still ongoing.*

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.

Current Position

We will provide an update on the implementation of this recommendation within our follow-up memo.

Appendix A: Internal control conclusions

Follow up on previous internal control points (continued)

Property, plant and equipment valuations

Description of deficiency

As part of our testing on land, buildings, surplus assets and investment property valuations, there were instances where the Valuer could not provide the evidence used in the January 2024 valuation (such as income schedules, BCIS reports, etc.).

Current year update: Our work on the valuation of land, buildings, surplus assets and investment properties is still ongoing.

Potential effects

We may be unable to get sufficient, appropriate evidence to support our testing on valuations.

Recommendation

We recommend that all evidence supporting the valuation of the Council's portfolio is retained.

Current Position

We will provide an update on the implementation of this recommendation within our follow-up memo.

Appendix A: Internal control conclusions

Follow up on previous internal control points (continued)

Property, plant and equipment valuations

Description of deficiency

When performing the year end valuation of the Council's portfolio, the Council's Internal Valuer produces a final covering memo, however this does not fulfil all the requirements of the RICS Red Book.

Current year update: Our work on the valuation of land, buildings, surplus assets and investment properties is still ongoing.

Potential effects

We are unable to confirm whether the valuation was conducted in line with the terms of reference.

Recommendation

We recommend that a covering report is produced to accompany the valuation. This report should provide sufficient detail to comply with the RICS Red Book and include the basis of the valuation, the methodology used, the nature and source(s) of information relied upon and any assumptions or limitations.

Current Position

We will provide an update on the implementation of this recommendation within our follow-up memo.

Appendix B: Draft management representation letter

Forvis Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

Dear Mark,

City of York Council - Audit for Year Ended 31 March 2025

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 2025 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 2024/25 (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 myself 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 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 Director of Finance / s151 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 B: Draft management representation letter

I confirm that there is no information provided to you as part of the audit that I consider legally privileged.

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 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.

Appendix B: Draft management representation letter

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.

Fraud and error

I acknowledge my responsibility as Director of Finance / s151 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 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, investment properties 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 B: Draft management representation letter

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2024/25 in relation to the Council’s service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by 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 and the subsequent events note to the financial statements fairly reflects that assessment.

Tariffs

I confirm that I have carried out an assessment of the potential impact of changes in US trade policy in respect of tariffs, including the impact of reciprocal tariffs by other countries, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements fairly reflects that assessment.

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.

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

I 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. Please make sure the appendix is attached to the letter and not cross-referenced to the appendix in the ACR.

Appendix B: Draft management representation letter

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,

Director of Finance / s151 officer

Date: XX February 2026

Appendix C: 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 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund 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 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2025 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 2024/25.

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 for the audit of the financial statements” 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 Director of Finance’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 2024/25, 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 Director of Finance 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 Director of Finance 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 C: Draft audit report

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 Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance’s Responsibilities, the Director of Finance 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 2024/25, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 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 Director of Finance 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 considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: health and safety and equality legislation.

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 :

- gaining an understanding of the legal and regulatory framework applicable to the Council, the environment in which it operates, and the structure of the Council, and considering the risk of acts by the Council which were contrary to the applicable laws and regulations, including fraud;
- 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;

Appendix C: Draft audit report

- inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- reviewing relevant meeting minutes in the year;
- 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.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as 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.

In addition, we evaluated the Director of Finance’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 pension asset/liability 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, Internal Audit 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 both 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 Director of Finance’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 statements and regularity of public sector bodies in the United Kingdom, (Revised 2024) 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

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

Appendix C: Draft audit report

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weakness in the Council’s arrangements for the year ended 31 March 2025:

Significant weakness in arrangements	Recommendation
Wording to be confirmed	Wording to be confirmed

Responsibilities of the Accounting Officer

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to report where we have not been able to satisfy ourselves that it has done so. 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 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.

Appendix C: Draft audit report

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 (Local Auditor)

The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF





XX February 2026

Appendix D: Confirmation of our independence



We communicate any matters which we believe may have a bearing on the independence or the objectivity of Forvis Mazars LLP and the audit team. 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 confirm that no new threats to independence have been identified since issuing our Audit Strategy Memorandum and therefore we remain independent.


Appendix E: Other communications

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

Appendix E: Other communications

Other communication		Response
	Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
	Matters related to fraud	<p>Our audit was designed to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. Please refer to the section titled ‘Fraud considerations’ for our fraud considerations and conclusion.</p> <p>We will obtain written representations from management and, where appropriate, the Audit and Governance Committee, confirming that</p> <ol style="list-style-type: none"> they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; 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; they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> management; employees who have significant roles in internal control; or others where the fraud could have a material effect on the financial statements; and 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.

Appendix E: Other communications

Other communication		Response
	System of Quality Management	<p>To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management, including:</p> <ul style="list-style-type: none">• Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership• Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm's strategies and priorities• Identifying, reviewing, and updating quality risks each quarter, taking into consideration a number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.)• Identifying, designing, and implementing responses as part of the process to strengthen our firm's internal control environment and overall quality• Evaluating responses and remediating control gaps or deficiencies <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2024. Details of that assessment and our conclusion are set out in our 2023/2024 Transparency Report, which is available on our website here.</p>

Contact

Forvis Mazars

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Draft - Auditor's Annual Report

City of York Council – year ended 31 March 2025

November 2025

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to City of York Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

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Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for City of York Council (‘the Council’) for the year ended 31 March 2025. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

Our opinion on the financial statements is still outstanding as our financial statements work is ongoing.



Value for Money arrangements

We have identified a risk of significant weakness in the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources in relation to the Governance criteria. Our work in response to this risk is still ongoing – see page 18 for details of the risk identified. Our work will be revisited should information come to our attention after issuing the draft that indicates evidence of a significant weakness. Section 3 provides our draft commentary on the Council’s arrangements.



Reporting to the group auditor

In line with group audit instructions issued by the NAO, we will undertake work on the Council’s Whole of Government Accounts (WGA) return in line with their instructions. Our work on the Council’s WGA return is ongoing.



Wider reporting responsibilities

We have received correspondence from electors. Our work in relation to this correspondence remains ongoing.

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council’s financial position as at 31 March 2025 and of its financial performance for the year then ended. Our audit report on the financial statements for the year ended 31 March 2025 is still outstanding as our work on the financial statements is ongoing. A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these will be outlined in Appendix A once the audit is complete. In this appendix we will also outline the uncorrected misstatements we identify and any internal control recommendations we make.

Qualitative aspects of the Council’s accounting practices

To be reported here in the final Auditor’s Annual Report if required.

Significant difficulties during the audit

To be reported here in the final Auditor’s Annual Report if required.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	This work is still ongoing.
Annual Governance Statement	This work is still ongoing.

Our work on Value for Money arrangements

VFM arrangements


Overall Summary





VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

- 

Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- 

Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- 

Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

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 there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 18.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria		Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
	Financial sustainability	11	No	No	Yes – see commentary on page 13
	Governance	17	Yes – see risk A on page 18	Work in relation to the risk of significant weakness is still ongoing	No
	Improving economy, efficiency and effectiveness	21	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.

Our review of minutes and supporting papers has confirmed that financial planning arrangements have remained in place throughout 2024/25. In our assessment, we have considered the latest Financial Strategy which covers the period 2025/26 to 2029/30 (MTFS), which was approved in January 2025. The strategy includes financial projections, analysis and context to support the delivery for the Council's key priorities as set out in the Council Plan (2023-27).

The Council's Capital Budget for 2025/26 sets out the long-term capital programme which is underpinned by the Council's annual capital financing investment strategy (2025/26) and treasury management strategy (2025/26 to 2029/30). The capital programme outturn report for 2024/25 showed an outturn of £74m against an approved budget of £102.8m. The net variation is £28.8m, made up of the re-profiling of £31.2m of schemes from 2024/25 into future years and adjustments of £2.4m to increase expenditure in the main due to additional grant funding.

Quarterly budget position statements are considered by the Executive and are supported by service-level budget monitoring arrangements reported to the Council Management Team. These reports offer a clear summary of the projected outturn and actual figures, along with explanations for significant changes and pressures. Each report outlines the implications of overspending and the non-delivery of planned savings and efficiencies. Additionally, Budget Panels are held with each Executive portfolio holder to ensure all budget pressures are acknowledged in the strategy.

In the prior year (2023/24), in common with other local authorities, the Council experienced significant cost pressures, including significant demand pressures and cost increases in service. As a result of this, and the elevated Public Works Loan Board (PWLB) rates, the Council part funded the capital programme by internal borrowing and used their cash balances where available. This resulted in a significantly lower cash balance of £1.8m as at 31 March 2024 in comparison to £13.2m in the year prior. The Council's liquidity risk was therefore heightened in the short-term. As a result, new borrowing was required in the first and last quarter of 2024/25. The Council has taken six new short-term loans from the PWLB which will require refinancing in 2025/26. The decision to refinance maturing loans on short maturity durations was considered a better option for the longer-term Treasury Management budget as it means that higher interest rate loans mature sooner. This has increased the Council's refinancing interest rate risk as a greater proportion of its overall debt will

mature in 2025/26. However, this is still within the approved maturity limits set out as part of the Prudential indicators. As at 31 March 2025 the cash balance had increased to £8.9m.

As in previous years, we have confirmed that there has been regular monitoring of the Council's financial position and treasury management throughout the year, which included arrangements to update the Financial Strategy, enabling the Council to respond to any identified financial challenges throughout the life of the plan.

Following a review by internal audit, the Council have also been investigating control issues around the 'No Purchase Order No Pay' policy and regular updates have been taken to the Audit and Governance Committee, the latest one being in July 2025. The Council committed to implementing stronger cost controls and improving compliance with the policy, this is seen from the reduction in retrospective orders across the Council from 38% in February 2024 to 23% in July 2025. An action plan is in place to drive improvement, and the Council should continue to monitor delivery of the actions set out within the plan.

How the body plans to bridge its funding gaps and identified achievable savings

Our review of the MTFS's issued over the 2024/25 period, provides assurance that forecasts are based on prudent assumptions including the Council's latest understanding of overall funding available, service demand and other cost pressures.

We have considered the Council's performance in delivering its MTFS, including any identified savings targets. The savings target for 2024/25 was £14.3m, with £12.5m being delivered, a variance of £1.8m. This is largely due to the full effect of prior year savings being less than anticipated due to delays in delivery. The financial strategy delivers a balanced budget for 2025/26, equivalent to 4% of the net budget. The MTFS includes a savings proposal equal to the target with savings planned from transformation of services, increased fees and charges and reduced spending through identified efficiencies.

The funding gap and therefore savings required in future years are set out within the MTFS as £9.8m in 2026/27, £6.4m in 2027/28 and £6.6m in 2028/29. The MTFS sets out the scale of the challenge the Council faces to deliver the funding gap of £22.8m over the life of the strategy. The Council plans to deliver the savings through use of digital services and its assets, efficient cost control, developing new sources of income, securing grant funding and reviewing the method of delivery across services areas. However, as at November 2025 there was no comprehensive savings plan in place to meet the funding gap over the MTFS. This continues to be a work in progress as the MTFS is revisited in light of the Fair Funding Review consultation.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

The Council recognises the scale of the savings target and the MTFS highlights the need to downsize the organisation and consider the level of spending across a range of services. In 2025/26 the focus will be on changing the way the Council works through a comprehensive and wide-ranging transformation programme. The programme initially covers the period to the end of March 2027 and aims to deliver £2.25m of savings across a number of the Council’s directorates. There is regular reporting of the financial position to the Executive and Council.

It is evident that meeting this savings requirement presents a significant challenge for the Council and they will need to consider the appropriate balance of savings, adjustments to council tax, and potential changes in funding following the Spending Review in 2025.

In the context of 2024/25’s net spending requirement of £149m the Council has a reasonable level of reserves, and as of March 2025 usable reserves totalled £138m, including earmarked reserves of £58.6m and a General Fund reserve of £9.3m. This is above the general fund minimum requirement of £7.4m.

There were no significant inconsistencies between budgetary information and the financial position reflected in the financial statements. The 2024/25 Outturn Report reported to the Executive in July 2025 highlighted an overspend of £1.1m, which is 0.7% of the revised net expenditure budget. This was mitigated with the planned use of earmarked reserves of £0.5m and a budget contingency of £0.6m. This was an improved position as forecast outturn at Q3 showed a £2.64m overspend, with a £1.1m use of earmarked reserves. This improved position was achieved through existing cost control measures. However, like many other Local Authorities overspending in Adult Social Care (£4.2m in 2024/25) continues to put pressure on the council’s overall position and as such remains an area of focus.

Whilst we are satisfied that there is no significant weakness in arrangements in 2024/25, we recognise the continued challenge associated with delivering savings throughout the life of the MTFS. In 2022/23 and 2023/24 we made an ‘other recommendation’ in relation to this issue and the recommendation will remain in place for 2024/25.

Finding	Recommendation
The MTFS for the period 2025/26 to 2029/30 highlights a saving requirement of £22.8m over the life of the plan, to reduce the funding gap. The Council is currently working with stakeholders to identify these savings.	The Council should ensure it continues its arrangements to identify how it will deliver un-costed efficiency savings included in the MTFS. It should also ensure that its scrutiny arrangements, to monitor and deliver its saving plans and transformation programme are effective throughout 2025/26, to mitigate overspends and reliance on the use of reserves.

relation to assessing the impact of savings proposals and the availability and clarity of action plans and delivery timescales. In both cases agreed actions have put in place with timeframes and responsible officers identified for implementation.

Minimum Revenue Provision (MRP) represents the minimum amount that must be charged to the Council’s revenue account annually for financing capital expenditure, which will have initially been funded by borrowing. The charge aims to make sure that a local authority can pay off the debts it has from buying capital assets.

We have completed a benchmarking exercise for our local government clients, and we compared the Council data to our fifteen other unitary authority clients (all from the North of England). For 2024/25, our analysis shows that the average MRP as a percentage of capital financing requirement is 2.58%, over an average of 45 years. For comparison, the City of York Council’s was 1.8% and 55 years. Note we are still in discussion with management regarding the recommendation outlined below.

Finding	Recommendation
Regulations require Councils to determine their MRP charge annually, and to ensure it is sufficiently prudent.	Officers should continue to ensure the MRP policy is considered by Members as part of the budget setting process. Members should consider if the MRP charge is prudent and reflective of their capital financing requirements.

The Council has a DSG earmarked reserve of £10.5m as at 31 March 2025 and a DSG deficit of £9.9m, net position £0.6m. During 2021/22 the Council gained financial support from the DfE Safety Valve Programme. This resulted in an additional payment of £7.6m of DSG on the 31 March 2022 with further payments of £4.5m during 2022/23, £2.04m during 2023/24 and £1.46m during 2024/25, as a result of the Council meeting the financial targets set out in the Management Plan for these financial years, despite significant financial challenges.

How the council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

As in the previous year, the Council’s MTFS aligns with the Council’s Plan for 2023-2027 which sets out the Council’s strategic direction and ambitions for the city.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

Our review confirms that the Medium-Term Financial Strategy (MTFS) is grounded in reasonable assumptions available at the time of its approval. The MTFS undergoes regular reviews, including its main assumptions, and is frequently reported on, especially when changes in assumptions affect the forecasted financial position. Regular budget monitoring, including quarterly performance reports, helps identify in-year pressures, assess whether savings are being achieved, and determine if resources need to be redirected to areas in need.

We have reviewed the outturn for 2024/25 and identified no evidence of significant short-term measures. In-year pressures, such as those in the Adult Social Care service, were clearly reported and have been reflected in the MTFS.

The quarterly combined finance and performance reports are presented to the Executive and the Corporate Services, Climate Change, and Scrutiny Management Committee (latterly the Corporate Scrutiny Committee) throughout the year. These reports emphasize high-risk material issues and mitigating actions, as well as performance and outcomes data.

The MTFS includes the current year budget and a four year forward view. The MTFS is refreshed annually to reflect budget changes as part of the budget setting process, key risks and any required changes to assumptions. We confirmed a review of the MTFS was undertaken as part of the 2025/26 budget setting. It was taken to the Executive in January 2025 and approved by Full Council in February 2025.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

At its highest level, the Council operates under a 'Council Plan,' which is part of the Strategic Planning Framework. The Medium-Term Financial Strategy (MTFS) is also a component of this Framework. We confirmed that arrangements were in place for developing the MTFS, including aligning the financial plan with the Council's objectives to ensure the delivery of its priorities. This process involves scrutinising the MTFS and documenting key assumptions, with each savings plan being risk-assessed to inform Members of the potential impacts.

In line with the Treasury Management Strategy and the Council's Capital and Investment Strategy, the revenue implications of capital investment decisions are considered and integrated into the MTFS planning

and budget-setting process. This approach ensures that investments are fully funded. The Executive reviews quarterly capital monitoring reports, which set out the projected outturn position, including any under/overspends and adjustments, along with requests to re-profile budgets to/from current and future years. These reports also enable the Council to monitor the overall funding of the capital programme and the projected call on Council controlled resources e.g. capital receipts, revenue contributions, prudential borrowing and reserves over the life of the programme. We have confirmed that regular reports were submitted to the Executive throughout the reporting period. The Governance arrangements section includes further information in relation to capital monitoring, specifically in relation to the York Station Gateway Project.

To ensure the consistency of the MTFS and the annual budget with other plans, consultations are undertaken with a wide range of internal and external stakeholders. The MTRS sets out the consultation process followed, which for the current MTRS began in May 2024 and concluded in Dec 2024.

How the body identified and manages risks to financial resilience, e.g. unplanned changes in demand including challenge of the assumptions underlying its plans

As part of the annual budget setting process, the Council's Section 151 Officer sets out an assessment of the adequacy of reserves and the robustness of budget estimates. For 2024/25, it was the view of the Section 151 Officer that the general reserve should be £7.4m. This was set out in the MTRS reported to the Executive in January 2025. This assessment is based on professional judgement underpinned by local circumstances such as the budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions and other earmarked reserves and provisions.

The revenue budget is monitored on a regular basis at department level ahead of quarterly reporting to the Executive and Corporate Scrutiny Committee. We have reviewed the finance monitor reports throughout 2024/25 and noted that they reflect in year changes. This allows the Council to manage its financial position and mitigate the medium-term impact of budget pressures.

The 2024/25 Outturn Report highlighted an overspend of £1.1m. Consistent with the prior year and other local authorities, Adult Social Care continues to be the main service contributing to the overspend, however the position was improved from 2023/24. The Council recognises this as an area of focus and a revised and updated action plan is being developed with the service, supported by finance and other business intelligence.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

Our review confirms that the Medium-Term Financial Strategy (MTFS) is grounded in reasonable assumptions available at the time of its approval. The MTFS undergoes regular reviews, including its main assumptions, and is frequently reported on, especially when changes in assumptions affect the forecasted financial position. Regular budget monitoring, including quarterly performance reports, helps identify in-year pressures, assess whether savings are being achieved, and determine if resources need to be redirected to areas in need.

We have reviewed the outturn for 2024/25 and identified no evidence of significant short-term measures. In-year pressures, such as those in the Adult Social Care service, were clearly reported and have been reflected in the MTFS.

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The MTFS includes the current year budget and a four year forward view. The MTFS is refreshed annually to reflect budget changes as part of the budget setting process, key risks and any required changes to assumptions. We confirmed a review of the MTFS was undertaken as part of the 2025/26 budget setting. It was taken to the Executive in January 2025 and approved by Full Council in February 2025.

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At its highest level, the Council operates under a 'Council Plan,' which is part of the Strategic Planning Framework. The Medium-Term Financial Strategy (MTFS) is also a component of this Framework. We confirmed that arrangements were in place for developing the MTFS, including aligning the financial plan with the Council's objectives to ensure the delivery of its priorities. This process involves scrutinising the MTFS and documenting key assumptions, with each savings plan being risk-assessed to inform Members of the potential impacts.

In line with the Treasury Management Strategy and the Council's Capital and Investment Strategy, the revenue implications of capital investment decisions are considered and integrated into the MTFS planning

and budget-setting process. This approach ensures that investments are fully funded. The Executive reviews quarterly capital monitoring reports, which set out the projected outturn position, including any under/overspends and adjustments, along with requests to re-profile budgets to/from current and future years. These reports also enable the Council to monitor the overall funding of the capital programme and the projected call on Council controlled resources e.g. capital receipts, revenue contributions, prudential borrowing and reserves over the life of the programme. We have confirmed that regular reports were submitted to the Executive throughout the reporting period. The Governance arrangements section includes further information in relation to capital monitoring, specifically in relation to the York Station Gateway Project.

To ensure the consistency of the MTFS and the annual budget with other plans, consultations are undertaken with a wide range of internal and external stakeholders. The MTRS sets out the consultation process followed, which for the current MTRS began in May 2024 and concluded in Dec 2024.

How the body identified and manages risks to financial resilience, e.g. unplanned changes in demand including challenge of the assumptions underlying its plans

As part of the annual budget setting process, the Council's Section 151 Officer sets out an assessment of the adequacy of reserves and the robustness of budget estimates. For 2024/25, it was the view of the Section 151 Officer that the general reserve should be £7.4m. This was set out in the MTRS reported to the Executive in January 2025. This assessment is based on professional judgement underpinned by local circumstances such as the budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions and other earmarked reserves and provisions.

The revenue budget is monitored on a regular basis at department level ahead of quarterly reporting to the Executive and Corporate Scrutiny Committee. We have reviewed the finance monitor reports throughout 2024/25 and noted that they reflect in year changes. This allows the Council to manage its financial position and mitigate the medium-term impact of budget pressures.

The 2024/25 Outturn Report highlighted an overspend of £1.1m. Consistent with the prior year and other local authorities, Adult Social Care continues to be the main service contributing to the overspend, however the position was improved from 2023/24. The Council recognises this as an area of focus and a savings action plan is being developed with the service, supported by finance and other business intelligence.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability (continued)

Overall, the Outturn Report highlights that it is vital the Council continue to reduce expenditure down to a sustainable level and maximise income. Since 2023/24 Members have approved the maximum Council Tax increase of 4.99%. It also highlights that delivery of savings plans continues to be a clear priority, with a target of £6.4m set for 2025/26.

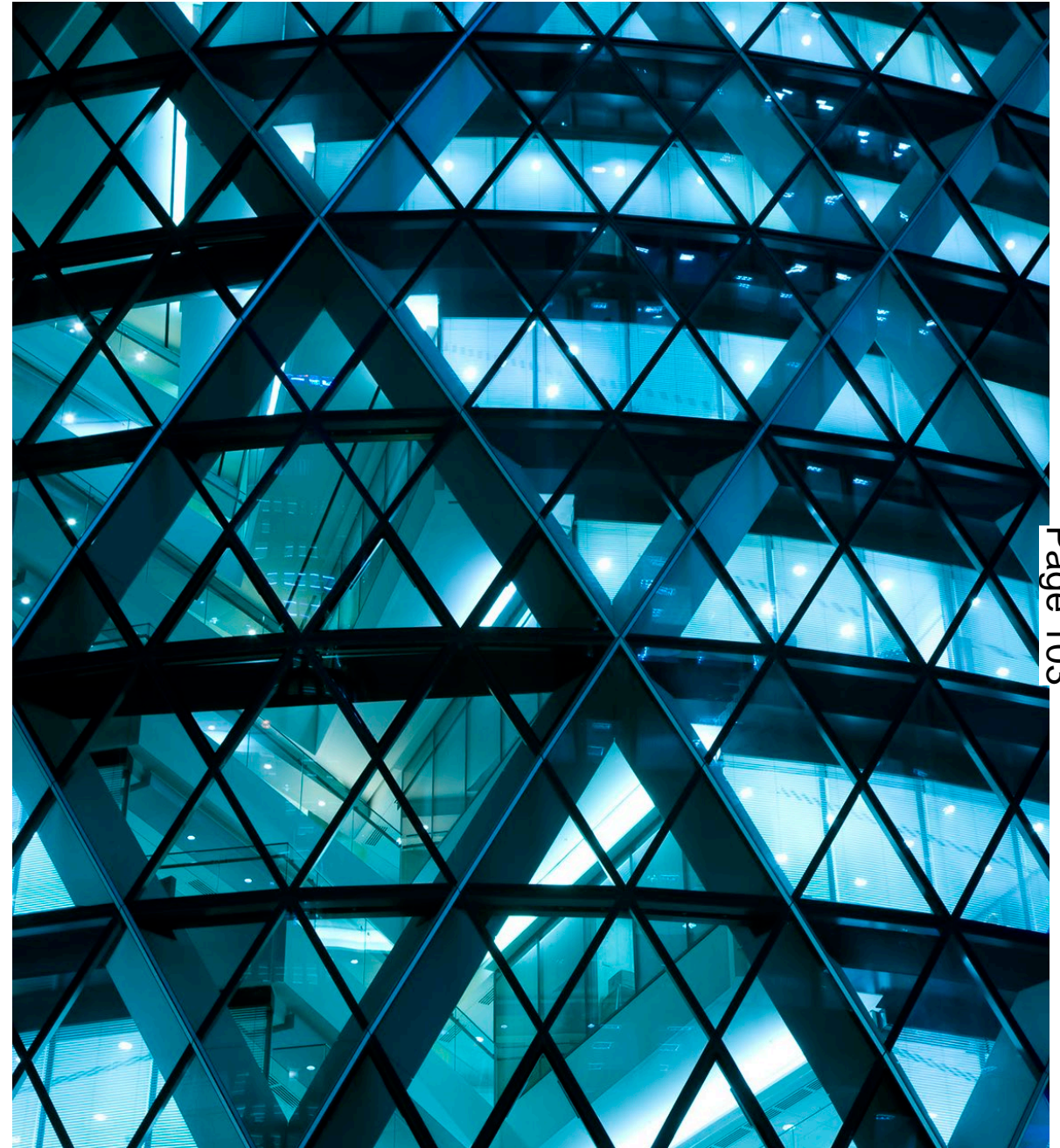
Our review of the committee reports and attendance at Audit and Governance Committee, provides assurance that the Council monitors and identifies mitigations to manage any changes in demand and assumptions in the MTFS.

We have reported two ‘other recommendations. However, overall, our work did not identify any evidence to indicate a significant weakness in arrangements in the financial sustainability criteria.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below a risk of significant weakness in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>Capital project management and governance</p> <p>The York Station Gateway project is to redevelop the front of the train station in order to improve access for vehicles, cyclists and pedestrians. The capital scheme was approved in 2020 and commenced in late 2023. It is due to be completed by early 2027. The scheme had an original a budget of £26m. During 2024-25 internal audit undertook a review of the contract management arrangements for delivery of major projects, which included the York Station Gateway project. This was requested by the Section 151 Officer and Monitoring Officer following an internal review, with Internal Audit being asked to undertake further work to identify the key messages. The review highlighted that the potential for a significant overspend in relation to the York Station Gateway project was not reported for two years, with monthly update reporting for major contracts not highlighting any significant issues over the life of the project. The review identified significant weaknesses in the project management of the York Station Gateway project which has resulted in significant overspend and delay. The current overspend of £18.5m (71% of planned budget) has required the diversion of funding from other capital projects to allow it to be completed satisfactorily.</p> <p>Given the delays in reporting the potential overspend and weaknesses identified in the project management arrangements we have raised this as a risk of significant weakness in arrangements.</p>	<p>Work undertaken</p> <p>Our procedures included:</p> <ul style="list-style-type: none">discussions with Internal Audit;reviewing the Internal Audit report;discussions with key members of management including the Section 151 Officer and Monitoring Officer; andreviewing relevant documentation provided by management. <p>Results of our work</p> <p>Our work in relation to this risk of significant weakness in arrangements remains ongoing.</p>

VFM arrangements – Governance

Overall commentary on Governance

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Audit and Governance Committee provide independent assurance on the Council's arrangements for governance, risk management and internal control and oversees the financial reporting and annual governance processes. The committee also oversees the Council's arrangements for internal and external audit and assists in ensuring that efficient and effective assurance arrangements are in place.

Internal Audit Services were provided to the Council for 2024/25 by Veritau Public Sector Ltd. Veritau Public Sector Ltd is jointly owned by six member Council's which include City of York Council. The Council's Audit and Governance Committee review the Internal Audit Plan and the Head of Internal Audit Annual Report to establish the priorities for internal audit activities and ensure alignment with the Council's goals. The Internal Audit Plan is determined on a risk basis, to ensure assurance is targeted towards priority areas. The draft plan is discussed with officers to obtain their views on priorities, prior to being approved by the Audit and Governance Committee.

The 2024/25 plan was presented to the Audit and Governance Committee in May 2024. We attended all Audit and Governance Committee meetings and confirmed that progress against the Internal Audit Plan was reported throughout the year. The opinion of the Head of Internal Audit was presented to the May 2025 Audit and Governance Committee meeting and provided an overall 'reasonable' level of assurance. As stated in the Audit Opinion, there were only two limited assurance reviews in 2024/25, these related to health and safety and foster carer payments, in both cases management actions have been agreed to address the internal control weaknesses identified. We have considered each review conducted by Internal Audit to obtain assurance that the matters identified were not indicative of a significant weakness in arrangements, none have been identified.

In May 2025, the Director of Finance and Director of Housing and Communities requested that IA undertake an independent fact-finding review of the governance and operations of YorHome. This followed identification of an issue with an agreement relating to a multiple occupancy property. The review carried out identified weaknesses in the arrangements in place for entering into leases and management and repair agreements and assured shorthold tenancies. Action has been taken to address the issues highlighted in the review and remediation work is underway. Note currently our work in relation to YorHome is still ongoing.

During 2024/25 Internal Audit have undertaken a review of contract management in relation to delivery of major capital projects. The review examined three projects, including York Station Gateway, which has a forecast £18.5m overspend (approximately 71% of the planned budget). The report which remains at the draft stage provides an indicative limited assurance opinion and included a critical finding in relation to the management of the York Station Gateway contract and overall project. A further significant finding was reported in respect of delays in reporting overspends. Given the nature of the findings and the significant delay in reporting the potential overspend on the project we have identified a risk of significant weakness in arrangements – see page 18. Note our work in relation to capital project management and governance is still ongoing.

We have confirmed through our attendance at Audit and Governance Committee that Members challenge management where recommendations are not implemented within the agreed timeframe. We have observed Member scrutiny of matters raised in Internal Audit reviews.

Veritau Public Sector Ltd provided dedicated Counter Fraud services to the Council throughout 2024/25. They work to identify potential fraud and investigate all suspected cases of fraud that are identified. We confirmed that any outcomes of investigations into suspected fraud are reported to the Audit and Governance Committee via periodic Progress Reports and the Counter Fraud Annual Report.

How the Council approaches and carried out its annual budget setting process

The Council's Medium Term Financial Strategy (MTFS) arrangement includes the identification and evaluation of risks to the Council's finances. The MTFS (2025/26 to 2029/30) was presented to the Executive Committee in January 2025.

Financial Regulations are established to outline the requirements for setting an annual revenue budget in the context of a medium-term financial strategy, which covers a five-year period. These rules are supported by Financial Management Standards which set out the roles and responsibilities of members, the Chief Finance Officer, Chief Internal Auditor and Corporate Directors, as detailed in the Council's Constitution. The Financial Procedure Rules provide a high-level governance framework for managing the Council's financial affairs, while the Financial Management Standards offer detailed guidance on implementing these procedures to ensure sound financial management throughout the Council.

VFM arrangements – Governance

Overall commentary on Governance (continued)

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We noted that regular reporting of the financial position took place throughout the 2024/25 financial year. Quarterly forecasts of outturn reports were presented to both the Executive and the Corporate Services, Climate Change and Scrutiny Management Scrutiny Committee (which later became the Corporate Scrutiny Committee). The reports provide details on budget movements between quarters and the remedial measures taken. Both the quarterly and year-end positions have not revealed any weaknesses in the Council's monitoring and reporting arrangements, with the final outturn position being in line with the forecast reported during the financial year. The reports highlight the Council's key area of pressure, which similar to other local authorities is Adults Social Care.

The financial statements timetable for 2024/25 was achieved. Our audit of the financial statements in 2023/24 did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

We have reviewed Council reports and minutes throughout the year and have not identified any evidence of weaknesses in arrangements.

Membership of the Audit and Governance Committee includes Councillors and an independent member. We have attended all the meetings held in the reporting periods and deem them to be effective and well represented. The Terms of Reference of the Audit Committee are detailed in the Constitution, and we have identified no evidence to indicate they are not being delivered.

The Council publishes notice of key decisions and all officer decisions made under the Officer Scheme of Delegations on its website. The Scheme requires all decisions to be recorded and published by Democratic Services, with the notice of any key decisions to be made available for inspection by the public at least 28 days before the decision is made and published within 2 days of it being made. For example, for the key decision regarding the Homeless and Rough Sleeper Strategy 2024-29, notice was given on 2 Sept 2024, and

the decision was made by the Executive Committee on 12 Dec 2024 and published on 13 Dec 2024, in line with the Council's policy.

The Council has several scrutiny committees which provide an opportunity to challenge decisions. We reviewed meetings held in 2024/25 and identified no evidence to suggest this function has not been fulfilled. Task Groups are formed within the membership of individual Scrutiny Committees to undertake specific scrutiny reviews.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The Council's constitution is reviewed annually and was last reviewed in May 2025. The Constitution outlines the Council's operations, decision-making processes, and the rules and procedures followed to ensure efficiency and transparency for local residents.

The Constitution is supported by Codes of Conduct for Members and Officers. Some officers have, by law, a specific duty to ensure that the Council acts within the law and uses its resources wisely. These Officers are the Head of Paid Service, Monitoring Officer and Section 151 Officer. Based on review, we are not aware of any evidence that these roles are not being fulfilled throughout the reporting periods.

Registers of gifts and hospitality and registers of interest are maintained for Members and Officers and are available on the Council's website. September 2024. The Statement of Accounts also detail material related party transactions as well as senior officers' remuneration and members allowances. Our work on these areas in 2023/24 identified no matters to indicate a significant weakness in arrangements.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards.

The Joint Standards Committee is tasked with promoting and maintaining high standards of conduct among councillors and co-opted members. The Committee receives regular monitoring reports in respect of complaints received and publishes an annual report. We reviewed the reports for 2024/25, which demonstrates the Committee's role in investigating complaints and the developments made to address them.

One risk of significant weakness in the Council's arrangements in relation to the governance reporting criteria has been identified and our work on this matter is still ongoing. See page 18 for more detail.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement.

As detailed in the previous sections, we have confirmed there was regular financial reporting during the year. Arrangements are place to assess the quality of services, ensuring they align with the Council's objectives and priorities, and deliver value for money. A Performance Management Framework is in place to ensure delivery of the ambitions of the Council Plan and enable forward planning, risk management and continuous improvement. A performance management culture is well-established across all directorates, featuring regular cost control boards and departmental management team performance clinics and reporting to Corporate Management Team (CMT).

Performance is monitored by the Executive, through the quarterly finance and performance monitor, as well as scrutiny of the Annual Performance Report. The arrangements enable scrutiny of corporate performance and the identification of areas for improvement.

As discussed in Financial Sustainability, quarterly reports are also considered by the Executive in relation to the capital programme and overall budget. These reports enable the Council to monitor the capital budget and the completion of capital schemes. In addition, monthly Major Projects Highlight Reports are produced. These are produced throughout the project lifecycle and provide the Executive and other stakeholders with a high-level summary of key information on current projects. They communicate progress since the last report, any actual or potential issues arising, upcoming milestones and any key decisions required.

How the body evaluates the services it provides to assess performance and identify areas for improvement.

Performance assessment arrangements have been embedded for a number of years in the budget and service planning processes. Quarterly reports to the Corporate Services, Climate Change and Scrutiny Management Committee/Corporate Scrutiny Committee set out Council performance based upon the city outcome and council delivery indicators included in the Performance Framework for the Council Plan 2023-27. The reports highlight current year performance and a comparison to the previous three years providing an overall direction of travel. Our review of Committee minutes confirms these reports were taken every quarter throughout 2024/25 and that they are presented in a consistent format and designed to evaluate the Council's performance.

Alongside this, the Council also considers the output from regulators to review performance. The Council recognises a failed statutory inspection as a potential risk as part of its wider key corporate safeguarding risk, included within the Corporate Risk Register.

The Council's services are reviewed by several regulators, including the Care Quality Commission and Ofsted.

In the most recent Ofsted review (dated April 2025), Children's Services received an overall rating of 'outstanding'. This is an improvement on the previous review (dated May 2022) which graded the Council as 'Requires improvement to be good'. The report states 'A relentless drive by senior leaders has led to significant improvements, on a considerable scale, in the standard and quality of services to children. There has been a determined focus and emphasis on improving practice, through the implementation and embedding of a bespoke practice framework, which has improved support, services and interventions.' Whist largely very positive the report does include some areas of improvement, although it was noted that leaders were aware of the improvements needed and had credible plans in place.

Our attendance at Audit and Governance Committee confirmed regular reporting by Internal Audit of findings from their reviews, recommendations raised and management's response. We observed the committee challenging management on individual reviews and the actions taken in following up on recommendations.

The Council have updated their Workforce Development Strategy for 2024-27. The strategy sets out the priorities for the next 3 years focusing on organisational development and transformation. There are annual workforce development strategy action plans that support the strategy and these are shared quarterly at Corporate Management Team. The plans are designed to embed good practice into the Council's workforce in order to effectively deliver services to the community and promote improvement.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The Council Plan 2023-2027 sets out the long-term ambitions and priorities for the Council across its service areas. While the plan refers to partnership working, it does not explicitly confirm how these arrangements will work. The Corporate Improvement Action Plan sets out the detailed Council wide actions in response to the Corporate Improvement Framework and encompasses a number of actions in relation to partnership working.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness (continued)

The Council manages relationships with partners and stakeholders within a strategic framework that includes regular city-wide meetings. For specific partnerships meeting terms of reference are agreed by the partnership and cover the membership and frequency of meetings as well as the publication of actions.

In February 2024, the Council launched the York and North Yorkshire Combined Authority in conjunction with North Yorkshire Council. following an inaugural meeting on 22nd January 2024. The Combined Authority will work with local leaders and communities and invest in the York and North Yorkshire regions. The Council has two councillors on the Combined Authority Board.

The Council is also a non-constituent member of West Yorkshire Combined Authority which, in conjunction with other councils across the city region, is responsible for economic development, regeneration and transport decisions in an area.

The Council is a key member of the York Health and Wellbeing Board, which unites leaders from various sectors across the district, including the Council, the NHS, the Police, social housing and the voluntary and community sector. This board provides strategic leadership on a wide range of health and wellbeing outcomes across the local area and the wider North Yorkshire region.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Council has in place a Procurement Strategy and a Social Value Policy. The Procurement Strategy sets out the procurement processes for goods and services, whilst the Social Value Policy sets out how the Council intends to develop effective procurement solutions that deliver quality, value for money goods and services, as well as positive economic, social and environmental outcomes. The Procurement Strategy covers the period 2021 to 2024 and is currently in the process of being reviewed and updated. The updated strategy is scheduled to be taken to Full Council for approval in December 2025. The Constitution includes Contract Procedure Rules (CPR) which set out the key responsibilities and actions that Members, Officers and Directors must follow when undertaking procurement. The scheme of delegated authority determines the financial approval limits of officers.

Processes are in place to monitor activity and report any breaches. A CPR waiver process is in place.

However, during 2024/25 CPR breaches and waivers were not reported to the Governance, Risk and Assurance Group (GRAG) or CMT, but reviewed by the Section 151 Officer and Head of Procurement. The formally reporting process has been reinstated for 2025/26. We are awaiting evidence to support the re-introduction of the reporting process.

In 2023/24 we noted the Council had terminated a high-profile contract. Following this termination, the Council published a report in August 2024 setting out the lessons learnt and focus areas moving forward. As part of the 2024/25 Internal Audit, Veritau completed a follow up audit on the contract management of major projects, including the termination of the Council’s significant partnership with the Salvation Army. This report, which was finalised in October 2025 concluded that there is generally a sound system of governance, risk management and internal control, however some issues of non-compliance or scope for improvement were identified. An overall reasonable assurance rating was issued by Internal Audit..

Overall, our work did not identify any evidence to indicate a significant weakness in arrangements in the improving economy, efficiency and effectiveness criteria.

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. Our work in relation to this correspondence remains ongoing.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. Our work on the Council's WGA return is ongoing.

Audit fees and other services

Audit fees and other services

Fees for our work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in July 2025. Our work for the 2024/25 financial year is still ongoing, we will confirm our fees once we have issued our audit report for 2024/25:

Area of work	2024/25 fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	£309,913	£284,032
Additional fees in respect of ISA 315	N/A – incorporated into the above scale fee for 2024/25	£15,690
Additional fees in respect of letters received from the public	TBC	£10,440
IFRS 16 Accounting for Leases – implemented from 1 April 2024	TBC	N/A
Total fees	TBC	£310,162

Fees for other non PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section ‘Confirmation of our independence’.

Area of work	2024/25 fees	2023/24 fees
Other services – Housing Benefits Subsidy Assurance	TBC	£29,000
Other services – Teachers’ Pensions Assurance	£10,000	£9,500
Total fees	£10,000	£38,500

Appendices

Appendix A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
Management Override of Controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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 instruments 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.	To be updated on completion of our audit of the financial statements.
Valuations of land, buildings, surplus assets and investment property Council Dwellings £585m, other land and buildings £408m are the Council's highest value assets. The balance sheet also includes investment properties totalling £72m and surplus assets totally £23m. Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate 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 judgments and number of variables involved.	To be updated on completion of our audit of the financial statements.
Net defined benefit asset/liability valuation 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.	To be updated on completion of our audit of the financial statements.

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

To be updated on completion of our audit of the financial statements.

Appendix A: Further information on our audit of the financial statements

Internal control observations

To be updated on completion of our audit of the financial statements.

Appendix A: Further information on our audit of the financial statements

Follow up on previous year recommendations

To be updated on completion of our audit of the financial statements.

Forvis Mazars

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Meeting:	Audit & Governance Committee
Meeting date:	28/01/2026
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 2024/25

Subject of Report

1. The purpose of this report is to present for information the amended draft 2024/25 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 2025.

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. For 2024/25 this backstop date is 27th February 2026. 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 27th February 2026, on the condition any necessary amendments made are in relation to the areas listed in Mazar's report.
9. The accounts attached at Annex A have been revised since the unaudited version was reported to the Audit & Governance Committee meeting in July 2025. A number of minor amendments have been made to the financial statements and supporting notes, mostly to try and improve the presentation of notes within the accounts. All the changes made have been highlighted in the accounts attached at Annex A.
10. 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.
11. 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.
12. 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

13. 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.

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:	16/01/2026

Annexes

A – Explanation of core statements

B – Draft Statement of Accounts 2024/25

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

2024/25

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STATEMENT OF ACCOUNTS

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NARRATIVE REPORT

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1. INTRODUCTION

These accounts set out the financial results of the City of York Council activities for the year ending 31st March 2025. 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 2025 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 taxpayers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the 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.

NARRATIVE REPORT

Whilst inflation levels were lower in 2024/25 compared with recent years prices are still increasing and as such the cost of living crisis still impacts the council's underlying ability to support its residents. Across the capital programme particularly, the impact of inflation over the years is significantly affecting what we are able to deliver.

Bank of England base rates started the year at 5.25% and have reduced twice during the year to a level of 4.75% at the end of March. The rate at which the council can borrow has remained high which impacts the cost of delivering the capital programme.

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 2024/25 settlement, the Government allowed Councils to increase council tax up to 5% and therefore York's 2024/25 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.

In terms of balancing the budget the council made the decision to set up a Transformation Programme which is reviewing how the council operates and is required to deliver ongoing savings to enable the council can operate within budget. This programme is intended to provide the main focus for delivering savings over the years a target of £1.3m has been set for 2025/26. To support the budget the council was awarded c£4m contribution as part of the Extended Producer Responsibility programme and there was also an expectation that fees would increase across all areas.

Revenue Outturn 2024/25

The Council's General Fund budget for its own net expenditure was set at £149.3m. To this sum the parish precepts added a further £1.0m. Band D Council Tax, including both Police and Fire Authority precepts, was set at £2,038.66. 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 has stabilised its financial position and whilst overspends have been forecast throughout the year the level of overspend has been lower than the previous year. Most service areas are broadly reporting projections close to budget although Adult Social Care continues to report more significant financial pressures.

The Outturn position reported an overspend of £1.1m which has been funded from the planned use of the contingency and a contribution from earmarked reserves. This was an improvement of £3.2m when compared with the forecast at Monitor 3. This demonstrates the hard work undertaken by officers to control expenditure as well as the strong financial management controls that are corporately operated.

However, there remain considerable financial challenges looking ahead into 2025/26 and beyond. The main risks are due to the underlying pressures in adults social care, the impact of minimum wage increases and employers' national insurance increases on suppliers' costs as well as relatively high interest rates which impacts the cost of borrowing. The 2025/26 budget provides for significant growth in adults (£8m) and children's services (£3m) budgets and made proper provision for all known cost increases at that time.

Full details on the individual service areas position for 2024/25 will be reported to Executive in July 2025.

NARRATIVE REPORT

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

Directorate	2024/25 Net Budget	Outturn
	£'000	£'000
Children & Education	35,261	+531
Adult Social Care & Integration	52,051	+4,155
Environment, Transport & Planning	30,360	-1,899
Housing & Communities	11,613	+688
Corporate and Central Services	19,407	-2,352
Sub Total	148,692	+1,123
Use of contingency	576	-576
Use of earmarked reserves		-547
Total	149,268	nil

Reserves

At the end of the financial year 2024/25 the useable reserves stood at £138m, compared to £142m at the end of 2023/24. 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 31/03/2025
	£'000	£'000	£'000
General Fund balance	9,628	(283)	9,345
Earmarked General Fund Reserves	49,983	5,459	55,442
Housing Revenue Account	29,965	(4,149)	25,816
Earmarked Housing Revenue Account Reserves	3,288	(133)	3,155
Major Repairs Reserve	3,954	881	4,835
Capital Receipts Reserve	12,934	(2,891)	10,043
Capital Grants Unapplied	31,944	(2,131)	29,813
Total	141,696	(3,247)	138,449

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 2024/25, it was determined that a level of £7.1m is an appropriate figure. However, considering 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 £9.3m in the table above also includes individual school balances of £1.9m. 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 2025/26.

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 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. The creation of the York and North Yorkshire Mayoral Combined Authority has provided opportunities for additional funding in areas such as Transport, Housing, Regeneration and Skills and the council is seeking to maximise funds to support the council plan and supplement its own funding. 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.

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 Housing Revenue Account budget for 2024/25 was set as a net surplus of £2,023k prior to debt repayment at February 2024. There were carry forwards of £2,293k agreed as part of the outturn report meaning the revised budget stands at £8,670k deficit (including £8,400k debt repayment). Once revenue contributions to capital expenditure are excluded the underspend on the HRA was £2,471k. The underspend is made up of credit interest on the HRA balances (£850k) planned repairs (external painting) (£659k) general management (£268k) bad debts provision (£277k) lower depreciation charge (£158k) income from leaseholders (£122k) and reductions in utility costs (£245k).

NARRATIVE REPORT

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 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 fund shows a deficit on Council Tax and Business Rates at 31 March 2025; as it did on 31 March 2024.

Collection rates have continued to improve since the pandemic, particularly on Business Rates, with 98% of the total sum collectable for 2024/25. The deficit on Business Rates has reduced in 2024/25 compared to the figure at 31 March 2024, mainly due to a reduction in the write offs of uncollectable amounts and a reduction in the number of outstanding arrears settled compared to 2023/24.

The collection rate for Council Tax was 97.2% which was a small improvement on last year. The deficit on Council Tax has reduced in 2024/25 compared to the figure at 31 March 2024, mainly due to the improvement in the collection rate and a reduction in write offs of uncollectable amounts compared to 2023/24.

6. CAPITAL EXPENDITURE

Capital expenditure for the year totalled £74.019m (2023/24 £98.377m). 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 2024/25 and how it was funded is shown below:

	2024/25 Outturn £m
Capital Expenditure	
Children's services	6.497
Adult Social Care	0.902
Housing	31.667
Communities	2.916
Transport & Environment	26.337
City Development	2.012
Property Services	1.700
ICT	1.988
Corporate Services	-
Total expenditure	74.019
Funding	
Prudential Borrowing	18.811
HRA & RTB Receipts	12.909
Grants and other contributions	31.136

NARRATIVE REPORT

Earmarked Reserves	11.163
Total Funding	74.019

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

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. There have been delays that have impacted the project and additional costs due to inflationary increases since the project was tendered which have added significant cost to the project. The Package 3 which includes internal works at the station are now also expected to be more expensive than when the scheme was approved in 2020. In total it is currently estimated that to ensure the full benefits of the scheme will be achieved additional funds of c £18.5m will be required to complete the scheme.

York Outer Ring Road Improvements – Whilst the scheme has achieved planning permission a review of the costs of the scheme have identified that to deliver the full scheme as planned is not affordable.

A report to Executive (15th July 2025) at the time of writing is to consider the options around adding additional funding into the Station Gateway scheme and to break the York Outer Ring Road Scheme into phases and to concentrate on delivering priority roundabouts.

Updates on other major projects are provided below:

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 has now been agreed with the initial council contribution expected to be paid in 2025/26.

The delivery of the main York Central highway infrastructure by Homes England is progressing with the Phase 1 delivering the alternative route around the National Railway Museum expected to be complete by summer 25, allowing the stopping up of Leeman Rd to be certified.

Road construction has progressed to enable Leeman Road to be stopped up. This includes construction of the new spine road as well as the main cycle/pedestrian route and improvements to Station Rise. Phase 2 of the scheme to connect the new spine road through to Water End is expected to be complete in 2027. Ground improvement works and foundations have progressed for the embankments and bridges.

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 parking provision there, with coach drop off facilities, are being progressed. The proposals will be included in the business case, which will be reported to the Executive for approval in September 2025.

Public and stakeholder engagement has been undertaken on the stage 2 designs for the Castle and Eye of York scheme. This feedback has been used to inform the next stage of design development which will be sent to external consultants for the costs to be established. The cost plan for the scheme is nearing completion and the next stage is to review with the project team. The outcome of this and the review and other parking facilities in the vicinity will also form part the report mentioned above. .

NARRATIVE REPORT

Duncombe Barracks and Burnholme - All 34 new homes at Duncombe Barracks are expected to complete throughout Summer 2025. Progress over the year has been steady and the completion of the Council's first net zero carbon, fully certified Passivhaus development is a great achievement and will see 60% of the homes delivered as affordable housing. Burnholme, the second Passivhaus certified development, will complete slightly later in the year with handovers across autumn and winter. This is a larger site comprising of 78 homes, 60% of which will be affordable.

Ordnance Lane has been redesigned to meet the requirement to deliver 100% affordable housing. The updated design increases the density to 101 new homes and planning approval was achieved for this updated layout in August 2024. The scheme has been designed to RIBA 4 and the tender is underway for a Principal Contractor with tender returns due back in May 2025. Depending on the response from the market, it is hoped that a main works contract will be entered into by Autumn 2025 with a start on site shortly afterwards. Ordnance Lane is a site with a high level of site abnormalities and therefore additional grant has been awarded from the Mayoral Combined Authority to a value of £2,020k to unlock this complex site.

To date, Ordnance Lane has been awarded £2.4m of OPE Brownfield Grant Funding which has been used to significantly derisk the site. An enabling contract has been undertaken to clear the site of all existing structures, remove contamination and strip out the 'Married Quarters' retained buildings. The enabling works contract concluded in December 2024. The final account is yet to be concluded but it is anticipated that works will be within the allocated budget.

The Housing Delivery programme has concluded two grant funded schemes which delivered shared ownership in the city; Homes England's Second-Hand Shared Ownership and YNY Devolution funded Second Hand Shared Ownership with retrofit. Combined these two schemes have delivered 40 new affordable homes to residents who are unable to access home ownership on the open market. The 25 homes funded to provide additional retrofit measures to increase EPC ratings from D or below to C and above have saved in the region of 36 tonnes of CO2 emissions

7. TREASURY MANAGEMENT

The Council's year end treasury debt position for 2024/25 compared to 2023/24 is summarised in the table below:

Debt	31/03/2025 £000	31/03/2024 £000
Balance brought forward	328,487	302,621
Reversal of previous years carrying value	(3,437)	(1,356)
Add new loans taken	49,800	30,000
Less loans matured in year	(43,400)	(6,215)
Total debt as per Treasury Management Outturn Report	331,450	325,050
In year carrying value adjustment	1,642	3,437
Total Debt at 31st March	333,092	328,487

Six new PWLB loans were taken during the year totalling £49,800k with interest rates on the loans ranging from 4.49% to 5.39%. All six loans have maturity dates of 1 year. Nine PWLB loans totalling £43,400k were repaid during the year.

The Council maintained an average investment balance of £29.058m in 2024/25 compared to £23.238m in 2023/24. The surplus funds earned an average rate of return of 4.89% in 2024/25 compared to 4.86% in 2023/24.

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 (£nil, 2023/24) at the balance sheet date. The Council also had historic long-term pension liabilities in relation to unfunded discretionary LGPS benefits totalling £937k (2023-24 £1,071k) unfunded discretionary Teachers Pensions benefits totalling £7,275k (2023-24 £8,209k).

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 2025 was showing a net pensions asset before consideration of a surplus restriction.

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 £246,426k 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 lower than expected. This has led to a loss on assets over the accounting period and a worsening of the balance sheet position.

Financial assumptions

There has been a change to the financial assumptions over the accounting period. The discount rate has increased by 1.00%, the CPI 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 assumptions at the start of the period had been used. The impact of this change has been recognised in Other Comprehensive Income.

Demographic assumptions

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

Further details can be found in Note 40, 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, except for 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 2024/25 balance sheet value of the council's non-current assets (including current assets held for sale) is £1,541.583m. This has increased by £34.441m from the 2023/24 value of £1,507.142m.

Capital enhancements to the value of £83.286m were made to these assets during 2024/25. This includes £15.072m for Right of Use Assets. Assets to the value of £15.845m were disposed of during the year.

Non-current assets were depreciated by £39.455m during 2024/25. This figure includes amortisation of intangible assets and depreciation on Right of Use 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 2024/25 this programme included Park and Ride sites and libraries. In addition, Schools and car parks have been revalued again in 2024/25.

Allerton Waste site is normally valued by external valuers due to its specialist nature. The last external valuation was undertaken in 2023/24. During 2024/25 a desktop exercise was undertaken by the lead partner (North Yorkshire Council) to review the valuation using indices to uplift the value. This resulted in a decrease in the value of the asset on the Council's balance sheet by £2.366m.

The council's housing stock normally has a full revaluation every 5 years, and desktop revaluations are undertaken on the interim years. In 2024/25, a desktop valuation was undertaken at 31/01/2025. The value of the council's housing stock decreased by £4.401m as a result of the 31/01/2025 desktop valuation.

The HRA has increased the type of housing offered with the Shared Ownership Programme. In total, 106 properties have been purchased to date, with 11 being purchased in 2024/25. As at the 31 March 2025, equity shares in all properties have been sold, and 7 customers have now purchased 100% of their property. This has reduced the current active stock numbers to 133. The total cost of the 11 properties purchased by the council for shared ownership during 2024/25 was £2.8m. This has completed the 2 shared ownership programmes funded by Homes England and DLUHC which has provided 40 properties over the last 3 years with £2.7m of grant funding.

The revaluation of some investment properties led to a decrease in their valuation of £0.430m. This reflected in note 14 and in the Comprehensive Income and Expenditure statement.

The council's heritage assets increased in value by £0.240m during 2024/25. This increase is reflected in note 13 and also in note 23.

10. OTHER ISSUES

Mayoral Combined Authority (MCA)

Elections for the York and North Yorkshire Mayoral Combined Authority took place on 2nd May 2024 and a Mayor (David Skaith) was elected. Together with the Mayor both City of York Council and North Yorkshire Council have two Members who make decisions for the combined authority.

The Authority has provided an opportunity for the council to access new funding streams. During 2024/25 the council has been successful in attracting funding to support its affordable housing, net zero, transport and net zero ambitions. The city council has been successful in bidding for Transport, Net Zero, Brownfield, Economy based and Regeneration schemes. These will be progressing through 2025-26.

The council continues to work closely with the MCA to ensure that funding can be passed over in good time and the grant conditions and obligations are reasonable. The MCA is now the Transport Authority and many of the Department for Transport Grants that historically came to the council now come through the MCA.

Fair Funding Review

The government has announced its intention to review the basis for allocating funding towards local authorities. This will include an update of the relative needs formulas that determine the share of funding authorities receive, a consolidation of grant funding into new grants or rolled into RSG and a revaluation and redistribution of business rates. This is potentially the most significant change introduced since 2013/14 and may impact the funding position for the council over the coming years. The council will be responding to consultation and lobbying for the most positive outcome.

Senior Management Review

The council finalised its Chief Officer restructure during the year and is now operating with a new chief officer structure reporting to the Chief Operating Officer. One of the former Chief Officers who has left the organisation has lodged a claim against the council at an employment tribunal. The tribunal is expected to be held later in the financial year

Equal Pay

The council is aware of potential equal pay claims that some unions are serving local authorities around the “Task and Finish” working practice which is undertaken in some of the council service areas (particularly waste). The council is reviewing the practice and seeking to reduce the risk and impact of any potential claims.

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, £2.04m during 2023/24 and £1.46m during 2024/25, as a result of the Council meeting the financial targets set out in the Management Plan for these financial years. This has continued to improve the cumulative carry forward, which is now a surplus of £0.592m at 31st March 2025 (£0.291m deficit at 31st March 2024). 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 continues to make good progress in this area and remains on target to deliver the targets set out in the Management Plan

DRAFT

INDEPENDENT AUDITORS REPORT



DRAFT



STATEMENT OF ACCOUNTS

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STATEMENT OF RESPONSIBILITIES

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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:

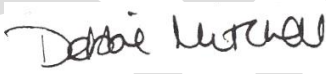
- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the code.

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 2025 and its income and expenditure for the year ended 31 March 2025.

Signed 

Dated 30/06/2025

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

DRAFT

Comprehensive Income and Expenditure Statement

		2024/25			2023/24		
	Note	Gross Exp. £000's	Income £000's	Net Exp. £000's	Gross Exp. £000's	Income £000's	Net Exp. £000's
Service Costs							
Public Health		9,490	(10,173)	(683)	9,388	(10,697)	(1,309)
Housing Revenue Account		36,416	(42,901)	(6,485)	35,471	(43,074)	(7,603)
Adult Social Care and Integration		113,562	(37,217)	76,345	110,764	(40,027)	70,737
Children and Education		141,827	(107,341)	34,486	126,295	(96,992)	29,303
Transport Environment Planning		76,362	(40,736)	35,626	80,228	(46,828)	33,400
City Development		5,882	(4,350)	1,532	5,488	(9,270)	(3,782)
Finance		66,249	(34,610)	31,639	59,536	(34,810)	24,726
HRSS		16,489	(1,665)	14,824	15,051	(1,678)	13,373
Governance		4,940	(761)	4,179	5,356	(504)	4,852
Housing and Communities		32,475	(19,576)	12,899	31,955	(17,498)	14,457
Cost of Services		503,692	(299,330)	204,362	479,532	(301,378)	178,154
Other Operating Expenditure	(9)			6,678			3,521
Financing and Investment Income and Expenditure	(10)			10,929			6,452
Taxation and Non-Specific Grant Income	(11)			(241,000)			(192,534)
(Surplus)/Deficit on Provision of Services	(27)			(19,031)			(4,407)
Revaluation (gains) on non current assets	(23)			(1,625)			(11,317)
Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income	(16)			(277)			(885)
Re-measurement of net defined benefit/liability	(42)			(4,890)			69,294
Other Comprehensive Income and Expenditure				(6,792)			57,092
Total Comprehensive Income and Expenditure				(25,823)			52,685

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.

The figures above reflect changes to the council's management reporting structure which took effect during 2024 to 2025. The previous year's Cost of Services has been restated to reflect the new directorates. This is presentational only and does not change the overall net cost of services.

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.

<u>2024/25</u>		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
	Note	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2024		(9,628)	(49,983)	(29,965)	(3,288)	(3,954)	(12,934)	(31,944)	(141,696)	(983,652)	(1,125,348)
Movement in Reserves during 2024/25											
(Surplus) /Deficit on Provision of Services		(13,840)		(5,191)					(19,031)		(19,031)
Other Comprehensive Income and Expenditure movement									-	(6,792)	(6,792)
Total Comprehensive Expenditure and Income		(13,840)	-	(5,191)	-	-	-	-	(19,031)	(6,792)	(25,823)
Adjustments between accounting basis & funding basis under regulations	7	8,664		9,473		(881)	2,891	2,131	22,278	(22,278)	-
Net Increase/Decrease before Transfers to Earmarked Reserves		(5,176)	-	4,282	-	(881)	2,891	2,131	3,247	(29,070)	(25,823)
Transfers to/from Earmarked Reserves	8	5,459	(5,459)	(133)	133				-		-
Increase/Decrease in Year		283	(5,459)	4,149	133	(881)	2,891	2,131	3,247	(29,070)	(25,823)
Balance at 31 March 2025 carried forward		(9,345)	(55,442)	(25,816)	(3,155)	(4,835)	(10,043)	(29,813)	(138,449)	(1,012,722)	(1,151,171)

MOVEMENT IN RESERVES STATEMENT

2023/24

		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
	Note	£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)

Split of General Fund Balance between Schools and GF

	31-Mar-25 £000's	31-Mar-24 £000's
Amount of General Fund Balance held by governors under schemes to finance schools	(1,904)	(2,187)
Amount of General Fund Balance generally available for new expenditure	(7,441)	(7,441)
Total General Fund Balance	(9,345)	(9,628)

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Balance Sheet

	Note	31 March 2025 £000's	31 March 2024 £000's
Property, Plant and Equipment	(12)	1,345,583	1,310,703
Investment Property	(14)	72,074	72,166
Intangible Assets	(15)	1,126	1,713
Heritage Assets	(13)	122,800	122,560
Long - Term Investments	(16)	6,242	5,965
Long - Term Debtors	(18)	3,919	4,077
LONG - TERM ASSETS		1,551,744	1,517,184
Short-Term Investments	(16)	0	53
Inventories		482	391
Short-Term Debtors	(17)	55,352	55,670
Cash and Cash Equivalents	(19)	8,856	1,814
CURRENT ASSETS		64,690	57,928
Short-Term Borrowing	(16)	(70,329)	(47,288)
Provisions due to be settled within 12 months	(22)	(782)	(753)
Short-Term Creditors	(21)	(69,578)	(64,354)
Other Short-Term Liabilities	(21)	(6,212)	(4,398)
CURRENT LIABILITIES		(146,901)	(116,793)
Provisions	(22)	(2,912)	(1,964)
Long-Term Borrowing	(16)	(262,678)	(281,069)
Other Long-Term Liabilities	(16)	(44,562)	(40,658)
Net Liability related to Defined Benefit Pension Scheme	(23) / (40)	(8,212)	(9,280)
LONG-TERM LIABILITIES		(318,364)	(332,971)
NET ASSETS		1,151,169	1,125,348
RESERVES			
<u>Usable Reserves</u>			
Capital Receipts Reserve		(10,043)	(12,934)
General Fund Balance		(9,345)	(9,628)
Housing Revenue Account Reserve		(25,816)	(29,965)
Major Repairs Reserve		(4,835)	(3,954)
Capital Grants Unapplied		(29,813)	(31,944)
Earmarked Reserves	(8)	(58,597)	(53,271)
	MIRS	(138,449)	(141,696)
<u>Unusable Reserves</u>			
Revaluation Reserve		(541,036)	(553,128)
Capital Adjustment Account		(496,585)	(458,254)
Financial Instruments Adjustment Account		1,305	1,214
Financial Instruments Revaluation Reserve		(3,822)	(3,545)
Dedicated Schools Grant Adjustment Account		9,940	9,940
Pensions Reserve		8,212	9,280
Collection Fund Adjustment Account		5,235	7,526
Employee Benefit Adjustment Account		4,031	3,315
	(23)	(1,012,720)	(983,652)
TOTAL RESERVES		(1,151,169)	(1,125,348)

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

	Note	2024/25 £000's	2023/24 £000's
Net (Surplus)/Deficit on the provision of Services		(19,031)	(4,407)
Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements	(24)	(71,166)	(39,424)
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities	(24)	38,385	39,145
Net Cash Flows from Operating Activities		(51,812)	(4,686)
Investing Activities	(25)	54,648	37,832
Financing Activities	(26)	(9,878)	(21,668)
Net (Increase)/Decrease in Cash and Cash Equivalents		(7,042)	11,478
Cash and Cash Equivalents at the beginning of the reporting period	(19)	(1,814)	(13,292)
Cash and Cash Equivalents at the end of the reporting period	(19)	(8,856)	(1,814)

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 2024/25 financial year and its position at the year-end of 31 March 2025. 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 2024/25 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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy 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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the 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 5.8% as at 31st March 2025.

- 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, considering 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 based on 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 of 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 accumulated fair value gain/loss since initial recognition 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 accumulated fair value gain/loss since initial recognition 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 2024/25 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 most 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 because 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 several 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 31.

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

The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use. The leases are typically for fixed periods in excess of one year but may have extension options. The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Council is reasonably certain to exercise
- Lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option
- Penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases (peppercorn leases)
- Leases where rent reviews do not necessarily reflect market conditions
- Leases with terms of more than five years that do not have any provision for rent reviews
- Leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date the leased asset is available for use.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the Council excludes leases:

- for low-value items that cost less than £10,000.00 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Council is reasonably certain to exercise and any termination options that the Council is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability with a corresponding lease liability charge, the Minimum Revenue Provision (MRP), taken through the capital adjustment account and debited to the Comprehensive Income and Expenditure Statement for that payment. Rentals for leases of low-value items or shorter than 12 months are expensed through the Comprehensive Income and Expenditure Statement as they fall due.

Depreciation and impairments are not charges 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.

The Council as Lessor

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.

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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance 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 Cost of Services 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 2024/25 (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, except for costs relating to the Council's status as a multifunctional, democratic organisation which are charged under **HR & Support 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 Councils 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 (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until 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 88% 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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- 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 were 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.

In 2024/25 the Council remeasured the PFI contracts under the requirements of the IFRS16 Leases standard.

The amounts payable to the PFI operators each year are analysed into four 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**
- **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 the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

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 nonspecific 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 23.

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 2024/25 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 Taxpayers.

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

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 Code.

Accounting changes that are introduced by the 2025/26 Code are:

- The Effects of Changes in Foreign Exchange Rate (Amendments to IAS 21) issued in August 2023
- Insurance Contracts (IFRS 17) issued in May 2017
- Property, Plant and Equipment (adaptation and interpretation of IAS 16)
- Intangible Assets (adaptation and interpretation of IAS 38)

These changes in the code **do not constitute new accounting standards and** 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 34.

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. 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 2025 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 several 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 £8,403k
- A 0.1% increase in the assumed level of pension increases will increase funded defined benefit obligation by £7,803k
- An increase in one year of longevity would increase the funded defined benefit obligation by £13,804k

Further details of the impact of changing the key assumptions on the present value of the funded defined benefit obligation as 31 March 2025 can be found in Note 40.

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 2025 is £1,345.583m. Of this, £723.903m relates to buildings and their components (excluding land) which were depreciated during 2024/25. The depreciation charge for 2024/25 for these assets was £22.719m (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 £0.884m 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 £1,088.065m), would result in an increase or decrease of £10.881m.

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 has a full valuation at least every 5 years and desktop valuations are undertaken on interim years. 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 2024/25 there were no material items of income and expenditure (£0k in 2023/24).

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 30/06/2025 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.

Adjustments between Accounting Basis and Funding Basis under Regulations – 2024/25

2024/25

	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:						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Charges for depreciation and impairment of non-current assets	(27,593)	(11,210)	-	-	-	38,803
Revaluation (losses)/gains on Property Plant and Equipment	1,213	(1,897)	-	-	-	684
Movements in the market value of Investment Properties	(430)	-	-	-	-	430
Peppercorn Lease Acquisition	15,019	-	-	-	-	(15,019)
Amortisation of intangible assets	(486)	(166)	-	-	-	652
Capital grants and contributions applied	27,251	3,097	-	-	-	(30,348)
Revenue expenditure funded from Capital under statute	(6,892)	-	-	-	-	6,892
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	(7,448)	(8,397)	-	-	-	15,845
<u>Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	9,293	8,400	-	-	-	(17,693)
Capital expenditure charged against the General Fund and HRA balances	78	1,437	-	-	-	(1,515)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,387	624	-	-	(7,011)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(6,452)	(2,690)	-	-	9,142	-
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	877	9,290	-	(10,167)	-	-
Transfer of cash loan repayment to the Capital Receipts Reserve	-	-	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	13,018	-	(13,018)
Contribution from the Capital Receipts Reserve towards revenue costs under Capital Receipts flexibility	-	-	-	-	-	-

2024/25 Continued...

	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	-	(40)	-	40	-	-
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	-	11,210	(11,210)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	10,329	-	-	(10,329)
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	(91)	-	-	-	-	91
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	13,000	577	-	-	-	(13,577)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(16,638)	(762)	-	-	-	17,400
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	2,292	-	-	-	-	(2,292)
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	(716)	-	-	-	-	716
Total Adjustments:	8,664	9,473	(881)	2,891	2,131	(22,278)

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	-	-	-	-	-	-

2023/24 Continued...

	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:	(7,925)	9,346	(2,448)	1,731	16,541	(17,245)

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.

	Transfers Out During Year £000's	Transfers In During Year £000's	Net mov't During Year £000's	Balance at 31-Mar-25 £000's	Balance at 31-Mar-24 £000's
General Fund					
Developers Contributions Unapplied	5,761	(6,942)	(1,181)	(12,241)	(11,060)
Capital Reserve	-	(3,442)	(3,442)	(3,442)	-
Venture Fund	-	(41)	(41)	(4,089)	(4,048)
Risk Reserve	544	(1,156)	(612)	(1,670)	(1,058)
Treasury Reserve	-	-	-	(1,279)	(1,279)
DSG Reserve	9,649	(10,533)	(884)	(10,533)	(9,649)
NNDR Reserve	17,759	(16,534)	1,225	(11,690)	(12,915)
Miscellaneous	277,829	(278,352)	(523)	(10,496)	(9,973)
Subtotal General Fund	311,542	(317,000)	(5,458)	(55,440)	(49,982)
HRA					
Miscellaneous	-	(26)	(26)	(167)	(141)
53rd Week Rent	-	(566)	(566)	(1)	565
HRA Investment Reserve	724	-	724	(2,989)	(3,713)
Subtotal HRA	724	(592)	132	(3,157)	(3,289)
Total Earmarked Reserves	312,266	(317,592)	(5,326)	(58,597)	(53,271)

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 could 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

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.

Risk Reserve – This was created from a consolidation of several smaller reserves that has supported overspends across the council in 2023/24 and 2024/25 without the use of general reserve.

Treasury Reserve – This was created to deal with external decisions that impact the Treasury Management Budget assumptions that result in additional costs to the council.

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

	2024/25 £'000's	2023/24 £'000's
Parish council precepts	999	928
Gains/losses on the disposal of non-current assets	5,679	2,593
Total	6,678	3,521

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2024/25 £'000's	2023/24 £'000's
Interest payable and similar charges	15,975	14,202
Net interest on the net defined benefit liability	123	(3,187)
Interest receivable and similar income	(1,538)	(1,283)
Income and expenditure in relation to investment properties and changes in their fair value	(3,559)	(2,790)
Other investment income	(72)	(490)
Total	10,929	6,452

11. TAXATION AND NON SPECIFIC GRANT INCOME

	2024/25 £'000's	2023/24 £'000's
Council tax income	(114,869)	(107,965)
Non domestic rates	(36,913)	(33,300)
Non-ringfenced or government grants	(45,877)	(38,139)
Capital grants and contributions	(43,341)	(13,130)
Total	(241,000)	(192,534)

12. PROPERTY, PLANT AND EQUIPMENT

2024/25	Council Dwellings	Other Land & Buildings	Plant / Vehicle / Equipment	Community Assets	Surplus Assets	Assets Under Construction	Right of Use Assets	Total Property, Plant & Equipment	Service concession assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation (GCA)</u>									
At 1 April 2024	587,888	411,433	42,686	274	23,899	102,026	-	1,168,206	53,510
Opening balance adjustment for IFRS 16 Leases	-	2,667	-	-	-	-	3,137	5,804	2,667
Additions	14,197	11,530	3,275	-	-	30,215	15,072	74,289	-
IFRS 16 remeasurement 2024/25	-	140	-	-	-	-	-	140	140
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(14,197)	(6,374)	-	3	(986)	-	(201)	(21,755)	(7,395)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(654)	-	69	(99)	-	-	(684)	-
Derecognition - Disposals	(2,590)	(10,264)	(1,037)	-	-	-	-	(13,891)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(3,120)	-	-	-	-	-	(3,120)	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other transfers between asset classes (Cost or Valuation)	(136)	6,482	6,389	39	442	(28,900)	-	(15,684)	-
At 31 March 2025	585,162	411,840	51,313	385	23,256	103,341	18,008	1,193,305	48,922
<u>Accumulated Depreciation & Impairment</u>									
At 1 April 2024	-	(4,571)	(23,752)	-	-	-	-	(28,323)	-
Depreciation Charge for 2024/25	(9,796)	(12,923)	(5,054)	(2)	-	-	(1,232)	(29,007)	(5,029)
Acc. Depreciation WO to GCA	9,796	13,064	-	-	-	-	279	23,139	5,029
Acc. Impairment WO to GCA	-	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	163	1,016	-	-	-	-	1,179	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other transfers between asset classes (Depreciation and Impairment)	-	-	-	-	-	-	-	-	-
At 31 March 2025	-	(4,267)	(27,790)	(2)	-	-	(953)	(33,012)	-
<u>Net Book Value</u>									
At 31 March 2025	585,162	407,573	23,523	383	23,256	103,341	17,055	1,160,293	48,922
At 31 March 2024	587,888	406,862	18,934	274	23,899	102,026	-	1,139,883	53,510

Comparative Movements in 2023/24:

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	(14,009)	2,995	-	(10)	(467)	-	(11,491)	2,848
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	8,888	-	-	-	-	8,888	-
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)
Acc. 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

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 2025, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2025/26 and future years budgeted to cost c£3.946m. Similar commitments as 31 March 2024 were c£6.931m.

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, and then a desktop review was undertaken by the lead partner (North Yorkshire Council) in 2024/25 using indices to uplift the value. 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 31/01/2025. The value of the council's housing stock decreased by £4.401m as a result of the desktop revaluation at 31/01/2025.

	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	Right Of Use Assets £000's	TOTAL £000's
Carried at historical cost	-	-	51,313	-	-	101,265	-	152,578
Valued at Current Value as at:								
31-Mar-25	585,162	332,044	-	227	23,256	-	18,008	958,697
31-Mar-24	-	36,418	-	158	-	440	-	37,016
31-Mar-23	-	12,046	-	-	-	-	-	12,046
31-Mar-22	-	15,274	-	-	-	1,636	-	16,910
31-Mar-21	-	16,058	-	-	-	-	-	16,058
Total Cost or Valuation	585,162	411,840	51,313	385	23,256	103,341	18,008	1,193,305

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 2025. The fair value of Surplus Properties as at 31 March 2025 is £23.256m. 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:

	2024/25 £000	2023/24 £000
Net Book Value at 1st April	170,820	163,058
Additions	8,646	14,436
Derecognitions	-	-
Depreciation	(9,796)	(9,939)
Impairment	-	-
Other Movements in cost	15,620	3,265
Net Book Value at 31st March	185,290	170,820

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 2025 £000	31 March 2024 £000
Infrastructure assets	185,290	170,820
Other PPE assets	1,160,293	1,139,883
Total PPE assets	1,345,583	1,310,703

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 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
Cost or Valuation					
1 April 2024	1,636	109,742	9,563	1,619	122,560
Revaluations	-	160	-	80	240
31 March 2025	1,636	109,902	9,563	1,699	122,800

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, whereby 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:

	2024/25 £000's	2023/24 £000's
Commercial rental income from investment property	(5,272)	(5,498)
Commercial direct operating expenses arising from investment property	1,282	1,464
Net Income	(3,990)	(4,034)

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.

	2024/25 £000's	2023/24 £000's
Balance at start of the year	72,166	72,826
Additions:		
Acquisitions	-	-
Enhancements	351	531
Disposals	(13)	-
Net gain or loss on Fair Value	(430)	(1,244)
Transfers:		
to/ from Property, Plant & Equipment	-	53
Balance at end of year	72,074	72,166

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 2025. The fair value of Investment Properties as at 31 March 2025 is £72.074m. 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.

Gains or losses arising from changes in the fair value of the investment property are recognised in the surplus or deficit on the provision of services – financing and investment income and expenditure line.

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 2024/25 was £652k (2023/24 was £774k), 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:

		2024/25			2023/24	
	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	-	8,016	8,016	-	8,505	8,505
Category Adjustments	-	64	64	-	128	128
- Revised Gross carrying amounts	-	8,080	8,080	-	8,633	8,633
- Accumulated amortisation	-	(6,303)	(6,303)	-	(6,139)	(6,139)
Net carrying amount at the start of the year	-	1,777	1,777	-	2,494	2,494
Purchases	-	-	-	-	3	3
Other disposals	-	-	-	-	(10)	(10)
Amortisation for the period	-	(652)	(652)	-	(774)	(774)
Net carrying amount at the end of year	-	1,125	1,125	-	1,713	1,713
Comprising:						
- Gross carrying amounts	-	8,080	8,080	-	8,016	8,016
- Accumulated amortisation	-	(6,955)	(6,955)	-	(6,303)	(6,303)
	-	1,125	1,125	-	1,713	1,713

16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

Financial Assets

Non-Current					Current				
Investments			Debtors		Investments		Debtors		Total
31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	
Fair Value through profit or loss	-	-			-	-		-	
Amortised cost:									
- Investments over 30 days					-	53		-	
- Long term debtors			3,919	4,077				3,919	
- Trade debtors							32,880	32,880	
Fair value through other comprehensive income									
- designated equity instruments	6,242	5,965						6,242	
Fair value through other comprehensive income									
- other	-	-						-	
Total financial assets	6,242	5,965	3,919	4,077	-	53	32,880	29,846	43,041
Non-financial assets	-	-	-	-	-	-	22,472	25,824	22,472
Total	6,242	5,965	3,919	4,077	-	53	55,352	55,670	65,513

Financial Liabilities

	Non-Current				Current				Total
	Borrowings		Creditors		Borrowings		Creditors		
	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000	31-Mar-25 £'000	31-Mar-24 £'000	
Fair Value through profit or loss	-	-			-	-			-
Amortised cost:									
- Loans	(262,678)	(281,069)			(70,329)	(47,288)			(333,007)
- Trade creditors			-	-			(38,570)	(39,361)	(38,570)
Total financial liabilities	(262,678)	(281,069)	-	-	(70,329)	(47,288)	(38,570)	(39,361)	(371,557)
PFI	(42,765)	(40,658)			(1,507)	(1,083)			(44,272)
Leases liabilities	(1,797)				(674)				(2,471)
Non-financial liabilities	-	-	-	-	-	-	(31,008)	(24,993)	(31,008)
Total	(307,240)	(321,727)	-	-	(72,510)	(48,371)	(69,578)	(64,354)	(449,328)

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 19 Cash and Cash Equivalents totalling £8.856m for 2024/25 (£1.814m for 2023/24). Short term investments within Note 19 Cash and Cash Equivalents total £9.039m for 2024/25 (£4.622m for 2023/24).

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:

- **Yorwaste Ltd** – 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 Ltd** - 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 Ltd** - 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.
- **UK Municipal Bonds Agency PLC** - 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).

On 23rd October 2024 the Council made a £1.00 share capital investment in setting up a new company which is 100% owned by the Council, and designated the equity investment on recognition as Fair Value through Other Comprehensive Income:

- **Work with York 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.

	31-Mar-25			31-Mar-24			31-Mar-25	31-Mar-24
	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 Ltd	1,008	1,275	2,283	1,008	855	1,863	-	-
Veritau Ltd	-	276	276	-	962	962	20	-
UK Municipal Bonds Agency PLC	40	(40)	-	40	(40)	-	-	-
Make It York Ltd	-	718	718	-	-	-	25	25
City of York Trading Ltd	-	1414	1414	-	1672	1672	-	300
Leeds City Region Revolving Investment Fund	1,372	179	1,551	1,372	96	1,468	20	20
Work With York Ltd	-	-	-	-	-	-	-	-
Total	2,420	3,822	6,242	2,420	3,545	5,965	65	345

Fair value of Equity Instruments designated to Fair Value through Other Comprehensive Income disclosures on derecognition

No equity instruments were derecognised in 2024/25 and none were derecognised in 2023/24.

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 31/03/25	Investment / Redemption	As at 31/03/24	Gain / (Loss) posted to Other Comprehensive Income and Expenditure
			£'000s	£'000s	£'000s	£'000s
Equity Shareholding in Yorwaste Ltd	Level 3		2283	-	1863	420
Equity Shareholding in Veritau Ltd	Level 3		276	-	962	(686)
Equity Shareholding in Make It York Ltd	Level 3	IFRS 13 Fair Value Measurement - Adjusted Net Asset Value Method	718	-	-	718
Equity Shareholding in City of York Trading Ltd	Level 3		1414	-	1672	(258)
Equity Shareholding in Leeds City Region Revolving Investment Fund	Level 3		1551	-	1468	83
Equity Shareholding in UK Municipal Bonds Agency PLC	Level 3		-	-	-	-
Equity Shareholding in Work with York Ltd	Level 3		-	-	-	-
Total			6,242	-	5,965	277

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 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 value of PFI and Right of Use Leases is taken to be the remaining liabilities at balance sheet date.

The fair values calculated are as follows:

	31 March 2025		31 March 2024	
	Carrying Amount £'000s	Fair Value £'000s	Carrying Amount £'000s	Fair Value £'000s
Financial liabilities held at amortised cost:				
PWLB debt	(323,714)	(288,546)	(317,249)	(294,422)
Interest on PWLB debt	(1,932)	(1,932)	(3,791)	(3,791)
Market debt	(5,000)	(5,828)	(5,000)	(5,446)
Interest on Market debt	(97)	(97)	(97)	(97)
WYCA debt	(2,264)	(2,350)	(2,220)	(2,350)
Interest on WYCA debt	-	-	-	-
Short-term creditors	(38,570)	(38,570)	(39,361)	(39,361)
Long-term creditors	-	-	-	-
PFI liabilities	(44,272)	(44,272)	(41,741)	(41,741)
Lease liabilities	(2,471)	(2,471)	-	-
Total	(418,320)	(384,066)	(409,459)	(387,208)

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 2025) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £290.478m 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 £325.645m and the fair value of £290.478m is £-35.167m; £-35.553m PWLB fair value amount and £0.386m PWLB carrying value adjustment. The £-35.167m 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 £324.100m (Carrying value £325.645m plus £0.386m PWLB carrying value adjustment and less £1.931m accrued interest) would be valued at £272.114m, the fair value being £-51.986m. 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 £-35.167m.

Financial Assets

	31 March 2025		31 March 2024	
	Carrying Amount £'000s	Fair Value £'000s	Carrying Amount £'000s	Fair Value £'000s
Financial assets held at amortised cost:				
Cash (current bank accounts and held)	(183)	(179)	(2,808)	(2,808)
Cash callable in less than 30 days	9,000	9,000	4,600	4,600
Investment interest	39	39	22	22
Investments less than 365 days	-	-	53	53
Investments greater than 365 days	-	-	-	-
Short-term debtors	32,880	32,880	29,846	29,846
Long-term debtors	3,919	3,919	4,077	4,077
Total	45,655	45,659	35,790	35,790

Fair value hierarchy for Financial Assets and Financial Liabilities that are not measured at fair value

	31 March 2025			
	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		(290,478)		(290,478)
Market debt		(5,925)		(5,925)
WYCA debt		(2,350)		(2,350)
Short-term creditors			(38,570)	(38,570)
Long-term creditors			-	-
PFI liabilities			(44,272)	(44,272)
Lease liabilities			(2,471)	(2,471)
Total	-	(298,753)	(85,313)	(384,066)

Financial Assets

Financial assets held at amortised cost:

Cash and Cash Equivalents	8,860			8,860
Investments				-
Short-term debtors			32,880	32,880
Long-term debtors			3,919	3,919
Total	8,860	-	36,799	45,659

Comparator year 2023/24:

				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)
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	35,790

17. DEBTORS

	Balance at 31-Mar-25 £000's	Balance at 31-Mar-24 £000's
Trade Receivables	36,542	33,604
Prepayments	6,130	4,878
Other receivable amounts	22,354	26,656
Sub-total	65,026	65,138
Impairment	(9,674)	(9,468)
Total Debtors	55,352	55,670

Other receivable amounts include statutory debtors of £11.088m due for Council Tax and NNDR (£10.711m in 2023/24) and £2.135m due from HMRC (£1.765m in 2023/24). 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 £11.088m Council Tax and NNDR has an impairment allowance of £6.012m (£5.710m in 2023/24) which assumes a collection rate of 97.2% for Council Tax and 97.9% for NNDR (97.1% for Council Tax and 98.1% for NNDR in 2023/24). The £6.012m is included in the £9.674m impairment allowance (£9.468m in 2023/24) shown in the table above. The £2.135m due from HMRC is VAT owed and has no impairment against it.

18. LONG TERM DEBTORS

	Expenditure During Year £000's	Income During Year £000's	Balance at 31-Mar-25 £000's	Balance at 31-Mar-24 £000's
Housing Loans	-	(1)	8	9
Yorwaste Loan	-	-	1,000	1,000
Finance Lease Receivables	-	(8)	150	158
PFI Schemes	-	(137)	2,727	2,864
Other	-	(12)	34	46
	-	(158)	3,919	4,077

19. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	Balance at 31-Mar-25 £000's	Balance at 31-Mar-24 £000's
Cash Held by the Authority	3,011	2,529
Bank Current Accounts	(3,194)	(5,337)
Short Term Deposits	9,039	4,622
Total Cash and Cash Equivalents	8,856	1,814

20. ASSETS HELD FOR SALE

	2024/25 £000's	2023/24 £000's
Balance outstanding at start of year	-	-
<u>Assets newly classified as held for sale:</u>		
- Property, Plant and Equipment	3,120	2,648
Revaluation losses	-	-
<u>Assets declassified as held for sale:</u>		
- Property, plant and Equipment	-	-
Assets sold	(3,120)	(2,648)
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 2025 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.

21. CREDITORS

	Balance at 31-Mar-25 £000's	Balance at 31-Mar-24 £000's
Trade payables	(38,570)	(39,361)
Receipts in advance	(13,643)	(11,478)
Other payables	(17,365)	(13,515)
Total Creditors	(69,578)	(64,354)
Other Short-Term Liabilities:		
- PFI Schools	(250)	(783)
- PFI AWRP	(1,257)	(300)
- Lease liabilities	(674)	
- Accumulated Absences	(4,031)	(3,315)
Total Short-Term Liabilities	(75,790)	(68,752)

Other payable amounts include statutory creditors of £4.566m for Council Tax and NNDR (£3.787m in 2023/24), £5.172m for payroll taxes and pension payments to HMRC and the Pension Funds (£4.985m in 2023/24), and £0.010m for CIS taxes to HMRC (£0.09m in 2023/24). 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.

This note contains £0.00m of Capital Grants received in advance (£0.00m in 2023/24) and £9,189m of Revenue Grants received in advance (£8.698m in 2023/24). Further details can be found in Note 33.

22. PROVISIONS

Total Provisions:

	Insurance Fund £000's	Business Rates £000's	Other Provisions £000's	Total £000's
Balance at 1 April 2024	(1,664)	(882)	(170)	(2,716)
Additional provisions made in 2024/25	(1,213)	(931)	(679)	(2,823)
Amounts Used In 2024/25	454	882	-	1,336
Unused amounts reversed in 2024/25	509	-	-	509
Unwinding of discounting in 2024/25	-	-	-	-
Balance at 31 March 2025	(1,914)	(931)	(849)	(3,694)

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 2024	(484)	(98)	(170)	(752)
Additional provisions made in 2024/25	(479)	(103)	-	(582)
Amounts Used In 2024/25	454	98	-	552
Unused amounts reversed in 2024/25	-	-	-	-
Unwinding of discounting in 2024/25	-	-	-	-
Balance at 31 March 2025	(509)	(103)	(170)	(782)

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.

23. UNUSABLE RESERVES

	Balance at 2024/25 £000's	Balance at 2023/24 £000's
Revaluation Reserve	(541,036)	(553,128)
Capital Adjustment Account	(496,585)	(458,254)
Financial Instruments Adjustment Account	1,305	1,214
Financial Instruments Revaluation Reserve	(3,822)	(3,545)
Dedicated Schools Grant Adjustment Account	9,940	9,940
Pensions Reserve	8,212	9,280
Collection Fund Adjustment Account	5,235	7,526
Accumulated Absences Account	4,031	3,315
Total Unusable Reserves	(1,012,720)	(983,652)

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.

	2024/25 £000's	2023/24 £000's
Balance at 1 April	(553,128)	(550,975)
Upward revaluation of assets	(13,377)	(17,711)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	11,753	6,395
(Surplus)/deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services	(1,624)	(11,316)
Difference between fair value depreciation and historical cost depreciation	8,327	6,801
Accumulated gains on assets sold or scrapped	5,389	2,362
Amount written off to the Capital Adjustment Account	13,716	9,163
Properties RR movement with CAA		
Balance at 31 March	(541,036)	(553,128)

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.

	2024/25 £000's	2023/24 £000's
Balance at 1st April	(458,254)	(431,225)
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	38,803	35,106
Revaluation losses on Property, Plant and Equipment	684	(8,888)
Amortisation of intangible assets	652	774
Revenue expenditure funded from capital under Statute	6,892	17,267
Right of Use Acquisitions under IFRS 16 (Peppercorn leases)		
- credited to the CIES	(15,019)	-
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	15,845	13,893
	47,857	58,152
Adjusting amounts written out of the Revaluation Reserve	(13,716)	(9,163)
Net written out amount of the cost of non-current assets consumed in the year	34,141	48,989
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(13,018)	(12,966)
Use of the Major Repairs Reserve to finance new capital expenditure	(10,329)	(8,591)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(21,153)	(20,309)
Application of grants to capital financing from the Capital Grants Unapplied Account	(9,142)	(24,078)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(17,692)	(9,351)
Statutory provision for the financing of the HRA subsidy		-
Capital expenditure charged against the General Fund and HRA balances	(1,568)	(1,967)
	(72,902)	(77,262)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	430	1,244
Balance at 31 March	(496,585)	(458,254)

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.

	2024/25		2023/24	
	£000's	£000's	£000's	£000's
Balance at 1st April		1,214		1,127
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement		(17)		(17)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements		64		61
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		47		44
NPV / Fair Value adj. for WYCA 0% loan (loan at concessionary rate) charged to CIES		-		-
Concessionary rate loan interest charged to CIES		44		43
Fair Value adjustment write up to reflect the benefit of having a loan at a concessionary rate		44		43
Balance at 31st March		1,305		1,214

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.

	2024/25		2023/24	
	£000's	£000's	£000's	£000's
Balance at 1st April		(3,545)		(2,660)
Upward revaluation of investments	(1,221)		(1,089)	
Downward revaluation of investments	944		204	
Change in impairment loss allowances				
		(277)		(885)
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		(3,822)		(3,545)

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-25	31-Mar-24
	£000's	£000's
Balance at 1 April	9,280	(60,918)
Remeasurement of the net defined benefit liability/(asset)	(4,890)	69,529
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	17,400	14,425
Employer's pensions contributions and direct payments to pensioners payable in the year.	(13,578)	(13,521)
Balance at 31 March	8,212	9,280

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 taxpayers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31-Mar-25 £000's	31-Mar-24 £000's
Balance at 1 April	7,526	6,970
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	(2,291)	556
Balance at 31 March	5,235	7,526

Accumulated Absences Account

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

	2024/25		2023/24	
	£000's	£000's	£000's	£000's
Balance at 1 April		3,315		4,242
Settlement or cancellation of accrual made at the end of the preceding year	(3,315)		(4,242)	
Amounts accrued at the end of the current year	4,031		3,315	
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		716		(927)
Balance at 31 March		4,031		3,315

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-25 £000's	31-Mar-24 £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	-	-
Balance at 31 March	9,940	9,940

24. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Balance at 31-Mar-25	Balance at 31-Mar-24
	£000's	£000's
Interest received	(1,538)	(1,212)
Interest paid	13,236	7,709
Dividends received	(185)	(477)

The analysis for the adjustments to the net surplus or deficit on the provision of services for non cash movements

	31-Mar-25 £000's	31-Mar-24 £000's
Depreciation, Impairment and Amortisation of fixed assets	(40,138)	(26,991)
(Increase)/decrease in impairment for bad debt	206	(967)
Increase/(decrease) in stocks and works in progress	90	31
Increase/(decrease) in debtors	1,335	4,156
(Increase)/decrease in creditors	(11,383)	680
Pension Liability:		
Net Charge to the CIES	(17,400)	(14,425)
Employers contributions to pension funds and direct payments to pensioners	13,578	13,521
Carrying amount of non-current assets sold	(15,845)	(13,893)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services:		
Provisions	(978)	(110)
Movements in the value of investment properties	(430)	(1,244)
Movements in the value of Finance Leases and PFI	(137)	(121)
Movement in the FIAA	(64)	(61)
Adjustment to the Net Surplus or Deficit on Provision of Services for non-cash movements	(71,166)	(39,424)

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-25 £000's	31-Mar-24 £000's
Proceeds from sale of property, plant and equipment, investment property and intangible assets	10,167	11,299
Grants applied to the financing of capital expenditure	28,218	27,846
Adjustments for items included in the net surplus or deficit on the Provision of Services that are investing and financing activities	38,385	39,145

25. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	Balance at 31-Mar-25 £000's	Balance at 31-Mar-24 £000's
Purchase of property, plant and equipment, investment property and intangible assets	93,087	77,176
Purchase of short-term and long-term investments	397,697	343,451
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,168)	(11,299)
Proceeds from short-term and long-term investments	(397,750)	(343,650)
Other receipts from investing activities	(28,218)	(27,846)
Net cash flows from investing activities	54,648	37,832

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	Balance at 31-Mar-25 £000's	Balance at 31-Mar-24 £000's
Cash receipts of short-term and long-term borrowing	(49,800)	(30,000)
Other receipts from financing activities	(21)	(12)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,110)	1,064
PFI opening balance liability remeasurement under IFRS 16	(3,429)	-
PFI in year liability remeasurement	(463)	-
Repayments of short-term and long-term borrowing	43,400	6,215
Other payments for financing activities	1,545	1,065
Net cash flows from financing activities	(9,878)	(21,668)

Reconciliation of borrowing and PFI liabilities arising from financing activities:

2024/25:

	2024/25 01 April	Financing cash flows	Changes which are not financing cash flows	2024/25 31 March
	£000's	£000's	Acquisition £000's	Other non- financing cash flows £000's
Long-term borrowings	(281,650)	18,500	-	(263,150)
Short-term borrowings	(43,400)	(24,900)	-	(68,300)
	(325,050)	(6,400)	-	(331,450)
Other short-term liabilities:				
- Lease liabilities	(3,137)	719	(53)	(2,471)
- PFI liabilities	(41,741)	1,361	-	(3,892)
Total liabilities financing activities	(369,928)	(4,320)	(53)	(378,193)

2023/24:

	2023/24 01 April	Financing cash flows	Changes which are not financing cash flows	2023/24 31 March
	£000's	£000's	Acquisition £000's	Other non- financing cash flows £000's
Long-term borrowings	(295,050)	13,400	-	(281,650)
Short-term borrowings	(6,215)	(37,185)	-	(43,400)
	(301,265)	(23,785)	-	(325,050)
Other short-term liabilities:				
- Lease liabilities	-	-	-	-
- PFI liabilities	(42,806)	1,065	-	(41,741)
Total liabilities financing activities	(344,071)	(22,720)	-	(366,791)

PFI liabilities include long term liabilities of £42.765m (£40.658m in 2023/24) as shown in the balance sheet under 'Other Long-Term Liabilities' and short-term liabilities of £1.507m (£1.083m in 2023/24) as shown in the balance sheet under 'Other Short-Term Liabilities'. Note that PFI contracts have been remeasured as at 1st April 2024 and during 2024/25 due to the accounting requirements of the IFRS 16 Leases standard that was adopted by the Council on 01/04/24. This has led to an overall increase in the PFI liabilities already included in the Balance Sheet and is shown in the financing and non-financing cash flows in the above table. More information can be found in Note 37 PFI and Similar Contracts.

Right of Use Lease liabilities include long term liabilities of £1.797m (£0.00m in 2023/24) as shown in the balance sheet under 'Other Long-Term Liabilities' and short-term liabilities of £0.674m (£0.00m in 2023/24) as shown in the balance sheet under 'Other Short-Term Liabilities'. There are no prior year comparator figures as the ROU lease liabilities represent those brought into the Balance Sheet as at 1st April 2024 under the transition to IFRS 16 Leases accounting standard. More information can be found in Note 36 Leases.

Borrowings are included in the table above at their principal amounts. More information can be found at Note 16 Financial Instruments and Note 42 Nature and Extent of Risks arising from Financial Instruments.

27. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2024/25	2023/24
	£000	£000
Expenditure/Income		
Expenditure		
Employee benefits expenses	167,809	156,777
Other services expenses	292,628	283,405
Support service recharges	716	765
Depreciation, amortisation, impairment	40,138	38,112
Interest payments	15,975	14,202
Precepts and levies	999	927
Loss on the disposal of assets	5,679	2,593
Total Expenditure	523,944	496,781
Income		
Customer and client receipts	(105,429)	(99,006)
Interest and investment income	(1,610)	(1,773)
Income from council tax and non domestic rates	(151,782)	(141,266)
Government grants and contributions	(219,768)	(205,584)
Other Operating Income	(64,386)	(53,558)
Total Income	(542,975)	(501,187)
Surplus or Deficit on the Provision of Services	(19,031)	(4,406)

Analysis of Customer and client receipts:

	2024/25	2023/24
	£000	£000
Public Health	(81)	(93)
Housing Revenue Account	(41,194)	(37,341)
Adult Social Care and Integration	(16,647)	(17,201)
Children and Education	(5,387)	(4,824)
Transport Environment and Planning	(26,468)	(17,226)
City Development	(628)	(705)
Finance	(5,625)	(8,816)
Human Resources and Support Services	(571)	(1,236)
Governance	(93)	(243)
Housing and Communities	(8,735)	(11,321)
Total Customer & Client Receipts	(105,429)	(99,006)

28. 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.

	2024/25 £000s	2023/24 £000s
Contributions to the Better Care fund		
Council – Disabled Facilities Grant	1,821	1,596
Council – Improved Better Care Fund Grant	5,369	5,369
Vale of York CCG/Humber and North Yorkshire ICB	15,725	14,883
Adult Social Care Discharge Fund	2,687	1,765
	25,602	23,613
Expenditure from the Better Care Fund		
City of York Council Commissioned Schemes	13,990	12,823
Vale of York CCG/Humber and North Yorkshire ICB commissioned schemes	11,612	10,790
	25,602	23,613
Net Surplus arising on the Pooled budget during the year	-	-

29. MEMBERS ALLOWANCES

The Council paid the following amounts to members of the Council during the year.

	2024/25 £000's	2023/24 £000's
Allowances	810	786
Expenses	3	8
Total	813	794

30. 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.

Senior Officer Restructure

On 21 March 2024 members of the Council's Staffing Matters and Urgency Committee approved a proposed restructure of the Corporate Management Team. The purpose of the restructure was to address some of the significant savings challenges the Council faces but also was intended to be the first step to reducing layers in the organisation to achieve a flatter structure, and to enable focus upon the key priorities of the Council.

Members agreed to remove the following posts from the senior officer establishment:

- Director of Customer and Communities
- Corporate Director of Place
- Director of Environment, Transport and Planning
- Chief Finance Officer (Section 151 Officer)

Members agreed to create the following posts into the senior officer establishment:

- Director of Housing and Community Services
- Director of City Development
- Director of Transport and Environment
- Director of Finance (Section 151 Officer)

NOTES TO THE MAIN FINANCIAL STATEMENTS

The remuneration paid to the Council's senior employees in 2024/25 was:

Position	Notes	Salary, Fees and Allowances	Expenses	Compensation for loss of office	Total Excluding Employer's Pension Contributions	Employer's Pension Contributions	Total Remuneration Package
Chief Operating Officer - Ian Floyd		163,738	-	-	163,738	22,105	185,843
Corporate Director of Adult Social Care and Integration		122,954	-	-	122,954	16,599	139,553
Corporate Director of Children and Education		122,954	260	-	123,214	16,599	139,813
Corporate Director of Place	1	49,909	-	-	49,909	6,738	56,647
Director of Public Health		103,792	-	-	103,792	14,012	117,804
Director of Governance and Monitoring Officer		107,950	-	-	107,950	14,573	122,523
Director of Customer and Communities - Officer A	2	16,819	-	-	16,819	2,271	19,090
Director of Housing and Community Services - Officer A	2	92,949	-	-	92,949	12,548	105,497
Director of Transport and Environment	3	105,500	-	-	105,500	14,242	119,742
Interim Director of City Development - Officer B	4	46,947	-	-	46,947	6,338	53,285
Director of City Development - Officer C	4	19,770	-	-	19,770	2,497	22,267
Chief Finance Officer - Officer D	5	3,979	-	-	3,979	537	4,516
Director of Finance - Officer D	5	98,631	-	-	98,631	13,315	111,946
Head of HR & Organisational Development - Officer E	6	3,017	-	-	3,017	303	3,320
Chief Officer HR and Support Services - Officer E	6	80,947	122	-	81,069	9,783	90,852
Total							1,292,698

- No bonuses or benefits in kind were paid to any senior officer during the 2024/25 financial year
- Expenses include any expenses claimed during the 2024/25 financial year
- Employer pension contributions are not payments made directly to officers, rather they are payments to the relevant pension scheme that the officer is enrolled in. The employer contribution rate for 2024/25 was 13.5%.

Notes

- 1) The Corporate Director of Place left the Council on 27 August 2024.
- 2) The Director of Customer and Communities (Officer A) transferred into the position of the newly created Director of Housing and Community Services post on 27 May 2024 following implementation of the new chief officer structure. The annualised remuneration package for this post during 2024/25 was £109,768, excluding employer pension contributions.
- 3) The Director of Environment, Transport and Planning transferred into the position of the newly created Director of Transport and Environment post on 15 April 2024 following implementation of the new chief officer structure. The annualised salary for this post during 2024/25 was £109,529, excluding employer pension contributions.
- 4) The Assistant Director of Policy & Strategy (Officer B) was appointed to the newly created role of Director of City Development on an interim basis between 05 August 2024 and 25 January 2025 following implementation of the new chief officer structure. They returned to their substantive position following the appointment of a permanent Director of City Development (Officer C) on 27 January 2025. The annualised remuneration package for this post during 2024/25 was £109,768, excluding employer pension contributions.
- 5) The Chief Finance Officer (Officer D) was appointed into the position of the newly created Director of Finance post on 15 April 2025 following implementation of the new chief officer structure. The annualised salary for this post during 2024/25 was £102,621, excluding employer pension contributions.
- 6) The Head of Human Resources & Organisational Development (Officer E) transferred into the position of the newly created Chief Officer HR and Support Services post on 15 April 2024 following implementation of the new chief officer structure. The annualised salary for this post during 2024/25 was £84,222, excluding employer pension contributions.

NOTES TO THE MAIN FINANCIAL STATEMENTS

The remuneration paid to the Council's senior employees in 2023/24 was:

Position	Notes	Salary, Fees and Allowances	Expenses	Compensation for loss of office	Total Excluding Employer's Pension Contributions	Employer's Pension Contributions	Total Remuneration Package
Chief Operating Officer – Ian Floyd		159,743	-	-	159,743	23,003	182,746
Corporate Director Children and Education		119,953	151	-	120,104	17,273	137,377
Corporate Director of Adults and Integration - Officer F	1	75,029	213	-	75,242	10,804	86,046
Director of Adults Safeguarding - Officer G	1	103,449	-	-	103,449	14,897	118,346
Corporate Director of Adults and Integration - Officer H	1	4,514	-	-	4,514	650	5,164
Corporate Director of Place		119,953	-	-	119,953	17,273	137,226
Director of Public Health - Officer I	2	80,919	-	-	80,919	11,652	92,571
Director of Public Health – Officer J	2	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 D	3	96,806	-	-	96,806	13,940	110,746
Head of Human Resources & Organisational Development - Officer E	4	72,678	-	-	72,678	9,355	82,033
Total							1,225,547

- No bonuses or benefits in kind were paid to any senior officer during the 2023/24 financial year
- Expenses include any expenses claimed during the 2023/24 financial year
- Employer pension contributions are not payments made directly to officers, rather they are payments to the relevant pension scheme that the officer is enrolled in. The employer contribution rate for 2024/25 was 14.4%.

Notes

- A. On 30th November 2023 the Corporate Director of Adults and Integration (Officer F) left the Council. The Director of Adults Safeguarding (Officer G) 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 H) 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 I) retired from the Council and was replaced a new Director of Public Health (Officer J) who 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 (TARA) allowances for the Chief Finance Officer (Officer F). The first TARA 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 and remained in place until the Combined Authority appointed a permanent Section 73 officer. 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) were recharged entirely to the Combined Authority.
- D. On 9th November 2023 the Council approved a temporary additional responsibility (TARA) allowance for the Head of Human Resources & Organisational Development (Officer E). 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 remained in place until the Combined Authority 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) were recharged entirely to the Combined Authority.

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	2024/25		2023/24	
	Non-Schools	Schools	Non-Schools	Schools
£50,000 - £54,999	63	52	99	59
£55,000 - £59,999	80	38	30	19
£60,000 - £64,999	31	14	27	18
£65,000 - £69,999	3	9	10	8
£70,000 - £74,999	11	6	8	7
£75,000 - £79,999	1	5	1	5
£80,000 - £84,999	1	6	1	3
£85,000 - £89,999	1	2	2	1
£90,000 - £94,999	1	1	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	-	2	1
£105,000 - £109,999	2	-	1	2
£110,000 - £114,999	-	2	-	-
£115,000 - £119,999	-	1	-	-
Total	195	136	181	123

Each year the number of employees who exceed the £50k reporting threshold increases, largely driven by wage inflation and incremental progression within the pay structure. The disclosure table primarily captures the remuneration of officers at Grade 11 SCP2 and above (Grade 11 SCP3, 2023/24).

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)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(b) + (c)]		Total cost of exit packages in each band	
	2024-25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
							£	£
£0 - £20,000	2	3	13	5	15	8	90,332	32,255
£20,001 - £40,000	-	1	1	-	1	1	22,600	20,446
£80,001 - £100,000	-	1	-	-	-	1	-	93,026
Total	2	5	14	5	16	10	112,932	145,727

The total cost of £113k (2023/24: £146k) in the table above includes £113k (2023/24: £146k) for exit packages that have been charged to the authority's comprehensive income and expenditure statement in the current year. The table above includes 14 exits from local authority-maintained schools.

31. 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:

	2024/25 £000's	2023/24 £000's
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor	438	284
Fees payable in respect of other services provided by Mazars LLP	57	27
	495	311

The 2024/25 scale fee is £310k. The accrued fees for other services in 2024/25 relate to assurance work on the Teachers' Pensions return and certification of grants claims and returns (£38.5k).

In 2024/25 a fee variation of £38k was paid for 22/23 and £90k for 21/22

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 (£18.5k).

32. 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 **2024/25** are as follows:

	Central Expenditure £000's	Individual Schools Budget £000's	DSG Total £000's
Final DSG for 2024/25 (before recoupment)			176,810
Academy and High needs recoupment for 2024/25			(92,769)
Total DSG available after recoupment			84,041
Brought forward from 2023/24			9,649
Carry forward to 2025/26 agreed in advance			(10,200)
DSG resources available for distribution in 2024/25	28,587	54,903	83,490
In year adjustments	960	(129)	831
Final resources available for distribution in 2024/25	29,547	54,774	84,321
Less actual central expenditure	(28,379)		(28,379)
Less actual ISB deployed to schools		(55,610)	(55,610)
Plus Local Authority contribution for 2024/25	-	-	-
In-year carry forward to 2025/26	1,168	(836)	332
Plus: Carry-forward to 2025/26 agreed in advance			10,200
Carry-forward to 2024/25			10,532
In-year adjustments include a £960k Safety Valve grant receipt during 2024/25			
DSG Unusable Reserve at 31st March 2024			9,940
Addition to DSG Unusable reserve in 2024/25			-
Total of DSG Unusable Reserve at 31st March 2025			9,940
Net DSG Position at 31st March 2025 (Surplus)			(592)

Prior year comparator – 2023/24

	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 include 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

33. GRANT INCOME

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

	2024/25 £000's	2023/24 £000's
Credited to Taxation and Non-Specific Grant Income		
Government Grants:		
Capital Grants	(43,341)	(13,130)
Demand on Collection Fund	(114,869)	(107,965)
Non-Domestic Rates	(36,913)	(33,300)
Business Rates Retention Grant	(15,427)	(13,858)
Social Care Support Grant	(13,607)	(10,905)
Improved Better Care Fund	(5,369)	(4,764)
Market Sustainability & Improvement Fund	(3,202)	(1,113)
Discharge Fund	(1,254)	-

Homes for Ukraine Grant	(1,134)	(891)
Troubled Families Support Grants	(627)	(502)
Other DLUHC Grants	(813)	(1,680)
DFE Education Grants	(975)	(795)
DWP Household Support Fund	(2,154)	(2,200)
DOH Grants	(156)	(176)
Other Government Grants	(1,060)	(1,072)
Non-Government Grants:		
Other Non-Government Grants	(99)	(183)
TOTAL	(241,000)	(192,534)

Credited to Services

Government Grants:

DFE Dedicated Schools Grant Base	(84,872)	(75,486)
DWP Council Tax, Housing Benefit & Administration Grant	(25,512)	(24,935)
DOH Public Health Grant	(8,906)	(8,977)
DFE Education Services Grant	(4,703)	(3,615)
DFE High Needs, 6th Form funding	(2,447)	(2,588)
DFE Pupil Premium Grant	(2,337)	(2,296)
DFE Universal Infant Free Schools Meals - Revenue Funding	(693)	(783)
DFE Adoption Support Fund	(177)	(154)
DFE PFI Revenue Support	(1,186)	(1,186)
DFE Covid 19 Schools Grant	-	(608)
DFE Education Grants	(2,102)	(2,607)
DFE Skills Funding Agency - Adult and Community Learning	(1,009)	(586)
DLUHC UK Shared Prosperity Fund and Community Grants	(2,645)	(1,186)
DLUHC Homelessness Grants	(1,377)	(1,213)
DLUHC New Homes Bonus	(56)	(63)
Other grants from DLUHC	(412)	(3,440)
DFT Bus Service Improvement Plan Grant	(2,929)	(1,782)
Other grants from DFT	(309)	(616)
DEFRA Biodiversity and Air Quality Grants	(80)	(175)
DWP Access to Work Grant	(70)	(108)
DOH Adult Social Care Discharge Programme	(15)	-
DOH Urgent Emergency Care & Support	(119)	(343)
DOH Supplemental Substance Misuse Grant	(450)	-
Homes England Grants	(28)	(102)
Homes Office Grants	(1,638)	(2,463)
Other Government Grants	(855)	(789)

Non-Government Grants:

Trading Standards Institute Grant	(1,733)	(1,781)
WYCA Grants	(32)	(144)
NHS	(173)	(154)
Integrated Care Board (ICB) Grants	(1,625)	(2,876)
Other Non-Government Grants	(1,296)	(921)
TOTAL	(149,786)	(141,977)

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.

	2024/25	2023/24
	£000's	£000's
Current Liabilities		
Grants Receipts in Advance (Capital Grants)		
Miscellaneous other grants (capital)	-	-
TOTAL	-	-
Grants Receipts in Advance (Revenue Grants)		
Government Grants:		
Homes for Ukraine Grant	1,010	1,958
DFE Education Grants	1,405	1,191
DFE Education Services Grant	1,023	814
DFE High Needs, 6th Form funding	5	5
DFE Pupil Premium Grant	200	250
DFE Adoption Support Fund	-	5
DFE Skills Funding Agency - Adult and Community Learning	-	62
DLUHC UK Shared Prosperity Fund and Community Grants	-	57
DLUHC Homelessness Grants	-	117
Other grants from DLUHC	601	322
DFT Bus Service Improvement Plan Grant	2,973	2,555
Other grants from DFT	481	305
DEFRA Biodiversity and Air Quality Grants	164	213
DOH Adult Social Care Discharge Programme	95	-
Homes England Grants	222	250
WYCA Grants	35	66
NHS	11	-
Integrated Care Board (ICB) Grants	833	381
Other Non-Government Grants	131	147
TOTAL	9,189	8,698

34. 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 (e.g. council tax bills, housing benefits). Grants received from government departments and Grant receipts outstanding at 31 March 2025 are shown in Note 33.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2024/25 is shown in Note 29.

During 2024/25 the Council made the following transactions with entities which members have been appointed to in their capacity as CYC councillors:

Entity	No. Members	Role		Expenditure £'000	Income £'000	Outstanding Creditors £'000	Outstanding Debtors £'000
SNAPPY	1	Trustee	2024-25	44	23	-	-
			2023-24	44	20	-	2
York Museums and Gallery Trust	2	Trustees (Registered Directors)	2024-25	571	9	-	13
			2023-24	311	-	-	-
York Wheels Ltd	1	Trustee (Registered Director)	2024-25	31	-	2	-
			2023-24	151	-	-	-
Shopmobility York	1	Trustee	2024-25	13	-	-	-
			2023-24	13	-	-	-

During 2024/25 the Council made the following transactions with entities which members were acting in a non-CYC capacity:

Entity	No. Members	Role		Expenditure £'000	Income £'000	Outstanding Creditors £'000	Outstanding Debtors £'000
Rowley & Sons		Director	2024-25	-	177	-	12
Family Funeral Services	1	(Senior Partner)	2023-24	-	166	-	72

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 2024/25 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	No. Officers	Role		Expenditure £'000	Income £'000	Outstanding Creditors £'000	Outstanding Debtors £'000
York Cares	1	Director	2024-25	-	6	-	-
			2023-24	-	5	-	-

During 2024/25 no grants, works or services of a significant value were commissioned from companies in which officers had an interest outside of their Council responsibilities (2023/24 £0k).

During 2024/25 no payments were made to organisations whose senior management included close family members of any senior officer (2023/24 £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, Veritau, City of York Trading 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 an 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 – Ordinary Member	None*
Overview & scrutiny committee – Ordinary Member	£3,350
Overview & scrutiny committee – Ordinary Member (Sub)	£1,137

**An allowance is only payable if the role on the Transport committee is not being filled by the Council's Executive Member for Transport.*

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. No allowances were paid in 2024/25.

LONG TERM INVESTMENTS

The Council holds several investments for the medium / long term. They comprise mainly share investments in five companies: Yorwaste (£1,008k), Veritau (a nominal £1), City of York Trading (a nominal £1), Make it York (a nominal £1) and Work With York Ltd (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. 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.

One senior officer is an appointed director, and no remuneration is paid for this role. Members who are appointed as directors on the board of 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 and received remuneration of £10.79k (2023/24 £10.83k, split between two members due to a change in Council representation).

The Council received no dividends in 2024/25 from Yorwaste (£0k 2023/24).

Veritau

Since 1 April 2009, internal audit and counter-fraud services have been provided by Veritau. Veritau Limited is jointly owned by City of York Council and North Yorkshire County Council, with each Council having an equal shareholding of 50%. 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.

A new company, Veritau Public Sector Limited (VPS) was established in May 2024 and started trading on 1 August 2024, at which point all commissioned works and services transferred across to the new company. The company is limited by guarantee and currently has 4 member councils, CYC, NYC, Redcar & Cleveland Borough Council and Leicester City Council. Two further councils are expected to join in the next few months. VPS is a 'not for profit' Teckal company which provides assurance related services to its member councils. Each member council, including CYC, maintains control of the company through the articles and members' agreement with all key business decisions listed as reserved matters.

The Council received a dividend of £20k during 2024/25 from Veritau (£0k 2023/24).

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.

A new company, Work With York Limited was established in October 2024 and the company is 100% owned by the Council. Trading will start from 1st April 2025, at which point all commissioned works and services will transfer across to the new company.

The Council received no dividends in 2024/25 from City of York Trading (£300k 2023/24).

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.

The Council received a dividend of £25k during 2024/25 from Make It York (£25k 2023/24).

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:

	2024/25			2023/24 (Restated)		
	Expenditure	Income	Net Exp	Expenditure	Income	Net Exp
	£'000	£'000	£'000	£'000	£'000	£'000
City of York Trading Ltd	3,582	(84)	3,498	5,170	(403)	4,767
Make it York	707	(637)	70	621	(713)	(92)
Veritau	684	(38)	646	620	(21)	599
Yorwaste Ltd	4,734	(1,194)	3,540	4,765	(1,208)	3,557
YPO	18	(120)	(102)	16	(177)	(161)
	9,725	(2,073)	7,652	11,192	(2,522)	8,670

The following amounts were due to related parties at 31 March 2025 and are included in debtors:

	2024/25 £'000	2023/24 (Restated) £'000
City of York Trading Ltd	22	-
Make it York	58	132
Veritau	4	16
Yorwaste Ltd	86	125
	170	273

The following amounts were due from related parties at 31 March 2025 and are included in creditors:

	2024/25 £'000	2023/24 (Restated) £'000
City of York Trading Ltd	425	331
Make it York	-	1
Veritau	3	1
Yorwaste Ltd	166	136
YPO	-	1
	594	470

The values associated with these companies are not deemed to be material to provide group accounts.

35. 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 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.

	2024/25 £000's	2023/24 £000's
Opening Capital Financing Requirement	502,238	481,932
IFRS 16 Opening Balance adjustment for Lease and PFI Liability	6,566	-
Restated Opening Capital Financing Requirement	508,804	481,932
Capital Investment		
Property, Plant and Equipment	82,934	79,774
Investment Properties	352	530
Intangible Assets	-	3
Revenue Expenditure Funded from Capital under Statute	5,807	17,267
Investment in Equity	0	-
PFI remeasurements	463	-
Sources of Finance		
Capital Receipts	(13,018)	(12,966)
Government Grants and Other Contributions	(45,314)	(44,387)
Direct Revenue Contributions	(1,568)	(1,966)
Major Repairs Reserve	(10,329)	(8,591)
MRP (Minimum Revenue Repayment) - Loans	(7,106)	(6,276)
HRA Debt Repayment	(8,400)	(1,900)
MRP (Minimum Revenue Repayment) - Leases	(719)	-
PFI / PPP Payments	(1,475)	(1,182)
Movement in Year	1,627	20,306
Closing Capital Financing Requirement	510,431	502,238
Explanations of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	18,811	29,664
MRP (Minimum Revenue Repayment) - Loans	(7,106)	(6,276)
HRA Debt Repayment	(8,400)	(1,900)
Lease additions	53	-
MRP (Minimum Revenue Repayment) - Leases	(719)	-
PFI remeasurements	463	-
PFI / PPP Payments	(1,475)	(1,182)
Increase/(decrease) in Capital Financing Requirement	1,627	20,306

The Capital Financing Requirement increased in 2024/25 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.

The introduction of IFRS 16 Leases on 1st April 2024 has also served to increase the Capital Financing Requirement as Lessee leases previously treated as revenue under IAS 17 have now been brought into the Balance Sheet and accounted for under capital requirements, while PFI contracts already on the Balance Sheet have been remeasured in accordance with the new accounting standard as at 1st April 2024. Opening Balance adjustments for IFRS 16 have been made to the CFR. More information can be found in Note 36 Leases and Note 37 PFI and Similar Contracts.

36. LEASES

In 2024/25 the Council adopted IFRS 16 Leases as per the Code of Practice for Local Council Accounting in the United Kingdom.

A main recognition criterion of IFRS 16 is the focus on the control and right to use an asset. For the Lessee there will no longer be a distinction in lease type between 'Operating' and 'Finance' leases. A single accounting model will require all Right of Use Assets with a term greater than 12 months, unless the underlying asset is deemed low value, 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.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right of use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 as an opening balance adjustment and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- Leases for items of low value, less than £10k, are exempt from the new arrangements and continue to be accounted for as revenue items under net cost of services in the Comprehensive Income and Expenditure Statement.
- Leases that do not exceed 365 days are classed as short-term leases and exempt from the new arrangements and continue to be accounted for as revenue items under net cost of services in the Comprehensive Income and Expenditure Statement.

For those leases brought into the Balance Sheet at 1st April 2024:

- Lease liabilities are measured at the present value of the remaining lease payments at 1st April 2024, discounted by the Council's incremental borrowing rate at that date.
- The weighted average of the incremental borrowing rates used to discount liabilities was 5.35%
- Right of Use Assets are measured at the amount of the remaining lease liability unless they are classed as peppercorn leases for which the Council makes nominal or nil payment. For peppercorn leases, which fall into the land and buildings category, these assets are measured at their Fair Value, and there is no lease liability.

This has resulted in the following changes to the balance sheet:

- £3,137k opening balance additions to Property, plant and equipment for Right of Use Assets measured at the amount of their remaining lease liability as at the 1st April 2024.
- £15,072k in year additions to Property, plant and equipment for Right of Use Assets, split between:
 - £15,019k peppercorn leases.
 - £53k in year lease extensions / modifications.
- £2,471k closing lease liabilities at 31st March 2025, split between:
 - £1,797k non-current creditors (lease liabilities)
 - £674k current creditors (lease liabilities)

Minimum Revenue Payment (MRP) of £719k has been charged against lease liabilities in 2024/25 which serves to write down the Council's Capital Financing Requirement for the Right of Use Assets added into the Council's Balance Sheet. MRP is equal to the in year lease repayment amount for Right of Use Assets.

COUNCIL AS LESSEE

The Council's lease contracts comprise operational land, buildings, vehicles and equipment. Examples of the assets where the Council has right of use include:

- Fleet of light commercial vehicles
- IT equipment in ICT managed services,
- Property used for the delivery of Council services.

Right of Use Assets

This table shows the change in the value of right-of-use assets held under leases by the authority:

	Land and buildings £000s	Vehicles, plant and equipment £000s	Total £000s
Balance at 1 April 2024	2,196	941	3,137
Additions	15,019	53	15,072
Revaluations	78	-	78
Depreciation and amortisation	(718)	(514)	(1,232)
Disposals	-	-	-
Balance at 31 March 2025	16,575	480	17,055

Transactions under Leases

The authority incurred the following expenses and cash flows in relation to leases:

	2024/25 £000s
Comprehensive income and expenditure statement	
Interest expense on lease liabilities	111
Expense relating to short-term leases	423
Expense relating to exempt leases of low-value items	94
Variable lease payments not included in the measure of lease liabilities	-
Income from subletting right-of-use assets	(82)
Gains or losses arising from sale and leaseback transactions	-
Cash flow statement	
Minimum lease payments	830

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

	2024/25 £000s
Less than one year	775
One to five years	1,313
More than five years	974
Total undiscounted liabilities	3,062

COUNCIL AS LESSOR

Transactions under leases

The Council experienced the following changes in the carrying amount of its net investment in finance lease during the year:

	2024/25 £000s	2023/24 £000s
Finance leases		
Finance income on the net investment in the lease	(3)	(4)
Operating leases		
Total lease income	(6,086)	(5,575)

Net investment in finance leases

The authority experienced the following changes in the carrying amount of its net investment in finance leases during the year:

	2024/25 £000s	2023/24 £000s
Net investment at 1 April	118	126
Payments by lessees	(8)	(7)
Net investment at 31 March	110	119

Maturity analysis of lease receivables

The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

	Finance Leases		Operating Leases	
	31 March 2025 £000s	31 March 2024 £000s	31 March 2025 £000s	31 March 2024 £000s
Less than one year	11	11	4,553	4,847
One to two years	11	11	4,180	3,413
Two to three years	11	11	3,520	3,075
Three to four years	11	11	3,225	2,447
Four to five years	11	11	2,084	2,157
More than five years	78	89	54,561	56,191
Total undiscounted receivables	133	144	72,123	72,130

The total undiscounted receivables for finance leases reconcile to the net investment in leases as follows:

	31 st March 2025 £000s	31 st March 2024 £000s
Total undiscounted lease receivables	133	144
Unearned finance income	(23)	(25)
Net investment in leases	110	119

37. 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. **The contract is due to end on 31 March 2036.**

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.

DRAFT

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 2025 (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	1,557	392	250	2,199
Between 2 Yrs and 5 Yrs	6,647	1,392	926	8,965
Between 6 Yrs and 10 Yrs	7,361	1,083	3,289	11,733
Between 11 Yrs and 15 Yrs	1,482	51	903	2,436
	17,047	2,918	5,368	25,333

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	1,257	3,610	3,170	348	8,385
between 2 and 5 years	4,515	13,120	13,554	3,099	34,288
between 6 and 10 years	7,693	13,734	19,037	4,238	44,702
between 11 and 15 years	13,316	7,404	21,676	4,086	46,482
between 16 and 20 years	12,123	962	13,347	688	27,120
	38,904	38,830	70,784	12,459	160,977

The value of assets and liabilities for both PFI Schools and PPP Allerton Waste are as follows

Value of PFI Assets

	2024/25			2023/24		
	Schools	Waste	Total	Schools	Waste	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	-	53,510	53,510	-	50,662	50,662
IFRS 16 adjustments	-	2,807	2,807	-	-	-
Depreciation	-	(5,029)	(5,029)	-	(3,701)	(3,701)
Additions	-	-	-	-	-	0
Revaluations	-	(2,366)	(2,366)	-	6,549	6,549
Disposals	-	-	-	-	-	0
Closing Balance	-	48,922	48,922	-	53,510	53,510

Value of PFI Liabilities

	2024/25			2023/24		
	Schools	Waste	Total	Schools	Waste	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	4,862	36,879	41,741	5,164	37,642	42,806
Opening Balance Adjustment for IFRS16	762	2,667	3,429	-	-	-
Revised Opening Balance	5,624	39,546	45,170	5,164	37,642	42,806
In Year Remeasurement	323	140	463	-	-	-
Payments/Repayments	(579)	(782)	(1,361)	(302)	(763)	(1,065)
Additions	-	-	-	-	-	-
Closing Balance	5,368	38,904	44,272	4,862	36,879	41,741

In 2024/25 the Council remeasured the PFI contracts under the accounting requirements of the IFRS16 Leases standard. This has resulted in an increase in the PFI Liabilities at 31 March 2025 as shown in the table above. The opening liability as at 31 March 2024 has also been restated.

38. 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 2024/25 there were no impairment losses charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. (2023/24 nil).

39. 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.

During 2024/25 the Council paid £6,930k (2023/24 £5,659k) to CTP in respect of teachers' retirement benefits, representing 28.68% (including a 0.08% administration levy) of pensionable pay since 1st April 2024. The contributions due to be paid in the next financial year are estimated to be £7,068k.

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 £613k (2023/24 £576k) and are fully accrued in the pensions liability described in the figures that follow in Note 40. 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.

During 2024/25 the Council paid £60k (2023/24 £68k) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% (2023/24 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 £52k. The Council is not liable to the scheme for any other entities obligation under the plan.

40. 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		Local Government Pension Scheme Discretionary benefits arrangements		Teachers' Pension Scheme Discretionary benefits arrangements	
	2024/25 (£000)	2023/24 (£000)	2024/25 (£000)	2023/24 (£000)	2024/25 (£000)	2023/24 (£000)
Comprehensive Income and Expenditure Statement						
Cost of services:						
Service cost comprising						
Current service cost	16,519	16,937	-	-	-	-
Past service cost (inc. curtailments)	195	146	-	-	-	-
(Gain)/loss from settlements	-	-	-	-	-	-
Administration expenses	563	529	-	-	-	-
Net service cost	17,277	17,612	-	-	-	-
Financing and investment income and expenditure comprising						
Interest on defined benefit obligation, before asset restriction	(7,102)	(3,643)	49	57	379	399
Interest on unrecognised asset due to effect of asset ceiling	6,797	-	-	-	-	-
Net Interest expense	(305)	(3,643)	49	57	379	399
Total post-employment benefits charged to the surplus or deficit on the provision of services	16,972	13,969	49	57	379	399
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	18,823	(44,414)	-	-	-	-
Actuarial (gains)/losses due to changes in financial assumptions	(117,196)	(23,982)	(71)	(15)	(662)	(137)
Actuarial (gains)/losses due to changes in demographic assumptions	(5,035)	(10,799)	(7)	(28)	(54)	(182)
Actuarial (gains)/losses due to liability experience	1,261	7,650	2	(96)	16	(64)
Adjustment (gain)/loss due to effect of asset ceiling	98,033	141,596	-	-	-	-
Adjustment (gain)/loss due to disposals/acquisitions	-	(235)	-	-	-	-
Total remeasurements recognised in other comprehensive income and expenditure	(4,114)	69,816	(76)	(139)	(700)	(383)
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	12,858	83,785	(27)	(82)	(321)	16
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	(16,972)	(13,969)	(49)	(57)	(379)	(399)
Actual amount charged against the General Fund balance for pensions in the year:						
Employers' contributions payable to scheme	12,858	12,846				
Retirement benefits payable to pensioners			107	99	613	576

Pensions Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary benefits arrangements		Teachers' Pension Scheme Discretionary benefits arrangements	
	2024/25 (£000)	2023/24 (£000)	2024/25 (£000)	2023/24 (£000)	2024/25 (£000)	2023/24 (£000)
Present value of the defined benefit obligation	600,194	693,448	937	1,071	7,275	8,209
Fair value of plan assets	(846,620)	(835,044)	-	-	-	-
Subtotal	(246,426)	(141,596)	937	1,071	7,275	8,209
Effect of asset ceiling	246,426	141,596				
Net liability/(asset) arising from defined benefit obligation	-	-	937	1,071	7,275	8,209

The Council's funded LGPS defined benefit obligation is £nil (£nil, 2023/24) following the restriction of the surplus. The Council also had historic long -term pension liabilities in relation to unfunded discretionary LGPS benefits totalling £937k (2023/24 £1,071k) unfunded discretionary Teachers Pensions benefits totalling £7,275k (2023/24 £8,209k).

Reconciliation of the movements in the fair value of the scheme assets

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary benefits arrangements		Teachers' Pension Scheme Discretionary benefits arrangements	
	2024/25 (£000)	2023/24 (£000)	2024/25 (£000)	2023/24 (£000)	2024/25 (£000)	2023/24 (£000)
Opening fair value of scheme assets	835,044	765,494	-	-	-	-
Interest income on assets	39,871	35,704	-	-	-	-
Remeasurement gains/(losses) on assets	(18,823)	44,414	-	-	-	-
Contributions by the employer	12,858	12,846	107	99	613	576
Contributions by participants	6,014	5,737	-	-	-	-
Net benefits paid out	(28,344)	(26,424)	(107)	(99)	(613)	(576)
Net increase in assets from disposals/acquisitions	-	(2,727)	-	-	-	-
Settlements	-	-	-	-	-	-
Closing fair value of scheme assets	846,620	835,044	-	-	-	-

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:

	2024/25		2023/24	
	%	£000	%	£000
Asset Classification:				
Equities	60.60	513,052	47.90	399,986
Property	5.90	49,951	5.60	46,762
Government Bonds	14.80	125,300	12.40	103,545
Corporate Bonds	7.60	64,343	7.30	60,958
Multi Asset Credit	5.30	44,871	5.20	43,422
Cash	1.50	12,699	4.30	35,907
Other	4.30	36,405	17.30	144,463
Total	100.00	846,620	100.00	835,044

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.

Reconciliation of present value of the scheme liabilities (defined benefit obligations)

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary benefits arrangements		Teachers' Pension Scheme Discretionary benefits arrangements	
	2024/25 (£000)	2023/24 (£000)	2024/25 (£000)	2023/24 (£000)	2024/25 (£000)	2023/24 (£000)
Opening balance at 1 April	693,448	694,555	1,071	1,252	8,209	8,769
Current service cost	17,082	17,466	-	-	-	-
Interest expense on defined benefit obligation	32,769	32,061	49	57	379	399
Contributions by scheme participants	6,014	5,737	-	-	-	-
Actuarial (gains)/losses due to changes in financial assumptions	(117,196)	(23,982)	(71)	(15)	(662)	(137)
Actuarial (gains)/losses due to changes in demographic assumptions	(5,035)	(10,799)	(7)	(28)	(54)	(182)
Actuarial (gains)/losses due to liability experience	1,261	7,650	2	(96)	16	(64)
Net benefits paid out	(28,344)	(26,424)	(107)	(99)	(613)	(576)
Past service cost (inc. curtailments)	195	146	-	-	-	-
Net increase in liabilities from disposals/acquisitions	-	(2,962)	-	-	-	-
Settlements	-	-	-	-	-	-
Closing balance at 31 March	600,194	693,448	937	1,071	7,275	8,209

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.

Reconciliation of asset ceiling

	Local Government Pension Scheme	
	2024/25 (£000)	2023/24 (£000)
Opening impact of asset ceiling	141,596	-
Interest on effect of asset ceiling	6,797	-
Actuarial losses / (gains)	98,033	141,596
Closing impact of asset ceiling	246,426	141,596

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 position to support the payment of future pension contributions to the Fund at a rate below the primary contribution rate 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		Local Government Pension Scheme Discretionary benefits arrangements		Teachers' Pension Scheme Discretionary benefits arrangements	
	2024/25 (£000)	2023/24 (£000)	2024/25 (£000)	2023/24 (£000)	2024/25 (£000)	2023/24 (£000)
Mortality assumptions:						
Longevity at 65 for current pensioners:						
Men	21.90	22.10	21.90	22.10	21.9	22.1
Women	24.50	24.60	24.50	24.60	24.5	24.6
Longevity at 65 for future pensioners:						
Men	22.50	23.00				
Women	25.20	25.60				
Principal financial assumptions (% per annum):						
Rate of inflation	2.50	2.60	2.50	2.60	2.50	2.60
Rate of increase in salaries	3.75	3.85				
Rate of increase in pensions	2.50	2.60	2.50	2.60	2.60	2.60
Rate for discounting scheme liabilities	5.80	4.80	5.80	4.80	5.80	4.80

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.

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2025 and the projected service cost for the period ending 31 March 2026 is set out below.

Discount rate assumption

Adjustment to discount rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£M)	591,791	600,194	608,597
% change in present value of total obligation	-1.40%		1.40%
Projected service cost (£M)	11,092	11,615	12,149
Approximate % change in projected service cost	-4.50%		4.50%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£M)	600,794	600,194	599,594
% change in present value of total obligation	0.10%		-0.10%
Projected service cost (£M)	11,615	11,615	11,615
Approximate % change in projected service cost	0.00%		0.00%

Rate of increase to pensions and rate of revaluation of pension accounts

Adjustment to pension increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£M)	607,997	600,194	592,391
% change in present value of total obligation	1.30%		-1.30%
Projected service cost (£M)	12,149	11,615	11,092
Approximate % change in projected service cost	4.60%		-4.50%

Post retirement mortality assumption

Adjustment to mortality age rating assumption *	-1 Year	Base figure	+1 Year
Present value of total obligation (£M)	613,998	600,194	586,390
% change in present value of total obligation	2.30%		-2.30%
Projected service cost (£M)	12,033	11,615	11,185
Approximate % change in projected service cost	3.60%		-3.70%

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

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 2025 was £12,858k. The Council estimates that it'll make employer contributions totalling £12,359k to the scheme in 2025/26.

The weighted average duration of the defined benefit obligation for scheme members is 14.3 years (16.4 years in 2023/24).

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.

41. CONTINGENT LIABILITIES

There is a significant amount of national activity in relation to equal pay claims with growing public challenges from trade unions. As such, it is appropriate to recognise this in the Council's accounts as a contingent liability.

42. 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 Statement for 2024/25 which incorporates the prudential indicators was approved by Full Council on 22nd February 2024. Details can be viewed here on the Council's website under item 66:

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MID=13928#AI67008> after recommendation by Executive on 25th January 2024, which can be viewed here on the Council's website under item 83:
<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MId=13934&Ver=4>.

The key issues within the strategy were:

- The Authorised Limit for 2024/25 was set at £632.306m (prudential indicator 6A).
- The Operational Boundary for 2024/25 was set at £602.306m (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/s172786/Treasury%20Management%20Strategy%20Report.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 2024/25 within the annual Treasury Management Strategy Statement for 2024/25 which incorporates the prudential indicators was approved by Full Council on 22nd February 2024. Details can be viewed here on the Council's website under item 66:

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=13928#AI67008> after recommendation by Executive on 25th January 2024, which can be viewed here on the Council's website under item 83:

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MId=13934&Ver=4>.

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-25 £000	Balance at 31-Mar-24 £000
Notice Accounts	-	53
Money Market Funds	9,039	4,622
Total	9,039	4,675

The Council's maximum exposure to credit risk in relation to its investments in banks, building societies and Money Market Funds of £9.039m (£4.675m in 2024/25) 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 2025 that this was likely to crystallise.

There were no circumstances known as at 31 March 2025 that would require impairment on any investments.

Long-term debtors

The Council has Long-term debtors of £3.919m (£4.077m in 2023/24) and further details can be found in Note 18.

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 2025 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 £12.079m of the £32.880m Short term trade receivables debtors balance is past its due date for payment in 2023/24 (£11.100m of the £33.769m in 2023/24). 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-25 £000's	Balance at 31-Mar-24 £000's
Less than 3 months	1,919	2,781
3 to 6 months	930	1,226
6 months to 1 year	1,931	2,964
More than 1 year	7,299	4,129
Total	12,079	11,100

The Council makes an annual impairment allowance and at 31 March 2025 the Councils total impairment was £9.674m (£9.468m at 31 March 2024) for all Short-term debtors, of which £3.662m (£3.758 at 31 March 2024) 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 17 and in the table below showing exposure to credit risk.

Uncollectable amounts are written off in line with the Councils bad 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 £0.188m (£0.359m in 2023/24).

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-25	31-Mar-24	31-Mar-25	31-Mar-24	
		£000	£000	£000	£000	£000
Investments	AAA to A+	9,039	4,675	-	-	-
Loans to third parties	Not Rated	1,042	1,055	-	-	-
Finance lease receivables	Not Rated	150	158	-	-	-
PFI	Not Rated	2,727	2,864	-	-	-
Short-term debtors - trade receivables	Not Rated	36,542	33,604	(3,662)	(3,758)	96

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 17.

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 2025 £000	Balance at 31 March 2024 £000
Interest Due within one year	(2,029)	(3,888)
Maturing within one year	(68,300)	(43,400)
Maturing in 1 - 2 years	(15,950)	(13,500)
Maturing in 2 - 5 years	(50,350)	(49,700)
Maturing in 5 - 10 years	(61,050)	(63,450)
Maturing in more than 10 years	(135,800)	(155,000)
Carrying Value Adjustment	386	451
Total	(333,093)	(328,487)

Note 3 – The Councils LOBO loan is shown at the next call date rather than at its maturity 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 2024/25	Balance at 31 March 2025 £000	Balance at 31 March 2024 £000
Public Works Loan Board (PWLB)	1.50% to 5.39%	(324,100)	(317,700)
PWLB (Carrying Value Adjustment)		386	451
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		(2,029)	(3,888)
Total		(333,093)	(328,487)

Note 4 – The Councils LOBO loan is shown at the next call date rather than at its maturity date in the above table. The Councils WYCA loan is shown at its principal amount.

All trade payables of £38.570m (£39.361m in 2024/25) are due to be paid in less than one year and are not shown in the table above. Further details for short term creditors can be found in Note 21.

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 annual Treasury Management Strategy Statement for 2024/25 which incorporates the prudential indicators was approved by Full Council on 22nd February 2024. Details can be viewed here on the Council's website under item 66:

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=13928#AI67008> after recommendation by Executive on 25th January 2024, which can be viewed here on the Council's website under item 83:

<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MId=13934&Ver=4>.

	Approved Minimum Limits	Approved Maximum Limits	Authority Actual at	Authority Actual at	Authority Actual at	Authority Actual at
	2024/25	2024/25	31-Mar-25	31-Mar-25	31-Mar-24	31-Mar-24
	%	%	£000's	£000's	£000's	£000's
Less than 1 year	-	30	(68,300)	20.61%	(43,400)	13.35%
Between 1 and 2 years	-	30	(15,950)	4.81%	(13,500)	4.15%
Between 2 and 5 years	-	40	(50,350)	15.19%	(49,700)	15.29%
Between 5 and 10 years	-	40	(61,050)	18.42%	(63,450)	19.52%
More than 10 years	30	90	(135,800)	40.97%	(155,000)	47.68%
Total			(331,450)	100.00%	(325,050)	100.00%

Note 5 – This table shows the principal loan amount outstanding excluding interest. The Councils LOBO loan is shown at the next call date rather than at its maturity 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 2025, if interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	Balance at 31-Mar-25 £000's	Balance at 31-Mar-24 £000's
Increase in interest payable on variable rate investments borrowings		
Increase in interest receivable on variable rate investments	(90)	(47)
Impact on Surplus or Deficit on the Provision of Services	(90)	(47)
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)	30,861	34,572

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 £6.242m (£5.965m in 2023/24) 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 £0.312m (£0.298m in 2023/24) 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.

43. EXPENDITURE AND FUNDING ANALYSIS (EFA)

Net Expenditure Chargeable to the General Fund and HRA Balances	2023/24 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	2024/25 Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
(972)	(331)	(1,303)	Public Health	(707)	24	(683)
8,174	(15,777)	(7,603)	Housing Revenue Account	10,207	(16,692)	(6,485)
69,284	1,453	70,737	Adult Social Care and Integration	74,876	1,469	76,345
29,119	184	29,303	Children and Education	29,021	5,465	34,486
20,048	(2,628)	17,420	Transport Environment Planning	25,685	9,941	35,626
1,849	11,756	13,605	City Development	1,213	319	1,532
30,454	(6,667)	23,787	Finance	39,570	(7,931)	31,639
11,985	(95)	11,890	HRSS	12,605	2,219	14,824
4,065	787	4,852	Governance	3,832	347	4,179
10,459	5,007	15,466	Housing and Communities	11,350	1,549	12,899
184,465	(6,311)	178,154	Net Cost of Services	207,652	(3,290)	204,362
(182,756)	195	(182,561)	Other Income and Expenditure	(203,220)	(20,173)	(223,393)
1,709	(6,116)	(4,407)	Surplus or Deficit	4,432	(23,463)	(19,031)
			Opening General Fund and HRA Balance	(39,593)		
(41,302)			Surplus or Deficit	4,432		
1,709			Closing General Fund and HRA Balance at 31 March 2025	(35,161)		
(39,593)						

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

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

NOTE - The figures above reflect changes to the council's management reporting structure which took effect during 2024 to 2025. The previous year's Cost of Services has been restated to reflect the new directorates. This is presentational only and does not change the overall net cost of services

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

NOTES TO THE MAIN FINANCIAL STATEMENTS

2023/24

2024/25

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	126	(463)	(331)	Public Health	(5)	117	(88)	24
8,799	195	(24,771)	(15,777)	Housing Revenue Account	13,274	198	(30,164)	(16,692)
778	501	174	1,453	Adult Social Care and				
3,584	617	(4,017)	184	Integration	786	507	176	1,469
				Children and Education	6,179	518	(1,232)	5,465
				Transport Environment				
12,914	726	(16,268)	(2,628)	Planning	16,613	665	(7,337)	9,941
(3,448)	78	15,126	11,756	City Development	131	72	116	319
1,031	870	(8,568)	(6,667)	Finance	970	725	(9,626)	(7,931)
1,483	357	(1,935)	(95)	HRSS	2,054	327	(162)	2,219
(8)	99	696	787	Governance	-	91	256	347
2,903	522	1,582	5,007	Housing and Communities	1,322	478	(251)	1,549
28,042	4,091	(38,444)	(6,311)	Net Cost of Services	41,324	3,698	(48,312)	(3,290)
				Other Income and				
				Expenditure from the				
				Expenditure and Funding				
3,403	(3,187)	(21)	195	Analysis	(20,296)	123	-	(20,173)
31,445	904	(38,465)	(6,116)	Difference between General	21,028	3,821	(48,312)	(23,463)
				Fund surplus or deficit and				
				Comprehensive Income and				
				Expenditure Statement				
				Surplus or Deficit on the				
				Provision of Services				

OTHER STATEMENTS

HOUSING REVENUE ACCOUNT

Income and Expenditure Statement:

	Note	2024/25 £000's	2023/24 £000's
Income			
Dwellings Rents	(3)	(38,499)	(34,790)
Non-dwelling rents		(569)	(561)
Charges for Services and Facilities		(3,294)	(3,247)
Contributions Towards Expenditure		(404)	(376)
Revaluation gains and reverse revaluation losses	(6)	(216)	(4,100)
Total Income		(42,982)	(43,074)
Expenditure			
Repairs and maintenance		10,047	9,239
Supervision and management		11,779	12,135
Rents, Rates, Taxes and Other Charges		964	924
Depreciation, impairment and revaluation losses of non-current assets	(6)	13,488	12,900
Debt Management Costs		46	50
Movement in impairment allowance for uncollectable amounts	(4)	173	223
Total Expenditure		36,497	35,471
Net Cost of Services included in the Comprehensive Income and Expenditure Statement		(6,485)	(7,603)
Share of Corporate Costs			
HRA share of other amounts included in the Council's			
Net Cost of Services but not allocated to specific services		-	-
Net Cost of HRA Services		(6,485)	(7,603)
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		(893)	(1,089)
Interest payable and similar charges		5,121	4,926
Interest and investment income		(1,871)	(2,538)
Pensions interest cost and expected return on pension assets	(5)	(14)	(149)
Capital grants and contributions receivable		(1,050)	(2,449)
(Surplus)/Deficit on Provision of Services		(5,192)	(8,902)

Movement on the HRA Statement

	2024/25		2023/24	
	£000's	£000's	£000's	£000's
Balance on the HRA at the end of the previous year		(29,965)		(29,427)
(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement		(5,192)		(8,903)
Adjustments between accounting basis & funding basis under regulations				
Depreciation and impairment charges		(13,273)		(8,799)
Capital grants applied in year		3,097		3,547
Transfer to Capital Grants Reserve		(2,066)		(1,116)
Non-current assets written off		(8,397)		(9,992)
Repayment of debt (Statutory and Voluntary)		8,400		1,900
Capital Expenditure funded by the HRA		1,437		1,798
Income from non-current asset sales		9,290		11,081
Transfer from Capital Receipts Reserve		(40)		(65)
Depreciation costs met by MRR		11,210		11,039
Retirement benefits		(185)		693
Pension payments				(739)
Net Increase/Decrease before Transfers to or from reserves		4,281		444
Transfers to/(from) reserves		(132)		(982)
(Increase)/Decrease in Year on the HRA		4,149		(538)
Balance on the HRA at the end of the current year		(25,816)		(29,965)

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 £5.192m (2023/24 £8.903m) on the Housing Revenue Account Income and Expenditure Account, this reduces to a deficit of £4.149m (2023/24 surplus of £0.538m) 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 £980k (2023/24 £956k) which represents 2.48% (2023/24 2.67%) of the gross rental income including charges for services. The average weekly rent for 2024/25 was £97.32 compared to £89.84 in 2023/24.

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

	2024/25 £000's	2023/24 £000's
Rents due from Tenants	(27,795)	(25,011)
Rents remitted by Rent Rebates through the Housing Benefit System	(11,684)	(10,735)
Total Gross Rental Income	(39,479)	(35,746)
Less void loss	980	956
Net Dwelling Rental Income	(38,499)	(34,790)

The Council was responsible for managing 7,540 dwellings at 31 March 2025.

The HRA dwelling stock was made up as follows:

	2024/25	2023/24
Houses	3,430	3,447
Bungalows	490	490
Flats, Bedsits & Maisonettes	3,424	3,435
Hostel Places	70	60
Shared Ownership*	126	116
	7,540	7,548

*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:

	2024/25	2023/24
Stock at 31st March	7,548	7,565
Dwelling Sales	(32)	(50)
Shared Ownership Freehold sales	(1)	(2)
Additions to Council dwelling stock	15	13
Additions to Shared ownership stock	11	25
Hostel Units Closures	-	(3)
Re-categorised to HRA non-dwelling stock	(1)	-
	7,540	7,548

4. RENT ARREARS

The arrears as at 31 March for rent not paid to the Council are shown in the table below. During 2024/25 rent arrears as a proportion of gross rent income have decreased from 7.79% of the amount due to 6.03%.

		2024/25	2023/24
		£000's	£000's
Arrears at 31 March	- Current tenants	1,884	2,204
	- Former tenants	496	435
Amounts Written Off during the Year		217	328
Increased/(Reduced) Provision during the Year		173	223
Impairment Allowance for Uncollectable Amounts		1,576	1,620

The rent arrears as a proportion of gross rent income split between current and former tenants is shown in the following table:

		2024/25	2023/24
		%	%
Dwelling rent arrears as a % of gross rent debit	- Current tenants	4.77%	6.13%
	- Former tenants	1.26%	1.66%
		6.03%	7.79%

An Impairment Allowance is made for the expected credit loss that maybe incurred on rechargeable repairs. The arrears figures are as follow:

	2024/25	2023/24
	£000's	£000's
Arrears at 31 March	40	40
Amounts Written Off during the Year	19	3
Increased/(Reduced) Allowance during the Year	-	-
Impairment allowance for Uncollectable Amounts	21	37

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:

	Local Government Pension Scheme £000s	
	2024/25 (£000)	2023/24 (£000)
Comprehensive Income and Expenditure Statement		
Cost of services:		
Service cost comprising		
Current service cost	742	693
Past service cost (inc. curtailments)	9	6
(Gain)/loss from settlements	0	0
Administration expenses	25	22
Net service cost	776	721
Financing and investment income and expenditure comprising		
Interest on defined benefit obligation	(319)	1,311
Interest on plan assets	305	(1,460)
Net Interest expense/(income)	(14)	(149)
Total post-employment benefits charged to the surplus or deficit on the provision of services	762	572
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	(762)	(572)
Actual amount charged against the HRA balance for pensions in the year:		
Employers' contributions payable to scheme	577	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:

	2024/25 £000's	2023/24 £000's
Dwellings	9,796	9,893
Other Land and Buildings	1,337	1,074
Intangible assets	166	166
Plant, Vehicles & Equipment	76	71
Infrastructure	1	1
	11,376	11,205
Reversal of Revaluation loss/Impairment	1,897	(2,405)
	13,273	8,800

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:

	2024/25 £000's	2023/24 £000's
Balance at 1 April	(3,954)	(1,506)
Depreciation on HRA dwellings	(9,796)	(9,893)
Depreciation on other HRA assets	(1,414)	(1,146)
Capital expenditure on houses within the HRA charged to the reserve	10,329	8,591
Balance at 31 March	(4,835)	(3,954)

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:

2024/25 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 2024	587,888	48,806	766	17	116	1,734	25,253	664,580
Additions	14,197	4,656	-	-	-	-	10,507	29,360
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(14,197)	1,941	-	-	-	-	-	(12,256)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(1,966)	-	-	69	-	-	(1,897)
Derecognition - Disposals	(2,590)	(2,697)	-	-	-	-	-	(5,287)
Assets reclassified (to)/from Held for Sale	-	(3,120)	-	-	-	-	-	(3,120)
Other movements in Cost or Valuation	(136)	136	-	-	-	-	-	-
At 31 March 2025	585,162	47,756	766	17	185	1,734	35,760	671,380
Accumulated Depreciation & Impairment								
At 1 April 2024	-	(14)	(195)	(10)	-	-	-	(219)
Depreciation Charge for 2024/25	(9,796)	(1,337)	(76)	(1)	-	-	-	(11,210)
Acc. Depreciation WO to GCA	9,796	1,338	-	-	-	-	-	11,134
Derecognition - Disposals	-	10	-	-	-	-	-	10
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
At 31 March 2025	-	(3)	(271)	(11)	-	-	-	(285)
Net Book Value								
At 31 March 2025	585,162	47,753	495	6	185	1,734	35,760	671,095
At 31 March 2024	587,888	48,792	571	7	116	1,734	25,253	664,361

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
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(14,009)	933	-	-	-	(275)	-	(13,351)
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

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 £585.162m (2023/24 £587.888m) at the balance sheet date. The vacant possession value of the council dwellings at 31st January 2025 was £1,401.803m (2023/24 £1,408.462m). There were a number of Right to Buy disposals that occurred between the 31st January 2025 valuation and the balance sheet date, so the vacant possession value at 31st March 2025 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 2024/25 is £29.360m (2023/24 £30.124). The analysis of the expenditure and the sources of financing used are set out in the following table:

	2024/25				2023/24			
	Dwellings	Equipment	Intangibles	Total	Dwellings	Equipment	Intangibles	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Total capital expenditure	29,360			29,360	30,124			30,124
Financing								
Borrowing	(972)			(972)	(2,880)			(2,880)
Capital Receipts	(12,570)			(12,570)	(12,966)			(12,966)
Major Repairs Reserve	(10,329)			(10,329)	(8,591)			(8,591)
Grants	(3,097)			(3,097)	(3,890)			(3,890)
Revenue Contributions	(1,437)			(1,437)	(1,797)			(1,797)
Other Contributions	(955)			(955)				-
	(29,360)	-	-	(29,360)	(30,124)	-	-	(30,124)

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:

	2024/25			2023/24		
	Council	Other	Total	Council	Other	Total
	Dwellings £000's	Properties £000's		Dwellings £000's	Properties £000's	
Sales proceeds	(3,405)	(5,885)	(9,290)	(4,946)	(6,115)	(11,061)
less: administrative costs	40		40	65		65
Net proceeds	(3,365)	(5,885)	(9,250)	(4,881)	(6,115)	(10,996)
Right to buy discount repaid	-		-	(20)		(20)
Mortgage principal repaid			-			-
	(3,365)	(5,885)	(9,250)	(4,901)	(6,115)	(11,016)
of which:						
Usable	(3,365)	(5,885)	(9,250)	(4,901)	(6,115)	(11,016)
Payable to Housing Pooled Capital Receipts			-			-
	(3,365)	(5,885)	(9,250)	(4,901)	(6,115)	(11,016)

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:

	2024/25 £000's	2023/24 £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	2024/25 £000's	2023/24 £000's
Balance outstanding at Start of Year	-	-
Assets newly classified as Held for Sale :		
Property, Plant and Equipment	3,120	2,648
Assets Sold	(3,120)	(2,648)
Balance outstanding at End of Year	-	-

COLLECTION FUND

Collection Fund Statement

	Note	2024/25 Business Rates £000	2024/25 Council Tax £000	2024/25 Total £000	2023/24 Total £000
Income					
Council Tax Receivable	2		(142,726)	(142,726)	(134,225)
Business Rates Receivable	3	(87,398)		(87,398)	(78,749)
Contribution Towards Previous Year's Estimated Deficit					
Central Government		(5,439)		(5,439)	590
City of York Council		(5,330)	(711)	(6,041)	(1,885)
North Yorkshire Police & Crime Commissioner			(132)	(132)	(459)
North Yorkshire Fire & Rescue Authority		(109)	(36)	(145)	(112)
Total Income		(98,276)	(143,605)	(241,881)	(214,840)
Expenditure					
Precepts, Demands and Shares					
Central Government		44,806		44,806	43,976
City of York Council		43,910	114,926	158,836	151,807
North Yorkshire Police & Crime Commissioner			21,203	21,203	20,253
North Yorkshire Fire & Rescue Authority		896	5,737	6,633	6,413
		89,612	141,866	231,478	222,449
Disregarded amounts - Enterprise Zone growth				-	1,744
Charges to Collection Fund					
Write Off / Write On		(29)		(29)	-
Interest on refunds		-		-	-
Increase/(Decrease) in Allowance for Non Collection		741	933	1,674	1,702
Increase/(Decrease) in Provision for Appeals		100		100	400
Appeals charged to the Collection Fund		-		-	-
Cost of Collection		288		288	288
Transitional Protection Payments Receivable from Government		662		662	(5,652)
		1,762	933	2,695	(3,262)
Total Expenditure		91,374	142,799	234,173	220,931
(Surplus)/Deficit Arising In Year		(6,902)	(806)	(7,708)	6,091
(Surplus)/Deficit Brought Forward		16,071	1,725	17,796	11,705
(Surplus)/Deficit Carried Forward		9,169	919	10,088	17,796

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 2024/25 was 69,097.6 (68,633.1 in 2023/24).

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 2024/25 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 £703k (2023/24 £653k) 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	15.8	5/9	8.8	£1,132.59
A	up to	£40,000	7,645.1	6/9	5,096.7	£1,359.11
B	£40,000 to	£52,000	19,459.5	7/9	15,135.2	£1,585.62
C	£52,000 to	£68,000	22,240.9	8/9	19,769.7	£1,812.14
D	£68,000 to	£88,000	11,958.6	9/9	11,958.6	£2,038.66
E	£88,000 to	£120,000	7,133.9	11/9	8,719.2	£2,491.70
F	£120,000 to	£160,000	3,453.6	13/9	4,988.6	£2,944.73
G	£160,000 to	£320,000	1,746.9	15/9	2,911.5	£3,397.77
H	over	£320,000	88.1	18/9	176.1	£4,077.32
TOTAL			73,742.4		68,764.4	
Crown Properties					333.2	
Taxbase for the calculation of Council Tax					69,097.6	

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 97.20% compared to last year of 97.14%, 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 £722k (2023/24 £1,074k) were written off against the impairment allowance for non-collection. 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 £933k (increase in 2023/24 of £647k). The impact on the balance of the impairment allowance is a slight increase, allowing for write-offs made in 2024/25. 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 2025 was 242,055,571 (2023/24 242,602,745) and the rate for 2024/25 was 54.6p (2023/24 51.2p), with a reduction to 49.9p (2023/24 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 2024/25 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 2024/25 were estimated before the start of the financial year as £44.806m (£43.976m in 2023/24) to central government, £0.896m (£0.879m in 2023/24) to NYFRA and £43.909m (£43.096m in 2023/24) to City of York Council. These sums have been paid in 2024/25 and charged to the Collection Fund in year.

The financial year 2023/24 saw 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 for 3 years to phase in the impact of the reduction.

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 2025. 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 2024/25 has been calculated at £100k (£400k in 2023/24). The 2017 ratings list is now closed to new appeals, however the 2024/25 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 2024/25 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.

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 2024/25 the collection rate remained around 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. There has been a lower level of write offs for historic debts against the impairment allowance than in previous years, however the overall arrears level has risen and the allowance has been increased back to the required level through an increase of £712k (£1,055k in 2023/24).

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).

	2024/25 Business Rates £'s	2024/25 Council Tax £'s	2024/25 Total £'s	2023/24 Total £'s
Central Government	4,584,501	-	4,584,501	8,035,401
City of York Council	4,492,808	742,085	5,234,893	9,270,155
North Yorkshire Police Authority	-	136,683	136,683	258,740
North Yorkshire Fire and Rescue Authority	91,691	40,088	131,779	231,057
	9,169,000	918,856	10,087,856	17,795,393

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2024-2025 ANNUAL GOVERNANCE STATEMENT

Executive summary

What are our Governance arrangements and are they fit for purpose?

Our governance arrangements are the systems and processes which enable us to make sound decisions with high-quality information, and a good understanding of risk. Those systems rely on strong leadership, engagement with communities and stakeholders and a laser focus on the public interest.

Alongside many Councils, City of York Council (“the Council”) continues to experience pressure on financial resources. The Council is determined, despite its financial challenges, to continuously improve¹. This requires innovative approaches to service delivery and taking difficult decisions. Our governance arrangements are crucial in getting those difficult decisions right.

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 Framework)².

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 2024-2025 demonstrates how we have complied with our local code and reviews its effectiveness. The conclusion of this AGS is that our governance arrangements have, during the past year, met their purpose in ensuring 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.

We have reviewed the Delivering good governance in local government: framework addendum released in May 2025 and will continue to keep this document under review to ensure it complies with all the latest legislation.

Governance Outlook and areas for action

The Council is satisfied the current arrangements have adequately supported the purpose of guiding decision making which focuses on achievement of the authority’s aims and manages risk. We strive however to maintain a self-awareness which facilitates continuous improvement.

The Council continues to respond positively when areas for improvement come to light. During the year, where issues have been identified these have been dealt with in an open and transparent way, often including public reports to Executive. This enables the Council to learn from any mistakes and embed lessons into future planning.

¹ The Council 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.

² An addendum to the Framework was published in January 2025. Authorities should ensure that the AGS for 2025/26 onwards comply with this amended guidance, and they are encouraged to consider it for 2024/25.

During March 2025, Children's Services was inspected by Ofsted and rated as outstanding in all areas. Ofsted particularly praised the council's "relentless drive", strong leadership and commitment to putting children first.

Our annual review process identified areas for development around:

- Monitoring and reporting of project costs to allow for timely escalation and intervention
- Understanding the impact of staff resources on the ability to deliver projects and services
- Making better use of scrutiny.

These will be the target for action in the coming financial year and we will reflect on our success in strengthening these aspects of governance in the 25/26 AGS.

Assessment of Effectiveness

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. The Council works within this framework to deliver the Council Plan³. This Plan sets out the Council's priorities and makes the following commitments to good governance:

"Financial Management: Ensure financial stability through a long-term financial strategy, that recognises the major unprecedented financial challenges, takes the difficult decisions needed, and ensures investment is focused upon priority areas.

Core Commitments: Embed the four Core Commitments into our decision-making, policies and programmes of work."

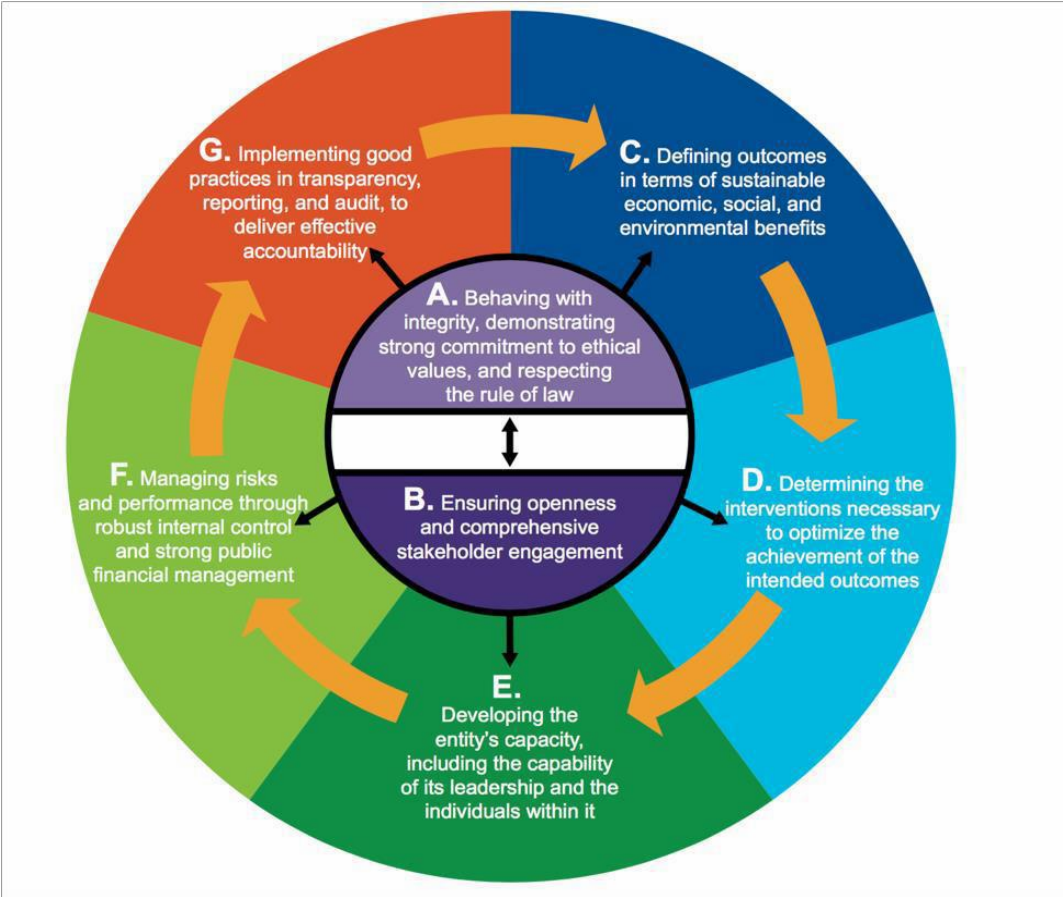
Our system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of Internal Control is designed to help us identify, prioritise and manage risks.,

Our governance arrangements can only be effective if we engage with them as an organisation honestly and consistently. Where our processes indicate a concern, we must act swiftly.

The "Delivering Good Governance" framework below envisages a continuous application 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. These behaviours are demonstrated across the Council.

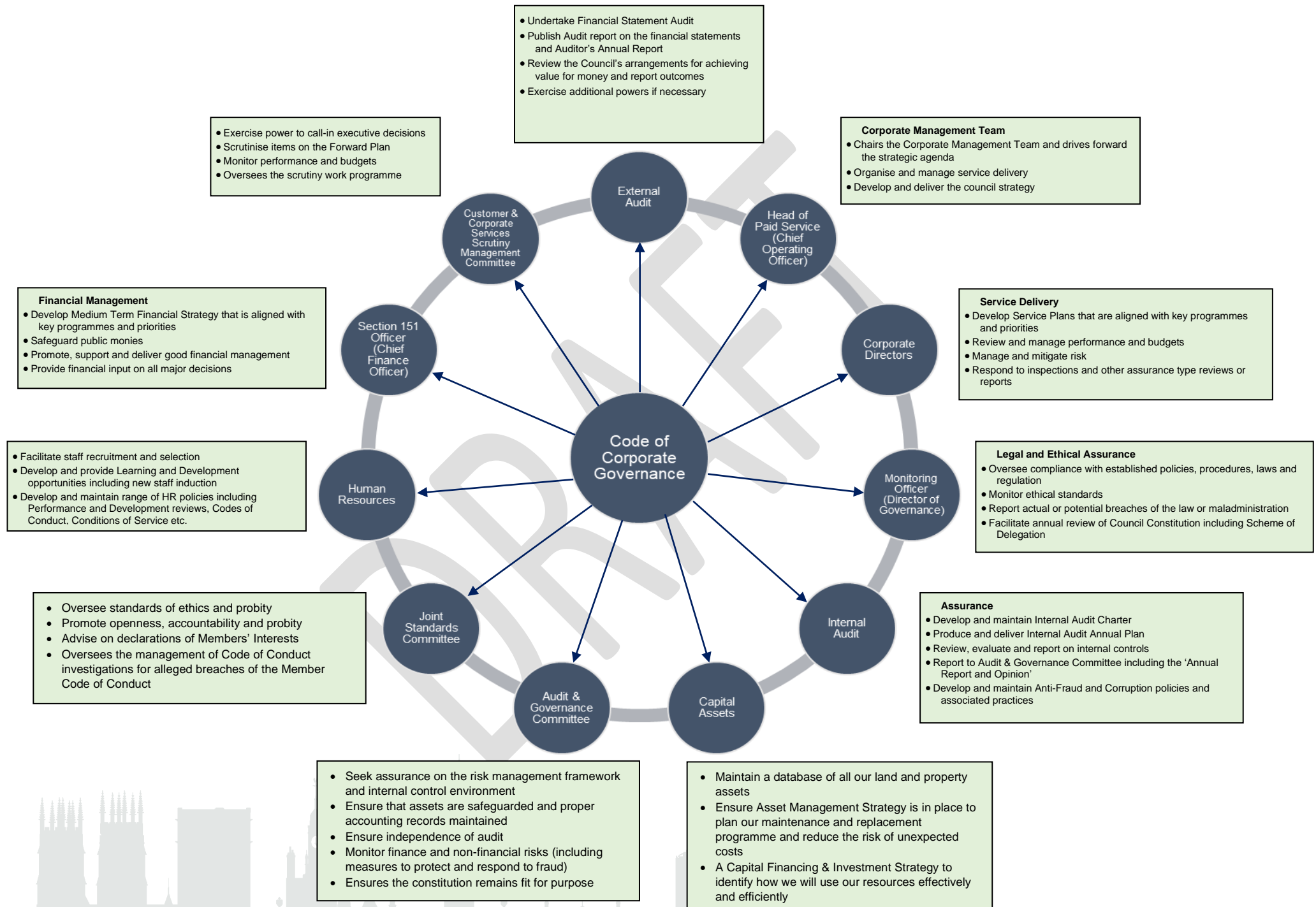
Our governance arrangements are well aligned to the delivery of the priorities in the Council Plan and are being used to track progress and costs. In some cases, delivery of a planned outcome has been highlighted as being in jeopardy. Our governance framework has successfully supported reprioritisation. It is likely however that ongoing financial pressures will mean that we need to further improve some of our governance arrangements. These are described in the section on "Where our governance needs to improve."

³ <https://www.york.gov.uk/CouncilPlan>



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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 2024-2025 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.

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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

Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
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	<ul style="list-style-type: none"> ➤ The political and managerial leadership sets the tone. ➤ Through this leadership we ensure that the required policies are put into place and monitored. ➤ Codes of Conduct for members and officers form part of the Council's Constitution. These sets out expected behaviours which are consistent with the Nolan Principles. ➤ The Protocol on Officer Member Relations which forms part of the Constitution sets out the way Councillors and Officers should interact and serve the public interest effectively. ➤ Mandatory Training on the Employee Code of Conduct has been launched on the Council's intranet for all officers. ➤ 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). 	<ul style="list-style-type: none"> ➤ A member induction programme was implemented following all out elections in May 2023. Much of the programme content was captured electronically and has been used by members for refresher training. Evaluation of member training has indicated a need to promote wider uptake and a comprehensive flexible offer which can be accessed on demand alongside ad hoc training and briefings on current issues. ➤ Joint Standards Committee responded on behalf of the Council to the Government's consultation on Strengthening Standards. Any forthcoming legislation will require an update to the Council's standards procedures.

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
	2. Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> ➤ 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. 	
		<ul style="list-style-type: none"> ➤ We enhanced our commitment to Equity and Diversity by adopting: <ul style="list-style-type: none"> ➤ a social model of disability ➤ a Charter for Organisational Standards created by York Poverty Truth Commission ➤ an Anti-Racism Strategy; and ➤ agreeing to treat care experience as if it were a protected characteristic. ➤ We reviewed and updated our decision report template to ensure that the Core Commitments in the Council plan were always addressed. 	<ul style="list-style-type: none"> ➤ We will continue to seek ways to espouse ethical values and engage proactively and respectfully with our whole city community.

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
	3. Respecting the rule of law	<ul style="list-style-type: none"> ➤ The Council's Constitution is regularly reviewed and updated to ensure our framework for lawful decision making is clear, accurate and up to date. ➤ 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	<ul style="list-style-type: none"> ➤ 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. 	

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
		<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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 York and North Yorkshire Mayoral Combined Authority, 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. ➤ The City of York Council and the Humber & North Yorkshire Integrated Care Board has continued to make progress and was formally moved to establish a Joint Committee under a Section 75 agreement starting from April 2025, as reported to Executive in November 2024. 	<ul style="list-style-type: none"> ➤ The abolition of NHS England is expected to have significant implications for ICBs. The current arrangements will therefore need to be kept under review to ensure they keep pace with any changes being made at a national and local level.

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
		<ul style="list-style-type: none"> ➤ To shape the Climate Change plan, we 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	<ul style="list-style-type: none"> ➤ 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. ➤ Extensive budget consultation was undertaken which ran from May to December. The process was broken into phases to build understanding and gather feedback iteratively. ➤ 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. 	<ul style="list-style-type: none"> ➤ Customer Services will continue the review and implement complaints procedures to maximise the opportunity to make service improvements and learn from feedback and ensure compliance with the Local Government and Social Care Ombudsman Complaint Handling Code which comes into effect in April 2026.

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
		<ul style="list-style-type: none"> ➤ 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) support 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 	

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
		service providers across the council. Individual members of the public can 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	<ul style="list-style-type: none"> ➤ 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. The Council Plan is informed by the 10-year plan and strategies and regularly reported on, including 6-month snapshots on the Council website. An annual review is reported to Executive. ➤ 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 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. 	

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
		<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ We will be implementing a new structure for overview and scrutiny which improves focus and depth of the input scrutiny can have in policy development. ➤ A new AI Project Board will be initiated to identify further potential to harness use of generative AI across council services to increase efficiency, quality and productivity whilst managing risk.

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
		<p>Children's Services were inspected in March 2025 and achieved outstanding across all areas</p> <ul style="list-style-type: none"> ➤ 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. A review of Scrutiny has been carried out by the Centre for Governance and Scrutiny in December 2024. This made recommendations for improving effectiveness. Consequent amendments have been made to the structure and supporting staff resource 	
	2. Planning interventions	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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 	<ul style="list-style-type: none"> ➤ Project oversight will be further enhanced by the development of a corporate Programme Management Office to support the delivery of the Council's Capital Programme.

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
		<p>teams and advisors.</p> <ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ Level 7 apprentices will be supported from our senior manager cohort to access work-based learning leading to chartered management institute membership.

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
		<ul style="list-style-type: none"> ➤ We support staff development using cost effective opportunities including funded apprenticeships. These have been successfully matched with career graded staff structures to support organic growth and retention. ➤ We make use of peer support networks to share good practice and offer informal mentoring. 	
Principle F Managing risks and performance through robust internal control and strong public financial management	1. Managing risk	<ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ Work is underway to ensure ongoing compliance with new data protection legislation requirements alongside ensuring opportunities from AI are compliant.

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
	2. Managing performance	<ul style="list-style-type: none"> ➤ 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). ➤ 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	<ul style="list-style-type: none"> ➤ 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) (replaced by the Global Internal Audit Standards – UK Public Sector from 1 April 2025). ➤ 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. 	

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
	4. Managing data	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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. A major review of these has taken place to reflect changes brought into effect in February 2025 by the Procurement Act 2023. 	

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
Principle G Implementing good practices in transparency, reporting, and audit to deliver effective accountability	1. Implementing good practice in transparency	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 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. 	

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Governance Principle	Sub-Principle	Assurance on Compliance	Further Development
	3. Assurance and effective accountability	<ul style="list-style-type: none"> ➤ 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. ➤ 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. 	

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 2024/25, 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 2025:

*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 2024-25 which was presented to the Audit & Governance Committee on 14 May 2025.

Under the Public Sector Internal Audit Standards (the Standards) (replaced by the Global Internal Audit Standards – UK Public Sector from 1 April 2025), 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 2024-25, 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.

4. External Audit

External Audit of the Council is undertaken by 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.

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 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.

7. LGA 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 Peer Challenge recommendations and action plan were reported to Executive in May 2024, with a follow up report to the Leader's Decision Session in November 2024. Extensive work has been undertaken to complete the recommendations identified by the peer team and the actions will continue to be monitored by the Chief Operating Officer as part of the Corporate Improvement Board agenda.

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, no new issues have been identified for inclusion in the tables below, but the existing issues have been reviewed and additional actions identified to ensure progress continues to be made. There is one issue (relating to the Local Plan) that had previously been identified but that has been progressed sufficiently and no longer requires disclosure in this statement, although some details have been included for completeness this year.

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How the governance issues identified in the previous year's statement have been addressed and whether further work is required.

COMPLETED Governance issues arising from the previous Annual Governance Statement (2023-24)

Year Identified	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2024-25
2023/24	Impact of not having the Local Plan in place	Work continued in responding to requests of the planning inspectors with the result that the Local Plan was formally adopted by the Council in February 2025.	The Council adopted the Local Plan at an extraordinary Full Council meeting on 27 th February 2025.

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CURRENT Governance issues arising from the 2024-25 Annual Governance Statement

	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2024-25
1 – Existing Issue, updated	<p>Financial Risks</p> <p>(i) Pressures - Impact of funding reductions -</p> <p>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.</p> <p>There is currently uncertainty around any future government funding and the long-term impact on income streams, including business rates and council tax.</p> <p>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</p> <p>(ii) Major capital projects</p> <p>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.</p>	<p>The outturn position for 2023/24 was an overspend position, albeit much improved due to cost control measures, and therefore this remains a significant risk. The Council again set a balanced budget for 2024/25 and made proper provision for growth along with a contingency.</p> <p>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.</p> <p>The uncertainty around central government funding remains an issue as the 2024/25 and 2025/26 settlements were again just for one year.</p> <p>Ongoing discussions with Health Organisations in York in light of recent Government announcements regarding the abolition of NHS England and the resulting potential impact on Integrated Care Boards</p> <p>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. Ongoing regular reporting to various member meetings, alongside effective project management continues to be essential to ensure risks can be mitigated/ managed.</p>	<p>The outturn position for 2023/24 was also an overspend position and there is again an overspend in 2024/25, therefore this remains a significant risk. A balanced budget was set for 2024/25 and 2025/26. Significant provision for growth were made as well as allocations to support the increased cost from continued inflationary pressures.</p> <p>The Medium-Term Financial Strategy continues to be updated and presented to CMT and Executive. The uncertainty around central government funding remains an issue although the Spending Review announcements expected during the latter half of 2025 should begin to give some certainty to financial projections. Further development of the medium-term financial plan will be needed during the year to ensure continued financial resilience.</p> <p>New governance arrangements have been put in place to improve project assurance. Officers are developing a resource plan to ensure we have the right skills and capacity to deliver the capital programme.</p>

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	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2024-25
		<p>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.</p> <p>Major projects have been reviewed to assess any new risks and to ensure that the financial assumptions are still sound.</p> <p>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.</p>	
2 – 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 Election in 2023.	<p>Progress on embedding good governance continued throughout 2023-2024, with no significant governance issues identified. Work began on reviewing key governance documents, and following the City Council elections in May 2023, a programme of training was delivered for all elected Members, albeit with varying degrees of attendance.</p> <p>Through 2023-2024 the Audit and Governance Committee received reports on corporate governance, including reports relating to action taken by the Information Commissioner's Office, and in relation to contract management processes.</p>	<p>Through 2024-2025, further work has been done in relation to the Council's constitution, culminating in significant amendments to the Council Procedure Rules, with further work ongoing. Work also continues to review contract management processes, and to homologise report-writing procedures across the Council. The Council has also undergone a review of its scrutiny committee procedures, facilitated by the Centre for Governance and Scrutiny, which has resulted in a significant change to the operating methodology.</p> <p>In addition, changes in Council senior management have allowed for reviews of procedures across Council services. In turn, this has highlighted a number of governance issues which required rectification. In line with the Council's 'no blame' culture, these governance issues, arising from human error, are treated as learning experiences, with work underway to ensure that they are not repeated. These</p>

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	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2024-25
			<p>issues highlight the need for continuous training for all staff on governance procedures, and for greater simplification of processes to ensure that adherence is easier than circumvention. They also demonstrate that governance is a whole-Council issue.</p> <p>Some staff turnover will impact on the corporate governance landscape, given the departure of the Head of Legal Services and Head of Democratic Governance to elevated positions in other organisations, and the acting Democratic Services Manager to alternative public service. This is ameliorated somewhat by the arrival of a new Democratic Services Manager, and by the impending arrival of a new Head of Legal Services, but there will inevitably be some disruption to routines.</p>
3- Existing issue, updated	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>	Contract Management is one of the work streams in the Council's transformation programme. A new (temporary) contract manager post has been created within the procurement team to support contract management on the key, high value council contracts.
4- Existing issue, updated	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>	<p>As above under issue 1 (iii), officers are developing a resource plan to ensure we have the right skills and capacity to deliver the capital programme.</p> <p>Working on a One Council basis and the continued use of good governance structures that have been implemented ensures that capacity is drawn from all council services where needed and on a dynamic basis to maximise skills and capacity. Tools for this are embedded into the workforce strategy and action plan with greater emphasis and providing training both bespoke and management focused to ensure that managers and employees have the right skills. In terms of capacity, whilst cost control is embedded, balance of investment and cost saving approach is given, without the right skill sets projects will be impacted. Reviews of market supplements and other terms and conditions are also being</p>

ANNUAL GOVERNANCE STATEMENT

	Issue	Action taken to date / Planned	PROGRESS MADE DURING 2024-25
			undertaken to ensure that as an employer we are attractive in the market to be able to be competitive. Embedding good performance management, the values and behaviours as well as visible leadership across all levels drives a positive culture to be reactionary and proactive to the competing demands.

Our Key Governance Development Priorities be for 2025-26

2025-26 Priority	Planned/Proposed Action	Responsible Officer(s)
Financial Risks/MTFS/Financial sustainability	<i>Existing priority</i> Further development and improvement of programme management arrangements across the Council to ensure delivery of the Capital Programme	Director of Finance (Section 151 Officer)
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>Existing priority</i> Improve contract management across the Council through training, effective risk management and clear change control processes.	Head of Paid Service Monitoring Officer Section 151 Officer
Resourcing & Capacity	<i>Existing 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 2024/25 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2025/26.

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.

.....
Councillor C Douglas
Leader of the City of York Council

.....
Ian Floyd
Chief Operating Officer

Annex A – About the Council of the City of York

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.

GLOSSARY

Accounting Concepts

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

Accounting Period

The period 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 event 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 charge payers 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 because 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.

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Meeting:	Audit & Governance Committee
Meeting date:	28/01/2026
Report of:	Debbie Mitchell, Director of Finance
Portfolio of:	Cllr Katie Lomas, Executive Members for Finance, Performance, Major Projects, Human Rights, Equality, and Inclusion

Audit and Governance Committee Report:

Treasury Management 2025/26 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 2025/26 approved by Full Council on 27 February 2025.
2. Attached at Annex 1 is the Treasury Management Quarter 3 report and Review of Prudential Indicators 2025/26, which provides an update on treasury activity during the quarter and was considered by Executive on 27 January 2026.

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 first quarter of the financial year 2025/26, 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 2025/26 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:	13/01/2026

Annexes

Annex One - Treasury Management Quarter 3 Report and Review of Prudential Indicators 2025/26

Annex to above report – Prudential Indicators 2025/26



Meeting:	Executive
Meeting date:	27/01/2026
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 2025/26 Quarter 3 report and review of Prudential Indicators.

Subject of Report

1. The purpose of this report is to provide a regular update to Executive on treasury management activity 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 quarterly report detailing the activities undertaken so far, performance, and an update of the Prudential Indicators. It provides an update on activity for the period 1st April 2025 to 30th November 2025. 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 2025/26 Treasury Management activity for the period ending 30th November 2025.
 - 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. Into the third quarter of the 2025/26 financial year up to 30th November 2025, the Council has operated within the Treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement for 2025/26.
8. There are no policy changes to the Treasury Management Strategy Statement 2025/26 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 as at the third quarter of the 2025/26 financial year.
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
 - A review of the treasury position as at 30th November 2025.
 - 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 2025/26 financial year saw:
- The Bank of England's MPC reduced base rate to 3.75% on 18th December 2025 after maintaining base rate at 4% on 6th November 2025, (for the second consecutive meeting with it also maintained at 4% on 18th September 2025 after it was reduced from 4.25% on 19th June 2025).
 - The Bank of England base rate has been reduced by 75 basis points overall in the 2025/26 financial year so far.
 - CPI inflation rose by 3.2% in the 12 months to November 2025, down from 3.6% in October 2025 and down from 3.8% in September 2025.
 - Core CPI inflation (CPI excluding energy, food, alcohol and tobacco) rose by 3.2% in the 12 months to November 2025, down from 3.4% in October 2025 and down from 3.5% in September 2025.
 - CPI services inflation annual rate fell from 4.4% in November 2025, down from 4.5% in October 2025 and 4.7% in September 2025.
 - CPIH inflation rose by 3.5% in the 12 months to November 2025, down from 3.8% in October 2025 and down from 4.1% in September 2025.
 - Core CPIH inflation (CPIH excluding energy, food, alcohol and tobacco) rose by 3.5% in the 12 months to November 2025, down from 3.7% in October 2025 and from 3.9% in September 2025.
 - UK GDP is estimated to have grown by 0.1% in the third quarter of 2025, covering July 2025 to September 2025. Year-on-Year Growth is 1.3% at quarter 3 2025 compared to quarter 3 2024.
 - UK GDP fell by 0.1% in the month of October 2025.

Interest Rate Forecast

11. 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.
12. Table 1 is MUFG Corporate Markets Interest Rate forecast for both the bank base rate and long-term Public Works Loans Board (PWLB) Certainty borrowing rates (gilt yields plus 80 bps). This forecast was as at 22nd December 2025.

	Bank rate %	PWLB borrowing rates % (including certainty rate adjustment)			
		5 year	10 year	25 year	50 year
Mar 2026	3.75	4.60	5.20	5.80	5.60
Jun 2026	3.50	4.50	5.00	5.70	5.50
Sep 2026	3.50	4.30	4.90	5.60	5.40
Dec 2026	3.25	4.20	4.80	5.50	5.30
Mar 2027	3.25	4.10	4.80	5.50	5.30
Jun 2027	3.25	4.10	4.70	5.40	5.20
Sep 2027	3.25	4.10	4.70	5.30	5.10
Dec 2027	3.25	4.10	4.70	5.30	5.10
Mar 2028	3.25	4.10	4.70	5.30	5.10
Jun 2028	3.25	4.10	4.60	5.20	5.00
Sep 2028	3.25	4.10	4.60	5.20	5.10
Dec 2028	3.25	4.10	4.60	5.20	5.00
Mar 2029	3.25	4.10	4.70	5.20	5.00

Table 1 – MUFG Corporate Markets interest rate forecast 22nd December 2025

13. On 18th December 2025 the Bank of England's Monetary Policy Committee (MPC) announced it voted 5-4 to reduce Bank Base Rate to 3.75%, following the previous 2 meeting where it had been held at 4.00%. Since August 2024 the MPC has reduced rates six times by 1.50% in total. The MPC's 18th December 2025 report minutes noted that CPI inflation was falling, it was 3.2% in October 2025 and is expected to fall back towards its 2% target in 2026. Monetary policy needed to balance the risks of achieving the 2% inflation target in the medium term and this was consistent with evidence of subdued economic growth, a looser labour market, and the easing of pay growth and services inflation. Further decisions on rates would be made on the basis of evidence and data with it likely that a gradual downward path would continue.

Treasury Management Strategy Statement 2025/26

14. Full Council approved the Treasury Management Strategy Statement for 2024/25 on 27th February 2025. Details can be viewed here (item 64) <https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=15004&Ver=4> and here [https://democracy.york.gov.uk/\(S\(iezd4m45k3tmf22josifte55\)\)/ieIssueDetails.aspx?Id=72853&Opt=3](https://democracy.york.gov.uk/(S(iezd4m45k3tmf22josifte55))/ieIssueDetails.aspx?Id=72853&Opt=3)
15. There are no investment policy changes and the details in this report do not amend the Statement.

Overall Treasury position at 30th November 2025

16. Table 2 shows the Council's net Treasury debt and investment position for the period ending 30th November 2025, shown with the financial year end 2024/25 position.

	Principal	Average Rate	Principal	Average Rate
	30/11/25	30/11/25	31/03/25	31/03/25
External Debt				
General Fund Borrowing	£191.59m	3.48%	£190.59m	3.49%
Housing Revenue Account (HRA) Borrowing	£140.86m	3.33%	£140.86m	3.33%
Total Borrowing	£332.45m	3.42%	£331.45m	3.42%
Other Long-term Liabilities inc. PFI	£46.74m		£46.74m	
Total External Debt	£379.19m		£378.19m	
Investments				
Investment balance	£17.19m	4.18%	£10.09m	4.89%
Net Treasury Position				
Debt less Investments	£362.00m		£368.10m	

Table 2 Summary of Treasury position 30th November 2025

Investment Portfolio

17. 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.

18. 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.
19. The Council continues to aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity and the Councils risk appetite. The Council had no liquidity difficulties during the first three quarters of the 2025/26 up to 30th November 2025.
20. 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.
21. The average level of cash balances available for investment purposes in the three quarters up to 30th November 2025 was £25.29m (£30.87m for the period 1st April 2024 to 30th November 2024). The average rate of return earned on cash balances in the three quarters up to 30th November 2025 was 4.18% (5.02% for the period 1st April 2024 to 30th November 2024).
22. Table 3 shows the current fixed term investments at 30th November 2025.

Institution Type	Principal Balance 30/11/25	Average Balance 01/04/25-30/11/25	Average Rate 01/04/25-30/11/25	Principal Balance 31/03/25	Average Balance 01/04/24-31/03/25	Average Rate 01/04/24-31/03/25
Fixed Term Deposits	£0.00m	£0.00m	0.00%	£0.00m	£0.00m	0.00%
Call / Notice	£0.00m	£0.00m	0.00%	£0.00m	£0.00m	0.00%
Money Market Funds	£16.20m	£24.84m	4.29%	£9.00m	£28.62m	4.95%
Cash in bank	£0.99m	£0.45m	0.00%	£1.88m	£0.50m	0.00%
Total Investments	£17.19m	£25.29m	4.18%	£10.88m	£29.12m	4.89%

Table 3 Investment Portfolio by type 30th November 2025

23. Figure 1 shows the investments portfolio 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 bank account is AA- credit rating.

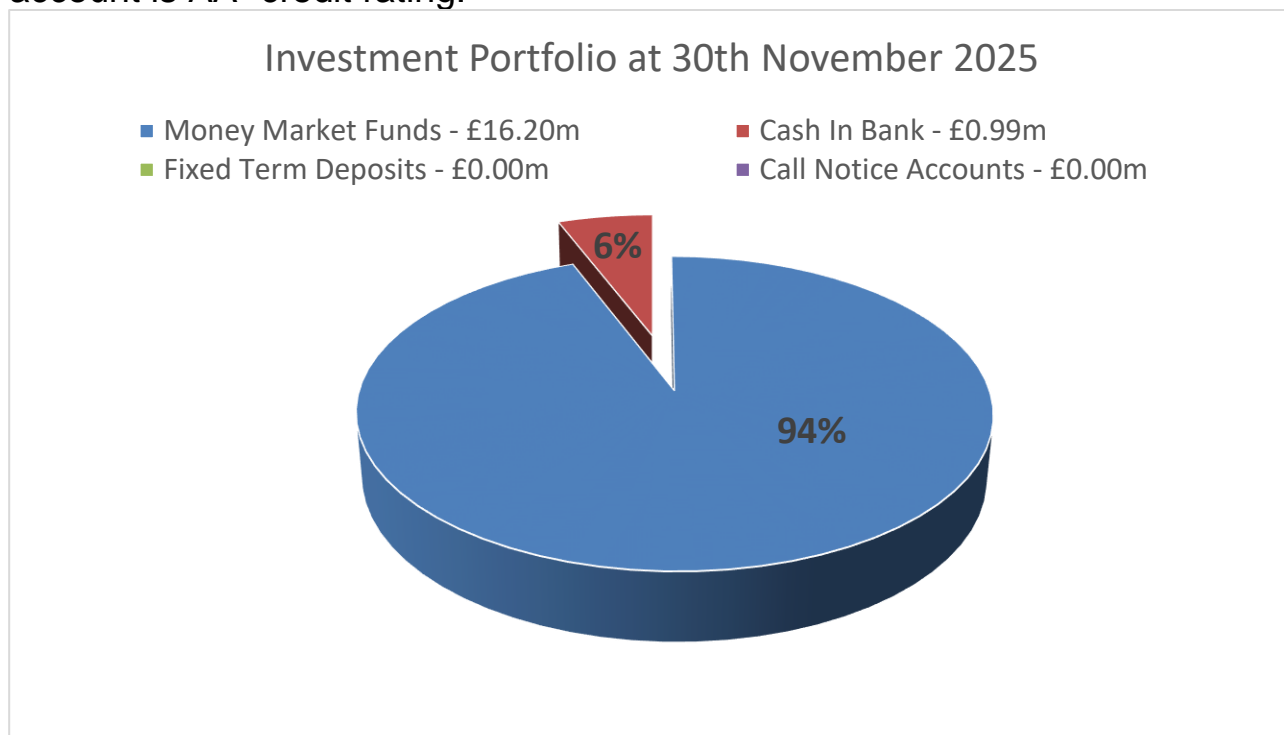


Figure 1 Investment Portfolio by type 30th November 2025

24. 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.
25. The Council's average rate of return in the three quarters up to 30th November 2025 are shown in table 3.

	2025/26 (01/04/25- 30/11/25)	2024/25 (01/04/24- 30/11/24)	2024/25 (Full year)
Average CYC Rate of Return	4.18%	5.02%	4.89%
<u>Benchmarks</u>			
Average Overnight SONIA	4.13%	5.05%	4.90%

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

26. The average rate of return achieved for invested cash in the three quarters up to 30th November 2025 has remained around the average overnight SONIA rate. The Council has kept all cash invested in highly liquid Money Market

Funds. While providing instant access to cash, these funds contain a portfolio of investments on different maturity durations and yields. In a decreasing interest rate environment, there is often a slight time lag between the decrease seen on the Money Market Fund return compared to the SONIA rate.

27. Figure 2 shows the average SONIA rates for several investment durations compared with the Bank of England base rate and the Council's rate of return achieved in the first three quarters of the 2025/26 up to 30th November 2025. It shows that the Councils average rate of return is tracking broadly in line with, both Bank base rate and overnight SONIA rate. This is expected as cash has been held in liquid Money Market Funds.

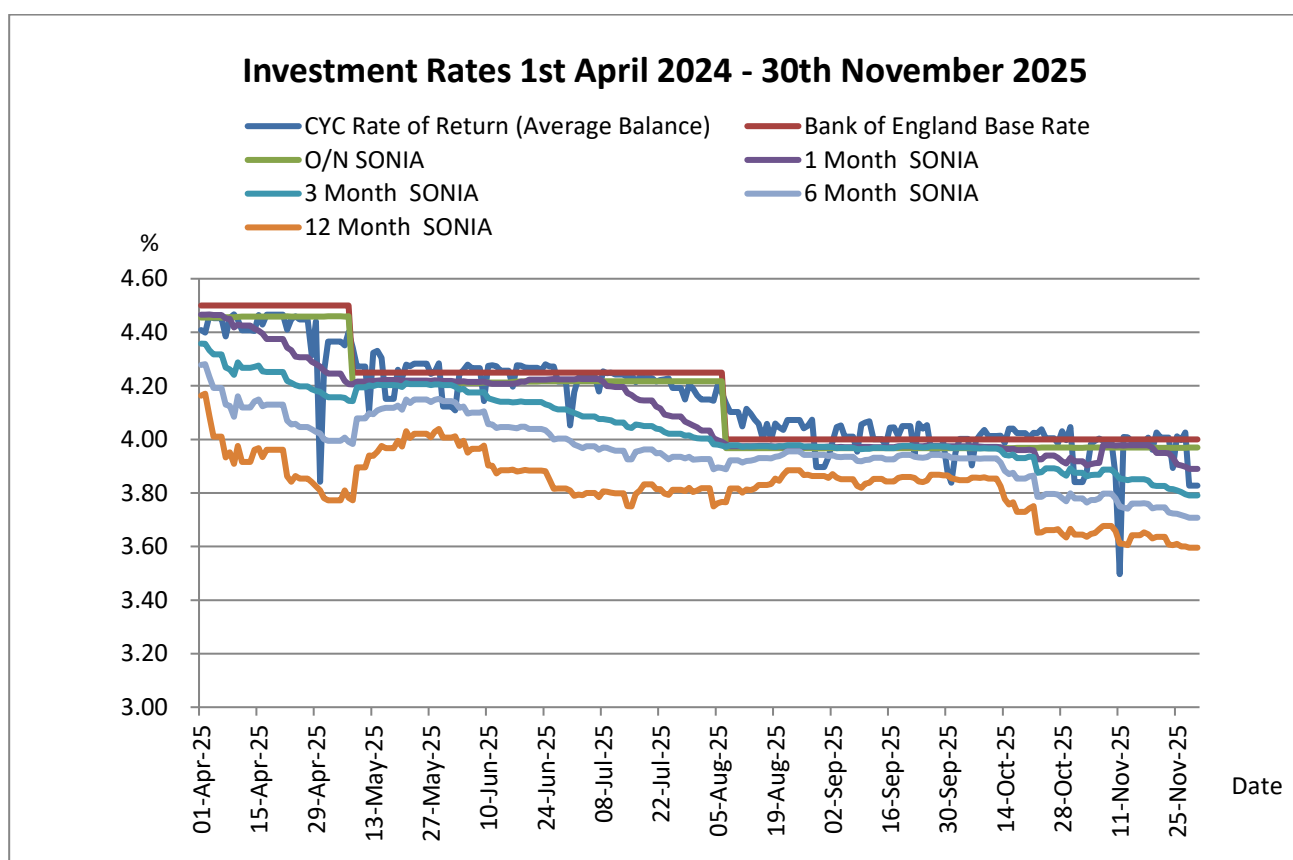


Figure 2 CYC Investments vs Bank of England base rate and SONIA up to 30th November 2025

28. 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. Opportunities that arise for notice and fixed investments which could generate higher yields are considered in terms of the Council's short to medium term cash flow requirement and it's under borrowed CFR position.
29. In the current falling interest rate environment short and medium fixed term deals up to one year are currently below the rates the Council is achieving on

its liquid Money Market Fund investments; this is on the expectation that bank rate falls in line with Market predictions. While the opportunity to fix could contribute to a higher rate of return overall should interest rates fall in line with Market predictions, the Council, by running a lower average cash balance position to make use of cash balances, does not consider it practical at this point in time to place fixed term investments. This position is kept under review.

Borrowing requirement and debt at 30th November 2025

30. 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.
31. The level of borrowing taken by the Council is determined by the Capital Financing Requirement (the Councils underlying need to borrow for capital expenditure purposes). Borrowing needs to be affordable, sustainable and prudent.
32. 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.
33. 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, (internally borrowed), to temporarily fund the capital programme.
34. Table 5 shows the Council's underlying need to borrow to finance capital expenditure and is termed the Capital Financing Requirement (CFR).

	31 March 2026 (Quarter 3 forecast at 30.11.25)	31 March 2026 (Budget forecast at TMSS 25/26)	31 March 2025 Outturn (Actual at 31.03.25)
CFR General Fund	£371.12m	£391.41m	£323.78m
CFR HRA	£133.50m	£137.20m	£139.91m
CFR Other Long-term Liabilities	£45.40m	£41.93m	£46.74m
Total CFR	£550.02m	£570.54m	£510.43m

Table 5 Capital Financing Requirement Forecast 30th November 2025

35. The borrowing strategy takes into account the borrowing requirement, the current economic and market environments and is also influenced by the interest rate forecasts.
36. During the first three quarters of 2025/26 up to 30th November, the Council has maintained its under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), 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 (Prudential Indicator 3) as shown by the gap between the loans outstanding and CFR.
37. In the last couple of years where debt has been required to either refinance maturing debt or for the capital programme the Treasury team has borrowed 1 year maturity loans from the PWLB. These borrowing decisions were based on interest rate forecasts showing a decline in interest rates for longer maturity periods in future years. As longer-term loans are required to finance the under-borrowed position, and a better fit with the maturity profile (see Figure 4), the expectation has been that as the 1 year loans mature, longer term loans could ideally be drawn down at projected lower interest rates than what were available at the time of the original 1 year maturity loans. By delaying taking higher cost longer term loans, the cost of borrowing overall would be cheaper as higher interest rate loans mature quicker.
38. Long-term borrowing rates have remained elevated across the curve (see Table 11) during 2025/26 and in the last few couple of years have not fallen in line with market predictions. As interest rate forecasts still predict a fall, it is now expected they will fall more gradually and that the current cycle may be one of higher interest rates across the curve, to those that have typically been seen in the last 10 to 15 year period.
39. Looking at the current debt portfolio and maturity profile (see Figure 4), it is felt prudent to move away from refinancing 1 year maturing debt solely with further 1 year maturity loans. The majority of current 1 year maturity loans require refinance in the last quarter of 2025/26 (see Table 7). The Treasury team will look at a mix of short-term PWLB loans with maturity dates up to 5 years as these loans currently offer the better value in the current interest rate environment and are on average below 5%.
40. Decisions taken on new loan maturity durations will be reflective of the current interest rate environment, the debt maturity profile and the budget position.

41. Where there are opportunities to draw down long term debt at more favourable rates, through either PWLB or market borrowing, these will be considered in order to try to minimise the longer-term impact of debt costs.

Borrowing Portfolio

42. The Councils long-term borrowing started the year at a level of £331.45m. The current borrowing portfolio position as at 30th November 2025 is £332.45m.

	30 th November 2025			31 st March 2025		
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	£330.10m	3.44%	56	£324.10m	3.44%
<u>Market Loans</u> LOBO Loans – Lender Option Borrower Option	0	£0.00m	n/a	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%	4	£2.35m	0.00%
Total Borrowing (GF & HRA)	61	£332.45m	3.42%	61	£331.45m	3.42%

Table 6 Current borrowing position 30th November 2025

43. There are 10 scheduled repayments of long-term borrowing that will occur this financial year 2025/26 totalling £63.30m. These are detailed in Table 7 below.

Lender	Issue Date	Repayment Date	Amount	Rate	Duration (years)
PWLB	30/04/2024	30/04/2025	£10.00m	5.39%	1.00
PWLB	12/08/2010	05/05/2025	£3.00m	4.01%	14.73

PWLB	03/04/2001	05/11/2025	£1.00m	4.75%	24.59
PWLB	26/02/2025	26/02/2026	£10.00m	4.89%	1.00
PWLB	28/02/2025	28/02/2026	£10.00m	4.88%	1.00
PWLB	21/03/2025	21/03/2026	£10.00m	4.84%	1.00
PWLB	28/03/2025	28/03/2026	£5.00m	4.89%	1.00
PWLB	28/03/2025	28/03/2026	£4.80m	4.49%	1.00
PWLB	28/03/2012	31/03/2026	£4.50m	2.97%	14.01
PWLB	28/03/2012	31/03/2026	£5.00m	2.97%	14.01
			£63.30m		

Table 7 Scheduled maturing loans in 2025/26

44. During the first three quarters of 2025/26 up to 30th November 2025, three existing loans have matured, details of which are in Table 8 below.

Lender	Issue Date	Repayment Date	Amount	Rate	Duration (years)
PWLB	30/04/2024	30/04/2025	£10.00m	5.39%	1.00
PWLB	12/08/2010	05/05/2025	£3.00m	4.01%	14.73
PWLB	03/04/2001	05/11/2025	£1.00m	4.75%	24.59
			£14.00m		

Table 8 Matured loans up to 30th November 2025

45. Within its loan portfolio, the Council held one LOBO loan for £5m with a maturity date of 1st October 2077. From 1st October 2025 the LOBO loan is no longer part of the Councils loan portfolio as it was repaid in full. This was not a scheduled repayment of debt as set out in Table 7 but was repaid in line with the options as set out in the LOBO loan agreement. Under the terms of the loan agreement, the lender has the option to change the interest rate on the loan at various option dates should it choose to do so.
46. During September 2025, the Council was notified by the lender that it would exercise its right to change the interest rate on the loan at the next agreed option date commencing on the 1st October 2025 and that this rate would increase from 3.88% if accepted. Under the terms of the loan agreement, the Council had the choice to either accept the new rate set by the lender or repay the loan in full without penalty. The Council decided not to accept the new increased interest rate and gave notice to the lender that it would repay the loan in full on the 1st October 2025.

Loan Type	Issue Date	Repayment Date	Amount	Rate	Duration (years)
LOBO	26/03/2008	01/10/2077	£5.00m	3.88%	69.52
			£5.00m		

Table 9 Repaid LOBO loan

47. No loan rescheduling was done during the first three quarters of the 2025/26 financial year up to 30th November 2025.
48. During the three quarters of 2025/26 financial year up to 30th November 2025, four new loans have been drawn down, details of which are in Table 7 below.

Lender	Issue Date	Repayment Date	Amount	Rate	Duration (years)
PWLB	19/09/2025	19/09/2026	£5.00m	4.53%	1.00
PWLB	08/10/2025	08/10/2026	£5.00m	4.56%	1.00
PWLB	21/10/2025	21/10/2027	£5.00m	4.59%	2.00
PWLB	27/11/2025	15/06/2029	£5.00m	4.71%	3.55
			£20.00m		

Table 10 New loans drawn down up to 30th November 2025

49. The Councils £332.45m of fixed interest rate debt as at 30th November 2025, is split between £140.86m for HRA and £191.59m for General Fund as shown in Figure 3.

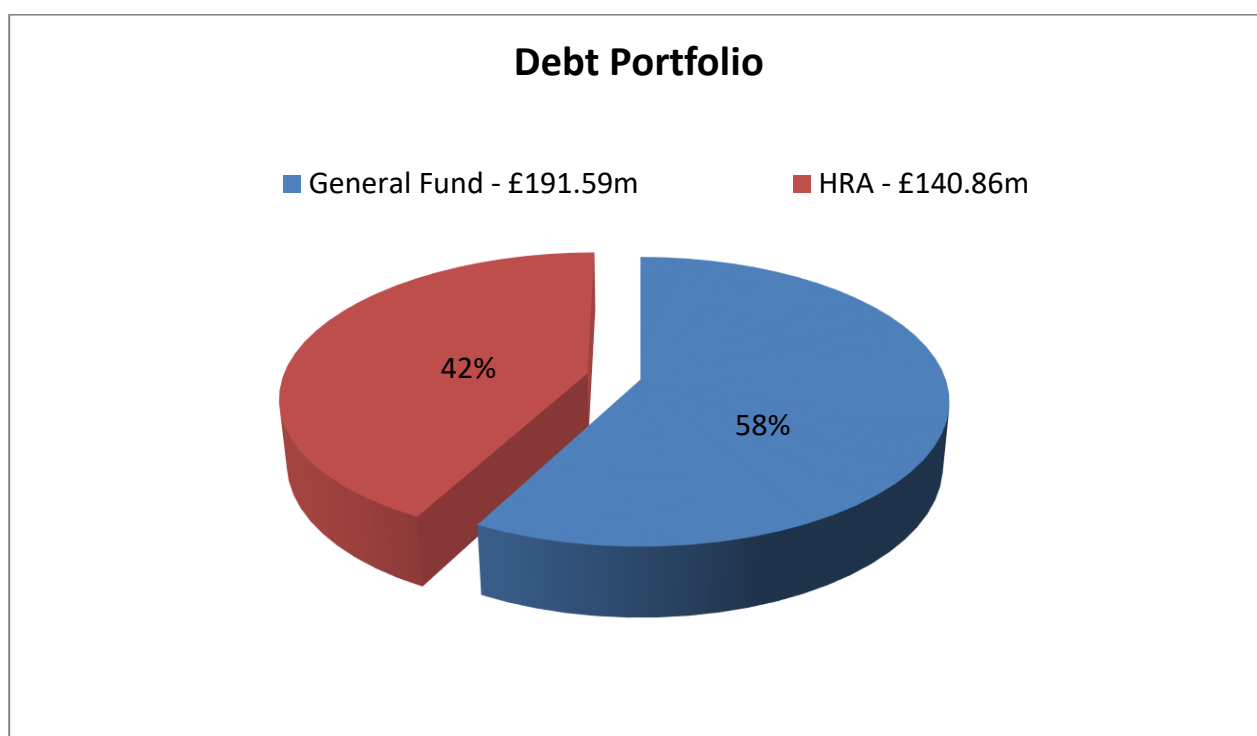


Figure 3 General Fund and HRA debt at 30th November 2025

50. Figure 4 illustrates the 2025/26 maturity profile of the Council's debt portfolio at 30th November 2025. The maturity profile, aside from the remaining total of £49.30m maturing in 2025/26, shows that there is no large concentration of loan maturity in any one year, thereby spreading the interest rate risk dependency. Of the total maturing debt of £63.30m in 2025/26 £49.80m debt related to refinanced 2023/24 debt with 1 year maturities (see table 7).

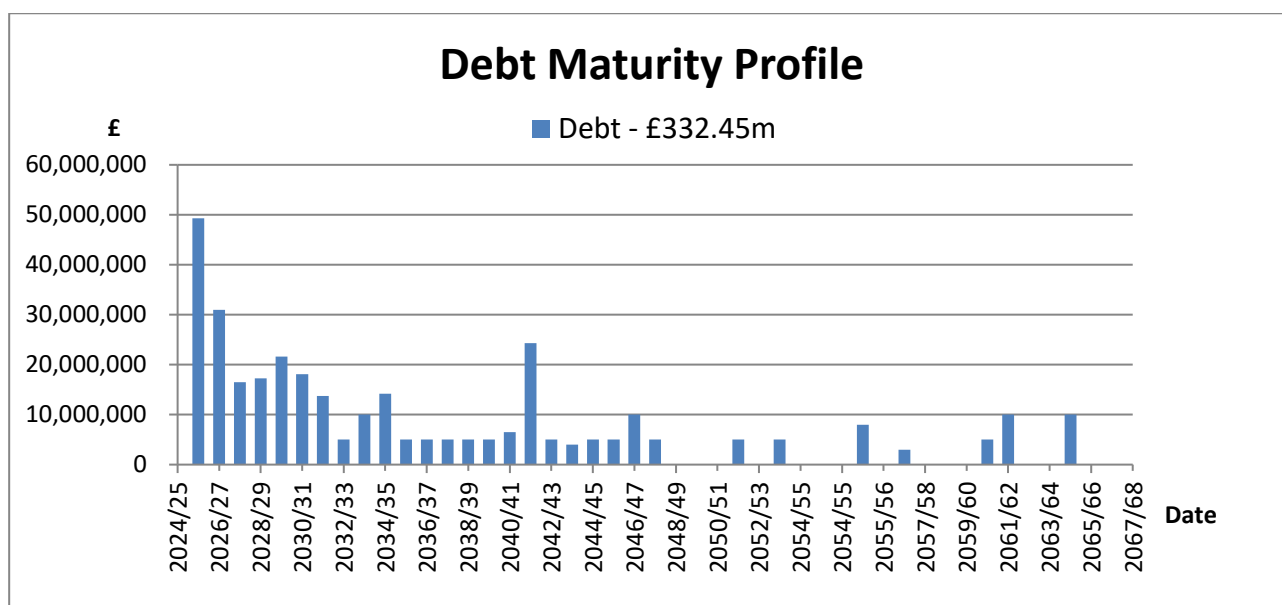


Figure 4 – Debt Maturity Profile at 30th November 2025

51. 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 (see paragraphs 37-41).
52. Table 11 shows PWLB Certainty borrowing rates available for selected loan durations between 1st April 2025 and 30th November 2025 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	4.84%	4.99%	5.62%	6.41%	6.14%
Low	4.36%	4.62%	5.17%	5.78%	5.46%
Average	4.53%	4.81%	5.39%	6.09%	5.83%

Table 11 – PWLB Borrowing Rates 1st April 2025 to 30th November 2025

Compliance with Treasury policy Prudential Indicators

53. The Prudential Indicators for 2025/26 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 27th February 2025 (item 64) and can be viewed here:
<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&MId=15004&Ver=4>

54. 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 half of financial year 2025/26 the Council has operated within the treasury limits and Prudential Indicators set out in the TMSS for 2025/26.
55. An update of the Prudential Indicators is shown in Annex A.

Consultation Analysis

56. 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.

Options Analysis and Evidential Basis

57. The Treasury Management quarterly report and Prudential Indicators details the treasury management portfolio at 30th November 2025 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

58. 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 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

59. 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:	24/12/2025

Background papers

- Treasury Management Strategy Statement and Prudential Indicators for 2025/26 to 2029/30 and Annexes A, B, C and D to that report.
[https://democracy.york.gov.uk/\(S\(iezd4m45k3tmf22josifte55\)\)/ielssueDetails.aspx?Id=72853&Opt=3](https://democracy.york.gov.uk/(S(iezd4m45k3tmf22josifte55))/ielssueDetails.aspx?Id=72853&Opt=3)

Annexes

- Annex A - Prudential Indicators 2526 Qtr 3 (30.11.25)

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

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Annex A

	Prudential Indicator		2025/26	2026/27	2027/28	2028/29	2029/30	
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. <i>Estimate for year-end outturn positions.</i>	GF HRA Other LT Total	£99.0m £39.9m £0.5m £139.4m	£84.7m £27.5m £0.5m £112.7m	£52.8m £30.1m £0.5m £83.4m	£43.9m £29.4m £0.5m £73.8m	£58.4m £13.9m £0.5m £72.8m	
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. <i>Estimate for year-end outturn positions.</i>	GF HRA Other LT Total	£371.1m £133.5m £45.4m £550.0m	£404.0m £130.2m £44.1m £578.3m	£418.5m £133.2m £42.8m £594.5m	£429.9m £144.2m £41.6m £615.7m	£439.8m £145.1m £40.2m £625.1m	
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.	<div style="text-align: center;"> Liability Benchmark </div>						

	Prudential Indicator		2025/26	2026/27	2027/28	2028/29	2029/30	
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 revenue stream is the income from rents. Note that financing costs include debt and other long-term liabilities such as PFI and Leases. <i>Estimate for year-end outturn positions.</i>	GF HRA Total	13.80% 12.31% 13.51%	17.88% 11.74% 16.62%	18.95% 11.46% 17.45%	19.76% 11.18% 18.07%	20.09% 10.91% 18.31%	
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. <i>Estimate for year-end outturn positions.</i>	Gross Debt Invest Net Debt	£435.1m £5.0m £430.1m	£475.9m £5.0m £470.9m	£503.7m £5.0m £498.7m	£538.4m £5.0m £533.4m	£562.0m £5.0m £557.0m	

	Prudential Indicator		2025/26	2026/27	2027/28	2028/29	2029/30	
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. <i>Estimate for year-end outturn positions, unless stated as an actual.</i>	Borrowing CFR / Other long-term liabilities	£580.5m £30.0m £610.5m (£610.5m actual set at 2025/26 Strategy)	£588.3m £30.0m £618.3m (Estimate based on current CFR projection)	£604.5m £30.0m £634.5m (Estimate based on current CFR projection)	£625.7m £30.0m £655.7m (Estimate based on current CFR projection)	£635.1m £30.0m £665.1m (Estimate based on current CFR projection)	
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. <i>Estimate for year-end outturn positions, unless stated as an actual.</i>	Borrowing CFR / Short Term Liquidity Requirement	£550.0m £30.5m £580.5m (£580.5m actual set at 2025/26 Strategy)	£578.3m £10.0m £588.3m (Estimate based on current CFR projection)	£594.5m £10.0m £604.5m (Estimate based on current CFR projection)	£615.7m £10.0m £625.7m (Estimate based on current CFR projection)	£625.1m £10.0m £635.1m (Estimate based on current CFR projection)	

	Prudential Indicator		2025/26	2026/27	2027/28	2028/29	2029/30	
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. These approved limits are set each year in the Treasury Strategy.	Maturity profile of debt against approved limits	Maturity Profile	Debt (£)	Debt (%)	Approved Minimum Limit	Approved Maximum Limit	
			Less than 1 yr	£62.3m	19%	0%	30%	This is the current actual level of debt against the approved limits set at the 2025/26 Strategy.
			1 to 2 yrs	£21.0m	6%	0%	30%	
			2 to 5 yrs	£52.3m	16%	0%	40%	
			5 to 10 yrs	£66.1m	20%	0%	40%	
			10 yrs and above	£130.8m	39%	30%	90%	
			Total	£332.5m	100%	-	-	
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. This upper limit is set each year in the Treasury Strategy.	Limit / (Current investments over 364 days maturing in each 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**28 January 2026**

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 2026/27 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 2026/27. 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 2026/27 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 2026/27 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 13.01.26
Wards affected	All

Annexes

Annex A – Treasury Management Strategy Statement and Prudential Indicators for 2026/27 to 2029/30

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Meeting:	Executive
Meeting date:	27 January 2026
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 2026/27 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 2026/27 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 2026/27 including the Annual Investment Strategy and the Minimum Revenue Provision policy statement.
 - The prudential indicators for 2026/27 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.”

Capital Strategy Reporting Requirements

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.

Treasury Management Reporting Requirements

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 and Treasury Indicators report** (this report) – this covers the capital plans including Prudential Indicators, the Minimum Revenue Provision (MRP) policy, the Treasury Management Strategy and the Annual Investment Strategy.
 - **Treasury Management Mid-year report** – this is primarily a progress report to update on the capital position and the treasury activities whether any policies require revision, and to amend the Prudential Indicators as 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 2026/27

24. The Treasury Management Strategy for 2026/27 covers two main areas:

Capital issues:

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

Treasury management issues:

- The current treasury position.
- Prudential Indicators which will limit the treasury management risk and activities of the Council.
- 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 MUFG Corporate Markets 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 2026/27– 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 treasury management function involves both the forecasting of the cash flow and where capital plans require, the organisation of appropriate borrowing facilities. This Treasury Management Strategy Statement covers the Prudential and Treasury Indicators, the current and projected debt positions, and the Annual Investment Strategy.
32. 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: Upper limit for principal sums invested for longer than 365 days
33. **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 latest Capital Programme report. Members are asked to approve the capital expenditure forecasts as part of the Treasury Management Strategy Statement.

Capital Expenditure	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m

General Fund (Non HRA)	99.0	93.2	61.9	54.2	70.4
Housing Revenue Account (HRA)	40.1	28.1	30.7	30.0	14.5
Sub Total	139.1	121.3	92.6	84.2	84.9
Other Long-Term Liabilities	0.5	0.5	0.5	0.5	0.5
Total	139.6	121.8	93.1	84.7	85.4

Table 1: Capital Expenditure

34. Table 1 details the capital expenditure of the Council, based on the latest Capital Programme report, including other long-term liabilities, such as PFI and leasing arrangements which already include borrowing instruments. There are no new PFI schemes forecast to be entered into in 2026/27. 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, is included within the latest Capital Programme report.
- 36. Prudential indicator 2 - the Capital Financing Requirement (CFR) (Council's borrowing need).** This 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 estimated CFR over the forecast period.

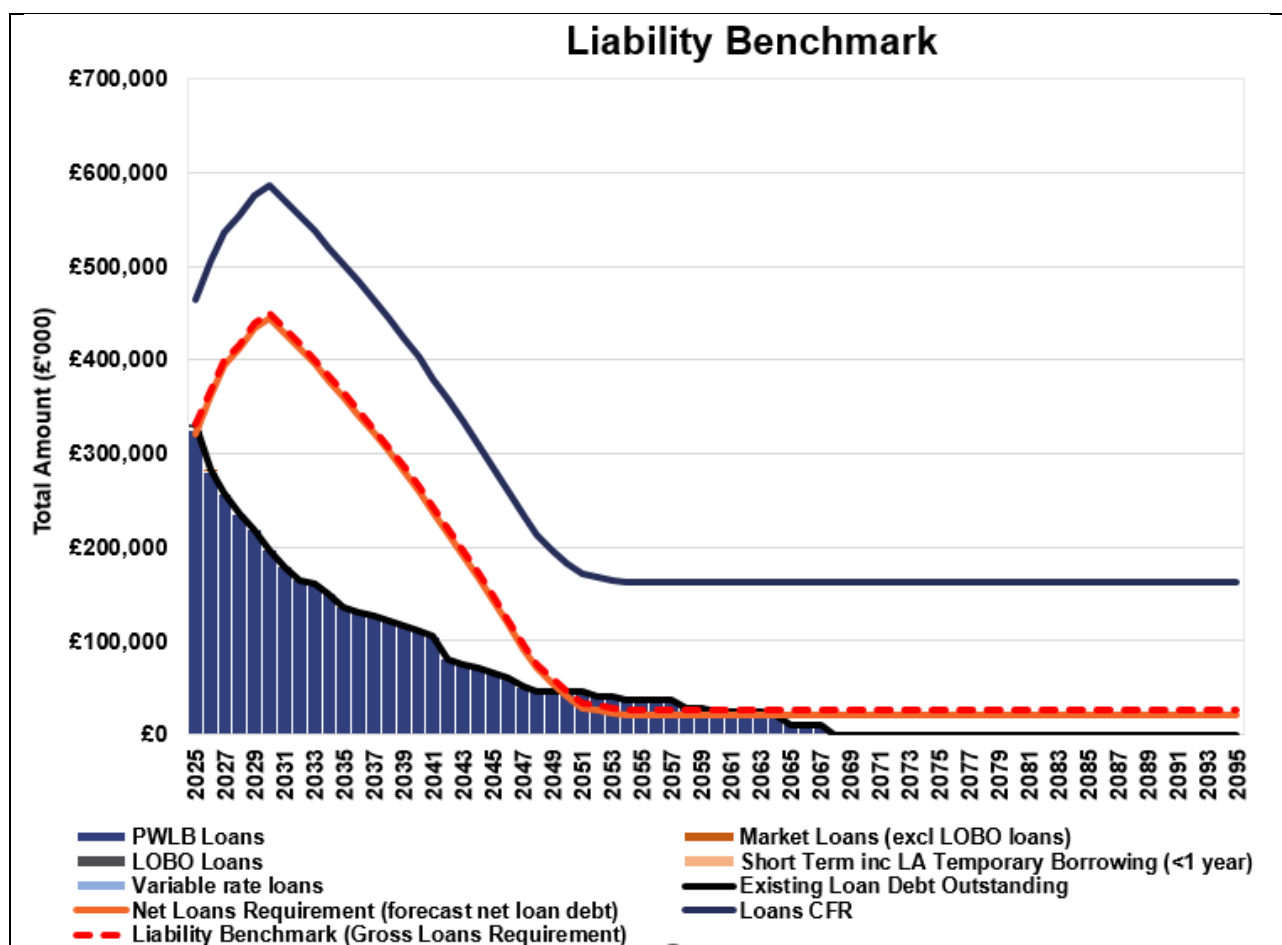
39. Table 2 below, shows the CFR, including other long-term liabilities which includes PFI and leasing. Members are asked to approve the CFR forecasts as part of Treasury Management Strategy Statement.

Capital Financing Requirement	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
General Fund (Non HRA)	371.1	405.9	420.4	431.7	441.5
Housing Revenue Account (HRA)	133.5	130.2	133.2	144.2	145.1
Other Long-term Liabilities	45.4	44.1	42.8	41.6	40.2
Total CFR	550.0	580.2	596.4	617.5	626.8

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 2025 we see the Council's current under borrowed position. In the next few 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 forecasts, 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 2026/27 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 2025/26 so far, no VRP has been made, and none is expected to be made.
 - No VRP is planned for 2026/27.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.

54.

Financing Costs	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %	2029/30 Estimate %
General Fund (Non HRA)	13.80	17.94	19.05	19.85	20.17

Housing Revenue Account (HRA)	12.31	11.74	11.46	11.18	10.91
Total	13.51	16.67	17.52	18.14	18.38

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

55. The estimates of financing costs include current commitments, and the proposals are included in the latest capital budget report.
56. 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.

Current Treasury Portfolio Position

57. The Council's treasury investment and debt portfolio position at 31st December 2025 is detailed below in table 4:

	31 st December 2025		
Institution Type	No. of Loans	Principal £m	Average Rate %
<u>Public Works Loan Board</u> PWLB – Money borrowed from the Debt Management Office (HM Treasury)	57	330.1	3.44
<u>West Yorkshire Combined Authority</u> WYCA – Zero interest loans the purpose of which are to help to fund York Central infrastructure projects.	4	2.4	0.00
Total Borrowing (GF & HRA)	61	332.5	3.42
Total Investments		11.9	4.15%
Net Treasury Position		320.6	

Table 4: Treasury position at 31st December 2025

58. Of the Council's £332.45m of fixed interest rate debt as at 31st December 2025, £140.86m was HRA and £191.59m was General Fund. The cash balance available for investment was £11.86.
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. During the 2025/26 financial year up to 31st December 2025, £20m of new borrowing has been taken 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 because of internal borrowing.
61. The Council is currently maintaining an under-borrowed position in relation to the Capital Financing Requirement, which has an effect on the level of cash available for investment, and the policy of using cash balances to delay long-term borrowing will be kept under review during the remainder of 2025/26 and into 2026/27. It is expected that as the Capital Programme progresses during 2026/27 the Council will again internally borrow and use cash balances to fund the programme, maintaining an under-borrowed position where cash balances allow (see paragraphs 76-82).
62. The Council's forward projections for borrowing, based on capital expenditure to be financed by 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, (the total borrowing, PFI and leasing), of the Council does not exceed the underlying capital borrowing need. The Director of Finance (S.151 Officer) confirms that the Council complies with this prudential indicator and does not envisage difficulties for the future.

	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Gross Projected Debt	435.1	477.9	505.7	540.4	564.0
Total CFR	550.0	580.2	596.4	617.5	626.8
Under/(over) borrowed	Under	Under	Under	Under	Under

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 the short-term, but is not sustainable in the longer-term.
68. Members are asked to approve the following Authorised Limit for the 2026/27 financial year as part of Treasury Management Strategy statement.

Authorised Limit	2025/26 £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Gross Projected Debt	435.1	477.9	505.7	540.4	564.0
Total CFR	550.0	580.2	596.4	617.5	626.8

Operational Boundary	580.5 (£580.5m set at 2025/26 Strategy)	590.2 (Estimate based on current CFR projection)	606.4 (Estimate based on current CFR projection)	627.5 (Estimate based on current CFR projection)	636.8 (Estimate based on current CFR projection)
Other Long-term liabilities	30.0	30.0	30.0	30.0	30.0
Total	610.5 (£610.5m set at TMSS 2025/26)	620.2 (Estimate based on current CFR projection)	636.4 (Estimate based on current CFR projection)	657.5 (Estimate based on current CFR projection)	666.8 (Estimate 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	2025/26 £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m	2029/30 Estimate £m
Gross Projected Debt	435.1	477.9	505.7	540.4	564.0
Total CFR	550.0	580.2	596.4	617.5	626.8
Short term liquidity	30.5	10.0	10.0	10.0	10.0
Total	580.5 (£580.5m set at 2025/26 Strategy)	590.2 (Estimate based on current CFR projection)	606.4 (Estimate based on current CFR projection)	627.5 (Estimate based on current CFR projection)	636.8 (Estimate based on current CFR projection)

Table 7: Operational Boundary

Prospects for Interest Rates

70. On 18th December 2025 the Bank of England's Monetary Policy Committee (MPC) announced it voted 5-4 to reduce Bank Base Rate to 3.75%, following the previous 2 meetings where it had been held at 4.00%. Since August 2024 the MPC has reduced rates six times by 1.50% in total. The MPC's 18th December 2025 report minutes noted that CPI inflation was falling, it was 3.2% in October 2025 and is expected to fall back towards its 2% target in 2026. Monetary policy needed to balance the risks of achieving the 2% inflation target in the medium term and this was consistent with evidence of subdued economic growth, a looser labour market, and the easing of pay growth and services inflation. Further decisions on rates would be made on the basis of evidence and data with it likely that a gradual downward path would continue.
71. 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 MUFG Corporate Markets as its treasury adviser. Part of their service is to assist the Council in formulating a view on interest rates and Table 8 below gives MUFG Corporate Markets central view forecast as at 22nd December 2025. 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
Mar 2026	3.75	4.60	5.20	5.80	5.60
Jun 2026	3.50	4.50	5.00	5.70	5.50
Sep 2026	3.50	4.30	4.90	5.60	5.40
Dec 2026	3.25	4.20	4.80	5.50	5.30
Mar 2027	3.25	4.10	4.80	5.50	5.30
Jun 2027	3.25	4.10	4.70	5.40	5.20
Sep 2027	3.25	4.10	4.70	5.30	5.10
Dec 2027	3.25	4.10	4.70	5.30	5.10
Mar 2028	3.25	4.10	4.70	5.30	5.10
Jun 2028	3.25	4.10	4.60	5.20	5.00
Sep 2028	3.25	4.10	4.60	5.20	5.10
Dec 2028	3.25	4.10	4.60	5.20	5.00
Mar 2029	3.25	4.10	4.70	5.20	5.00

Table 8 – MUFG Corporate Markets Interest Rate Forecast 22nd December 2025

72. MUFG Corporate Markets view is that bank rate will be reduced to 3.5% in quarter 2 of 2026, which is likely to follow an expected fall in CPI inflation to around the 2% target level, before a further rate cut to 3.25% in quarter 4 of

2026. However, UK inflation outlook, economic and political factors may affect the outcome of actual decisions.

Investment Rates

73. Investment returns have continued to decrease during 2025/26 as the Bank of England have gradually reduced Bank Base Rate in line with Market expectations. With interest rates expected to continue to decrease, although perhaps at a slower pace in 2026/27 as the Market considers Bank Base Rate to be close to its “neutral” rate (the lowest point in the current cycle), it is likely that longer dated fixed term investments, particularly short and medium fixed term deals up to one year, if entered into prior to rate cuts would help to keep investment earnings higher in 2026/27.
74. While a degree of liquidity is required to cover cash flow needs, opportunities to place fixed term investments will be monitored and considered in light of the Council continuing to run a lower average cash balance position to utilise cash balances to temporarily fund the capital programme and delay long term borrowing. This is because 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 59 - 61).
75. It is anticipated that the Council will continue to hold liquid or short-term investments in 2026/27 foregoing any higher interest rates that may be obtained from longer term investments. The reason for this is that the Council is currently maintaining and running 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 while interest rates for borrowing have remained elevated. 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

76. MUFG Corporate Markets long-term (beyond 10 years) forecast for Bank Rate is 3.50%. Currently all PWLB Certainty rates are significantly above this level and better value can be obtained with shorter dated borrowing. Temporary borrowing rates are generally expected to fall in line with Bank Rate. The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of the MUFG Corporate Markets forecasts (see Table 8), but the risks to those forecasts are generally to the upsides. Target borrowing rates are set two years forward on the expectation rates continue to reduce and the current PWLB Certainty rates are set out below:

PWLB Borrowing Period	Current PWLB Borrowing Rate (As at 22.12.25 pm)	MUFG Target PWLB Borrowing Rate (end of Q4 2027)
	%	%
5 years	4.81	4.10
10 years	5.39	4.70
25 years	6.01	5.30
50 years	5.78	5.10

**Table 9 – MUFG Corporate Markets Target Borrowing Rates Forecast
22nd December 2025**

77. 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. 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.
78. 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

79. 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. 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 2026 even where further rate cuts arise.
80. 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 short term borrowing 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 borrowing 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.

81. 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.

82. All decisions will be reported to the Executive and Audit & Governance Committee at the earliest meeting following its action.

Prudential Indicator 6 – Maturity of Borrowing

83. 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.

84. 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.

85. 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	2025/26 Debt	2025/26 Debt
Under 12 months	0%	30%	19%	£62.3m
12 months to 2 years	0%	30%	6%	£21.0m

2 years to 5 years	0%	40%	16%	£52.3m
5 years to 10 years	0%	40%	20%	£66.1m
10 years and above	30%	90%	39%	£130.8m
Total Borrowing			100%	£332.5m

Table 10: Maturity structure of borrowing at 31st December 2025

Policy on Borrowing in Advance of Need

86. 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.
87. 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

88. 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.
89. 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

90. 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.
91. Currently the PWLB Certainty rate is set at gilts + 80 basis points. To access the Certainty Rate, Councils are required to submit and update as required information on their capital plans and borrowing projections annually. From 15th June 2023 a rate of gilts + 40 basis points was introduced for HRA borrowing. The Autumn Budget 2024 confirmed that the availability of this rate would continue to March 2026. An announcement is expected in January 2026 as to whether or not this rate will be continued beyond March 2026.
92. Consideration may still need to be given to sourcing funding from other sources, where for example this may offer better value, achieve a certain objective such as forward dated borrowing to avoid a “cost of carry”, or for refinancing certainty. Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

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, once the three investment priorities of security, liquidity and yield have been satisfied.

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 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. Subsequently, a further extension to the over-ride to 31st March 2029 was agreed by Government but only for those pooled investments made before 1st April 2024.

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 temporarily 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 MUFG Corporate Markets. 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:

- "Watches" and "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, and any assigned Watches and 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 semi 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, money market funds and collateralised deposits where the collateral is UK Government debt.*

101. The MUFG Corporate Markets 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 as part of the treasury management reconciliations. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets 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 spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis by MUFG Corporate Markets. 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 any external support for banks to help its decision-making process, the suitability of each counterparty is based heavily on advice from MUFG Corporate Markets.

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 – note that the list provided is based on the lowest rating from Fitch, Moody's and S&P. 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 cashflow 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 cashflow requirements in accordance with the creditworthiness policy set out in this strategy.

108. For its cashflow generated balances for 2026/27, it is expected 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. Any investment will be undertaken in accordance with the creditworthiness policy set out in this strategy (see Annex B for type of investments, lending and transaction limits).

109. **Prudential Indicator 8 – Upper limit for principal sums invested longer than 365 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 365 days is £15m. Members are asked to approve the following Treasury Prudential Indicator and limit as part of Treasury Management Strategy statement:

	2025/26	2026/27	2027/28	2028/29	2029/30
Maximum limit for investments over 365 days	£15.0m	£15.0m	£15.0m	£15.0m	£15.0m
Current investments as at 31/12/25 invested over 365 days maturing in each year	£0.0m	£0.0m	£0.0m	£0.0m	£0.0m

Table 11: Upper limit for principal sums invested longer than 365 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, cashflow 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 mid-year and quarterly 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 Director of Finance and Section 151 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, MUFG Corporate Markets. MUFG Corporate Markets offers the Council a comprehensive information and advisory service that facilitates the Council in maximising its investment returns and minimising 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 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

Contact Details

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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 2026 – 2029.

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 1st November 2012.

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

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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 £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</i>	<i>£15m £15m £15m £15m</i>	<i>5 year 2 year 1 year 1 year</i>

	<i>Red Green</i>	<i>£15m £8m</i>	<i>6 months 100 days</i>
<i>Floating Rate Notes</i>	<i>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 £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 £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>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 and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the MUFG Corporate Markets creditworthiness service.

This list is as at 23rd December 2025 (based on the lowest available rating)

Based on lowest available rating**AAA**

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

AA+

- Canada
- U.S.A.

AA

- Finland

AA-

- U.K

A+

- Belgium
- France

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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) Director of Finance (Section 151 Officer)

- All operational decisions are delegated by the Council to the Director of Finance, 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 Director of Finance (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.*

Approved Sources of Long and Short-term Borrowing**Annex E**

On Balance Sheet	Fixed	Variable
PWLB	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK National Wealth Fund	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local/Community Municipal Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leases	●	●

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Meeting:	Audit & Governance Committee
Meeting date:	28 th January 2026
Report of:	Debbie Mitchell, Director of Finance (S151 Officer)
Portfolio of:	Councillor Lomas, Executive Member for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Audit and Governance Committee Report: Monitor 3 2025/26 – Key Corporate Risks

Subject of Report

1. The purpose of this paper is to present Audit & Governance Committee with an update on the key corporate risks (KCRs) for City of York Council (CYC), which is included at Annex A.

Policy Basis

2. The effective consideration and management of risk within all the council's business processes helps support the administration's key commitments and priorities as outlined in the Council Plan 2023-2027.

Recommendation and Reasons

3. Audit and Governance Committee are asked to:
 - a) consider and comment on the key corporate risks included at Annex A, summarised at Annex B;
 - b) note and provide feedback on the in-depth review of KCR 7 (Capital Program) at Annex C;
 - c) provide feedback on any further information that they wish to see on future committee agendas;

Reason:

To provide assurance that the authority is effectively understanding and managing its key risks.

Background

4. The role of Audit & Governance Committee in relation to risk management is to receive;
 - assurance with regards to the governance of risk, including leadership, integration of risk management into the wider governance arrangements of the council including CMT ownership and accountability
 - the up-to-date key corporate risk profile including the effectiveness of risk management actions; and
 - monitoring the effectiveness of risk management arrangements in supporting the development and embedding of good practice across the organisation
5. Risks are usually identified in three ways at the Council;
 - A risk identification workshop to initiate and/or develop and refresh a risk register. The risks are continually reviewed through directorate management teams (DMT) sessions.
 - Risks are raised or escalated on an ad-hoc basis by any employee
 - Risks are identified at DMT meetings
6. Due to the diversity of services provided, the risks faced by the authority are many and varied. The Council is unable to manage all risks at a corporate level. Best practice is to focus on the significant risks to the council's objectives these are known as the key corporate risks (KCRs).
7. The corporate risk register is held digitally in 'Magique'. The non KCR risks are specific to council directorates and consist of both strategic and operational risk. Operational risks are those which affect day to day operations and underpin the directorate risk register. All

operational risk owners are required review their risks on a regular basis and inform the risk management service of any changes.

8. In addition to the current KCRs, in line with the RM policy, risks identified by any of the Directorates can be escalated to Council Management Team (CMT) for consideration as to whether they should be included as a KCR. KCRs are reported and discussed quarterly with CMT and Portfolio Holders. KCR's can also be reduced to directorate level risk as part of this process.

Key Corporate Risk (KCR) update

9. There are currently 11 KCRs which are included at Annex A in further detail, alongside progress in managing the risks.
10. At A&G on 30th July A&G members asked for the Capital Programme risk to be brought forward and it has replaced KCR 5 'Safeguarding' in this monitor (Monitor 3). There was also a discussion around whether subsequent risks arising from the implementation of the local plan may give rise to a further/new KCR's. To date officers have not brought any forward however CMT are undertaking a risk workshop in February 2026 which will allow them to review and consider all existing and new KCR's.
11. Annex B provides a one-page summary of all the KCR's and their current gross and net risk ratings.
12. In summary the key risks to the Council are:
 - KCR1 – Financial Pressures: The Council's increasing collaboration with partnership organisations and ongoing government funding cuts will continue to have an impact on Council services
 - KCR2 – Governance: Failure to ensure key governance frameworks are fit for purpose.
 - KCR3 – Effective and Strong Partnership: Failure to ensure governance and monitoring frameworks of partnership arrangements are fit for purpose to effectively deliver outcomes.
 - KCR4 – Changing Demographics: Inability to meet statutory deadlines due to changes in demographics

- KCR5 – Safeguarding: A vulnerable child or adult with care and support needs is not protected from harm
- KCR6 – Health and Wellbeing: Failure to protect the health of the local population from preventable health threats.
- KCR7 – Capital Programme: Failure to deliver the Capital Programme, which includes high profile projects
- KCR8 – Communities: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services.
- KCR9 – Workforce Capacity: Reduction in workforce/ capacity may lead to a risk in service delivery.
- KCR10 – External market conditions: Failure to deliver commissioned services due to external market conditions.
- KCR11 – Major Incidents: Failure to respond appropriately to major incidents. This includes regular incidents such as Flood and a Major fire to national and international incidents such as Pandemic, Climate change, Supply chain failure.

13. Risks are scored at gross and net levels. The gross score assumes controls are in place such as minimum staffing levels or minimum statutory requirements. The net score will consider any additional measures which are in place such as training or reporting. The risk scoring matrix is included at Annex D for reference.
14. The following matrix categorises the KCRs according to their net risk evaluation. To highlight changes in each during the last quarter, the number of risks as at the previous monitor are shown in brackets.

Impact					
Critical					
Major		1 (1)	4 (5)	1 (1)	
Moderate		1 (1)	3 (3)	1 (1)	
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

15. By their very nature, the KCRs remain reasonably static with any movement generally being in further actions that are undertaken which strengthen the control of the risk further or any change in the risk score. In summary, key points to note are as follows;

- New Risks- No new KCRs have been added since the last monitor.
- Increased Risks – No KCRs have increased their net risk score since the last monitor
- Reduced Risks – No KCRs have reduced their net risk score since the last monitor

Updates to KCR risks, actions and controls

16. KCR 2 – Governance: New risk detail, new implications, new controls and amended actions.

New risk detail:

- Transition to new Cyber Assessment Frameworks (CAF) for NHS Data Security and Protection Toolkit (DSPT) and PSN
- Increasing risk of adverse cyber event.

New implications:

- Operational disruption if restrictions or removal of NHS system access and/or NHS data use, due to non-compliance with CAF
- An adverse cyber event would likely result in significant disruption to key Council services, with short-, medium-, and long-term implications

New controls:

- ICT security check point process in place ahead of new service or system introduction.
- Regular ICT System audit process in place.

- Sessions with CMT and DMT's - raise awareness of digital/cyber risk and security requirements.
- Conduct CAF gap analysis and develop improvement plan.
- Allocate clear ownership for CAF objectives across the council/IG and ICT
- Engage suppliers/contractors to ensure compliance with CAF-aligned requirements
- Continued update of the Council's firewall and countermeasures, together with regular staff communication, exercising of BCPs, and mutual aid arrangements.

New action:

- Information and mitigation has been added in relation to prospective change to Cyber Assessment Frameworks and cyber intrusion.

17. KCR 3 – Effective and Strong Partnerships: New risk detail and addition of new controls:

New risk detail:

- Financial pressure remains with Integrated Care System partners currently undergoing a restructure set against a new DHSC-led "blueprint" with impacts on council not yet understood

New controls:

- Sustainability Leaders Group meets quarterly (in person and online) to discuss climate action, funding opportunities and potential joint projects including active travel planning and energy partnerships.
- York Economic Partnership meets quarterly to explore opportunities for the city, and continue discussions initiated at MCA Business Board
- York and North Yorkshire Business Intelligence group comprised of business representative organisations sharing issues and intelligence from their networks meets monthly

18. KCR 4 – Changing Demographics: Further detail has been provided around the demographic data and where that can be found.
19. KCR 9 – Workforce Capacity: Dates amended for the delivery of the actions
20. As agreed at this committee in November 2024, a cycle of in-depth reviews will be carried out whereby one KCR is reviewed in detail and the risk owner attends that meeting to assist with the conversation. This monitor (Monitor 3 2025/26) it is KCR 7 (Capital Program) that is under review.

Consultation Analysis

21. Not applicable

Risks and Mitigations

22. In compliance with the council's Risk Management Strategy, there are no risks directly associated with the recommendations of this report. The activity resulting from this report will contribute to improving the council's internal control environment.

Contact details

For further information please contact the authors of this report.

Author

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Job Title:	Customer Finance Risk & Insurance
Service Area:	Corporate Services
Report approved:	Debbie Mitchell
Date:	13/01/2026

Background papers

None

Annexes

- Annex A: Key Corporate Risk Register

- Annex B: Summary of Key Corporate Risks
- Annex C: KCR 7 Capital Program
- Annex D: Risk Scoring Matrix

Changes to Risk Register since last update (August 2025)

Key Corporate Risk	Changes
KCR1 Financial Pressures	No changes
KCR2 Governance	New risk detail, new implications, new controls, amended actions
KCR3 Effective and Strong Partnerships	New risk detail, addition of new controls
KCR4 Changing Demographics	Amended action detail and date
KCR5 Safeguarding	No changes
KCR6 Health and Wellbeing	No changes
KCR7 Capital Programme	No changes
KCR8 Communities	No changes
KCR9 Workforce (incl Health & Safety)	Amended action dates
KCR10 External Market Conditions	No changes
KCR11 Major Incidents	No changes

ANNEX A
KEY CORPORATE RISK REGISTER AT December 2025

KCR 1 FINANCIAL PRESSURES: The ongoing government funding cuts and the impact of the cost of living crisis will continue to have an impact on council services. Over the course of the last 10 years there has been a substantial reduction in government grants leading to significant financial savings delivered. The council needs a structured and strategic approach to deliver the savings in order to ensure that any change to service provision is aligned to the council's key priorities. In addition, other partner organisations are facing financial pressures that impact on the council.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Reduction in government grants leading to the necessity to make savings</p> <p>Election of new government results in changes to local government settlement</p> <p>Increased service demand and costs (for example an aging population).</p> <p>Financial pressures on other partners that impact on the council</p> <p>Uncertainty around future funding</p> <p>Lasting financial impact of the pandemic on the economy as a whole</p> <p>Increased severity and frequency of climate hazard events (e.g. flooding)</p> <p>Inflation falls slower than anticipated or starts to rise again</p>	<p>Potential major implications on service delivery</p> <p>Impacts on vulnerable people</p> <p>Spending exceeds available budget</p> <p>Lack of long term funding announcements from central government creates uncertainty which hinders long term financial planning</p> <p>Lack of long term funding announcements from central government may impact on staff retention as it creates uncertainty for temporary posts funded by external funding</p> <p>An economic downturn will affect the Council's main sources of funding; reducing business rates income if premises are vacant and reducing council tax income if more individuals require support due to unemployment.</p>	Highly Probable	Major (21)	<p>Regular budget monitoring</p> <p>Effective medium term planning and forecasting</p> <p>Chief finance officer statutory assessment of balanced budget</p> <p>Regular communications on budget strategy and options with senior management and politicians</p> <p>Transformation team developing programme of work to manage future demand and increase efficiency</p> <p>Skilled and resourced finance and procurement service, supported by managers with financial awareness.</p> <p>Climate change mitigation and adaptation programme</p> <p>Financial Strategy approved.</p> <p>Cost control measures are in place including ceasing non-essential spend</p> <p>Monthly cost control panels are held.</p>	Probable	Major (20)	Unchanged	<p>RISK OWNER: Debbie Mitchell</p> <p>Development of Financial Strategy for 2026/27</p> <p>(Debbie Mitchell 31/01/2026)</p> <p>NEW</p> <p>Respond to Fair Funding Review consultation</p> <p>(Debbie Mitchell 15/08/2025)</p>

ANNEX A
KEY CORPORATE RISK REGISTER AT December 2025

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Increased risk of UK recession</p> <p>General cost pressures due to impact of Ukraine conflict.</p> <p>UK Bank of England Interest rate expected to remain high</p>	<p>Increased cost of responding to emergency situations, as a result of climate change, and impact on service delivery.</p> <p>Increased interest rates and the continued impact of inflation will reduce the overall funding available to the Council and may therefore lead to reductions in service levels in some areas.</p> <p>Council is unable to set a balanced budget or is required to request exceptional financial support from central government</p>			Corporate Improvement Framework has been established and includes training around financial literacy where appropriate/required.				

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KCR 2 GOVERNANCE: Failure to ensure key governance frameworks are fit for purpose. With the current scale and pace of transformation taking place throughout the organisation it is now more important than ever that the council ensures that its key governance frameworks are strong particularly those around statutory compliance including information governance and transparency.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Increased interactions in relation to FOIA and transparency, and failures to adhere to statutory timescales for responses.</p> <p>Failure to comply with data protection and privacy legislation</p> <p>Failure to comply with regulator audit or inspection actions</p> <p>Failure to have and adhere to consistent and effective records management based on established standards, codes of practice etc</p> <p>Increased resource, capacity and workload demands resulting from any or all the above</p> <p>Transition to new Cyber Assessment Frameworks (CAF) for NHS Data Security and Protection Toolkit (DSPT) and PSN</p>	<p>Increases in decision or enforcement notices or other penalties including monetary fines by regulators such as Information Commissioner</p> <p>Potential legal action including criminal action against the council and/or individual(s) if knowing and reckless breaches of data protection legislation occur, and/or failing to comply with regulator audit, inspection or other notices</p> <p>Reduced or removed ability for the council to use covert surveillance.</p> <p>Potential increased costs to the council if there are successful individual claims for compensation as a result of breaches of data protection and privacy legislation.</p> <p>Impact on the end user/customer</p> <p>Reduced confidence in the council's ability to deal with FOIA/EIR and other information requests and in</p>	Probable	Major (20)	<p>ICT and ICT security policies and procedures such as Electronic Communication Policy</p> <p>ICT security systems in place</p> <p>ICT security check point process in place ahead of new service or system introduction.</p> <p>Regular ICT System audit process in place.</p> <p>Sessions with CMT and DMT's - raise awareness of digital/cyber risk and security requirements.</p> <p>Provision and ongoing review of information governance policies and procedures including regular all staff or targeted communications</p> <p>Mandatory all staff awareness training (new and ongoing) for data protection and information security</p> <p>Provision of role specific training eg covert surveillance, information asset etc</p>	Possible	Major (19)	Revisions to and new additions for risk details, implications and controls	<p>RISK OWNER: Bryn Roberts</p> <p>Information and mitigation has been added in relation to prospective change to Cyber Assessment Frameworks and cyber intrusion.</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Increasing risk of adverse cyber event.	<p>turn, its openness and transparency.</p> <p>Adverse media/ social media coverage</p> <p>Reputational impact leading to loss of required accreditations such as NHS, etc</p> <p>Impact on records being available for future historical and research purposes</p> <p>Operational disruption if restrictions or removal of NHS system access and/or NHS data use, due to non-compliance with CAF</p> <p>An adverse cyber event would likely result in significant disruption to key Council services, with short-, medium-, and long-term implications.</p>			<p>Governance, Risk and Assurance Group (GRAG) covers a wide range of governance issues</p> <p>Regular Internal Audit reviews of information governance including physical data security for the Council.</p> <p>Regular monitoring reports to Audit & Governance committee and Corporate management Team and/or appropriate Scrutiny Committee(s)</p> <p>Provision of information and data on York Open Data and the council website</p> <p>Regular review of publication scheme and transparency code legislation to ensure ongoing compliance</p> <p>Ongoing management of data architecture to provide de-personalised data to open data platform</p> <p>Public Protection Annual Control Strategy</p> <p>Additional resource, training and improved processes to</p>				

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>deal with FOIA/EIR and other information requests</p> <p>Officer and delegated decisions are published as necessary to ensure transparency</p> <p>Maintaining the strengthened relationship between Senior Information Risk Officer (SIRO)/ Director of Governance and the Caldicott Guardian</p> <p>Ongoing review of Council constitution.</p> <p>New induction programme for elected members including training in respect of the Code of Conduct and conflict of interests.</p> <p>Members now supplied with standard ICT equipment which will help to ensure appropriate information security and Information Governance.</p> <p>Conduct CAF gap analysis and develop improvement plan.</p> <p>Allocate clear ownership for CAF objectives across the council/IG and ICT</p>				

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				Engage suppliers/contractors to ensure compliance with CAF-aligned requirements Continued update of the Council's firewall and countermeasures, together with regular staff communication, exercising of BCPs, and mutual aid arrangements.				

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KCR 3 EFFECTIVE AND STRONG PARTNERSHIPS: Failure to ensure partnership arrangements are fit for purpose to effectively deliver outcomes. In order to continue to deliver good outcomes and services, the council will have to enter into partnerships with a multitude of different organisations whether they are public, third sector or commercial entities. The arrangements for partnership working need to be clear and understood by partners to ensure they deliver the best possible outcomes.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to effectively monitor and manage partnerships</p> <p>Partner (especially NHS, Academies) financial pressures may affect outcomes for residents</p> <p>Unilateral decisions made by key partners may affect other partners' budgets or services</p> <p>Priorities of the Mayor does not align with council /or city priorities</p> <p>Financial pressure on York and Scarborough Teaching Hospitals NHS Foundation Trust (YTHFT) and the Humber and North Yorkshire Health and Care Partnership ICS Board which may have worsened further due to Covid-19 and the cost of living crisis and ongoing demand on services</p>	<p>Key partnerships fail to deliver or break down</p> <p>Failure to utilise commitment to the city, reduced impact overall impact</p> <p>Misalignment of organisations' ambitions and direction of travel</p> <p>Ability to deliver transformation priorities undermined</p> <p>Delays in funding lead to missed opportunities</p> <p>Adverse impact on service delivery</p> <p>Funding implications</p> <p>Reputational impact</p>	Probable	Major (20)	<p>Account management approach to monitoring key partnerships. CMT identified the 100 organisations who have the most potential to influence or affect organizational and city aims and priority outcomes for residents, and have established a partner programme to continue to engage them. Directors and Chief Operating Officer lead on specific relationships with meeting scheduled arranged to meet partner requirements.</p> <p>City Leaders groups meet regularly with an annual programme shared in advance, and groups terms of reference and membership published on Outside Bodies. Thematic and functional partner groups meet regularly to discuss key issues and identify areas to work together on.</p> <p>Place Making Board established to provide strategic steer for city issues that intersect with region/national policy challenges and meets every six months to discuss key challenges, chaired by Leader, with updates provided by strategic partners.</p>	Possible	Moderate (14)	No change	<p>RISK OWNERS: Claire Foale</p> <p>No current actions, ongoing monitoring of current controls</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Cumulative impacts of the pandemic and cost of living crisis and a reduction in volunteering on voluntary and community sector</p> <p>Financial pressure remains with ICS partners currently undergoing a restructure set against a new DHSC-led "blueprint" with impacts on council not yet understood</p>				<p>The Integrated Care System has a strategy in place that aligns with the Joint Health & Wellbeing Board . The York Place Board will oversee the delivery of this at a Place level. Financial pressure remains, with a newly established joint Commissioning Group chaired by the Director of Public Health however the Council, ICS and the Acute Trust work together to reduce delays increase flow to reduce escalation beds and increase staffing.</p> <p>Arrangements with the MCA inform priorities, with the Strategy and Partnerships team maintaining a central coordination role, and the approved "pipeline" and subsequent response (York's Growth Ambitions) to Local Growth Plan confirming areas of focus. The MCA are developing a series of consultative sessions with different officer groups to help ensure MCA Committee decisions include thorough briefings.</p> <p>Internal co-ordination through Policy Network who meet regularly to understand and inform areas of work and what is happening across agendas (including overall monitoring of arrangements with voluntary & community sector as part of prevention and early help work)</p> <p>Commissioners and the NHS place directors are working closely to deliver</p>				

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>a number of key joint services across health and social care.</p> <p>Joint project group with NHS/ICB/Council to develop integrated neighbourhood team model and review assets.</p> <p>The York Health and Care Board is now in place chaired by Ian Floyd, which supports an integrated decision-making approach across organisations</p> <p>Sustainability Leaders Group meets quarterly (in person and online) to discuss climate action, funding opportunities and potential joint projects including active travel planning and energy partnerships.</p> <p>York Economic Partnership meets quarterly to explore opportunities for the city, and continue discussions initiated at MCA Business Board.</p> <p>York and North Yorkshire Business Intelligence group comprised of business representative organisations sharing issues and intelligence from their networks meets monthly.</p>				

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KCR 4 CHANGING DEMOGRAPHICS: Inability to meet statutory duties due to changes in demographics. Over time, the demographic makeup of York's population is shifting due to a number of factors including new housing, inward migration, and natural population shifts due to birth and death patterns. A number of these changes, for instance the increasing number of people living with health and care needs, bring with them significant challenges particularly in the delivery of social care and public health services. The council needs to ensure that community impacts are planned for and resourced.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Development and regeneration makes York more desirable and accessible to residents, students and business, resulting in increasing inward migration to York.</p> <p>Population growth including that caused by additional housing through the Local Plan brings a greater rise in demand for council services than the associated growth in funding</p> <p>The gradual aging of the population increases care and support needs which outstrip council resources</p> <p>An increase in complexity of needs requiring council support is seen as people get older and live longer in ill health</p> <p>Growth in specific cohorts of the population, for instance a growth in the number of people with a</p>	<p>The impact of additional demands may cause significant financial and delivery challenges in meeting statutory duties, such as the cost of care provision, school placements, SEND provision, mental health care and support, adult social care and demand for environmental services (eg waste collection)</p> <p>For some people, if those statutory needs are not met, harm may occur to the individual.</p> <p>If the funding available to the council does not keep up with the financial pressures of these demands, a greater proportion of council overall funding must be spent on meeting statutory duties, reducing the ability of the council to deliver discretionary services.</p>	Probable	Major (20)	<p>Place planning strategy to ensure adequate supply of school places</p> <p>Local area working structures in frontline services, including Early intervention initiatives and neighbourhood working</p> <p>Strengths based assessment and care management reviews to see to reduce and delay needs for social care support and promote greater independence.</p> <p>Advice and Information Strategy providing residents with direct access to support and services, to enable sign posting and self help.</p> <p>Closer integrated work with NHS commissioning partners through the place partnership</p> <p>York Skills Strategy</p> <p>Redesign and implementation of new arrangements for early help and prevention, for instance the RAISE York programme, children's social care reform, integrated neighbourhood working e.g. Mental Health and Frailty Hub</p>	Possible	Major (19)	No change	<p>RISK OWNER: SARA STOREY</p> <p>REFRESHED DATA ANALYSES – PETER RODERICK</p> <p>ongoing monitoring of current controls</p> <p>Analysis on 'York's changing population' including projections for population numbers and impact on health and care has been published on the JSNA website. (Peter Roderick) 31/12/2025</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>disability or living with dementia is not matched by an adjustment in the way services are delivered to include and cater for the needs of these cohorts</p> <p>Demographic change in the working age population meaning workforce supply unable to meet workforce demand</p> <p>Changes to the costs of externally commissioned services related to increased land and property values</p>	<p>The council may experience a reputational impact if services are not delivered to a good standard</p> <p>Risk of legal challenge, with very significant consequences if statutory duties are not met, up to and including government intervention; criminal prosecution; civil challenge; and or financial sanctions.</p> <p>The ability to steer, shape, signal and manage the external care provider market is impeded where the council-commissioned share of that market reduces, for example where the self-funded share increases.</p> <p>Inability to recruit workers in key service areas in sufficient numbers to meet demands e.g. care and support workers</p>			<p>Ongoing analysis of the Local Plan and Major development projects demographic data to determine the impact on all CYC services.</p> <p>Partnership working to identify ways to make best use of the 'York pound' where other key organisations in the city or region have a mutual interest in preventing or reducing need and in working together to meet need more efficiently and more effectively (such as the combined authority; health partners; education providers; voluntary sector organisations; and private providers of health and care services).</p> <p>Impact assessment and analysis included as part of every formal decision, to assess the likely effect for people in specific groups or with specific needs in the city.</p> <p>Prioritisation of funding towards meeting statutory duties, to reduce legal risks and risks of harm to people</p> <p>A whole system, whole council approach to supporting people in York to live as independently as possible, for as long as possible.</p>				

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				Data analysis to inform modelling of demand, forecasting and budget setting for key services				

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KCR 5 SAFEGUARDING: A vulnerable child or adult with care and support needs is not protected from harm. Ensuring that vulnerable adults and children in the city are safe and protected is a key priority for the council. The individual, organizational and reputational implications of ineffective safeguarding practice are acute.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to protect a child or vulnerable adult from death or serious harm (where service failure is a factor)</p> <p>Poor outcome from statutory inspection (Ofsted) or assessment (CQC).</p> <p>Supply failure within the national care market for children's placements following OFSTED introduction for ages 16-17</p>	<p>Vulnerable person not protected</p> <p>Children's serious case review or lessons learned exercise</p> <p>Safeguarding adults review</p> <p>Reputational damage</p> <p>Serious security risk</p> <p>Financial implications, such as compensation payments</p> <p>Financial and resource implications of an increase in demand as a result of shortage in supply of placements</p> <p>Financial investment required as a result of a failed inspection</p>	Probable	Major (20)	<p>Safeguarding sub groups</p> <p>Multi agency policies and procedures</p> <p>Specialist safeguarding cross sector training</p> <p>Quantitative and qualitative performance management</p> <p>Reporting and governance to lead Member, Chief Executive and Scrutiny</p> <p>Annual self assessment, peer challenge and regulation</p> <p>Audit by Veritau of Safeguarding Adults processes</p> <p>Children's and Adults Safeguarding Boards (LSCB & ASB)</p> <p>Ongoing inspection preparation & peer challenge</p> <p>Local and Regional Data analysis</p> <p>National Prevent process</p> <p>DBS checks and re-checks</p>	Possible	Major (19)	No change	<p>RISK OWNERS: Sara Storey & Martin Kelly</p> <p>No current actions – ongoing monitoring of current controls</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>Effectively resourced and well managed service, supported by robust workforce strategy and clear practice model</p> <p>Effective recruitment to senior roles with expert assessment contributing to the process</p> <p>Annual Safeguarding Board annual plan</p> <p>Controls implemented from peer review action plan</p> <p>Chief Officer Group which brings together Chief Officers from relevant organisations in relation to safeguarding eg police, CYC</p> <p>Children's Social Care records system is upgraded. This is monitored by a project board.</p> <p>Ongoing work to ensure capacity is assured to enable any increase in demand to be met after introduction of new OFSTED requirements in children's care homes</p> <p>Use of different methods of contact methods for vulnerable children, such as facetime, alongside working with the DoE and Ofsted</p> <p>Improvement Plan for Children's social care in place since 2020</p>				

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>Ambition and Assurance Board oversight of ambition plan for adult social care</p> <p>Improvement Plan for Adult Social Care to address current budget pressures in place May 2021</p> <p>Increasing internal placement options with York by developing LA operated residential care</p> <p>Increasing targeted advertising to attract Foster Carers and increase capacity</p> <p>Adults Safeguarding Board Manager is in post</p>				

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KCR 6 HEALTH AND WELLBEING: Failure to protect the health of the local population from preventable health threats through preventable control measures.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to protect the health of citizens against preventable disease by ensuring appropriate levels of vaccination, immunisation and screening.</p> <p>Failure to ensure there are plans in place to respond to wide-scale impacts on the health of citizens from future pandemics, infectious diseases, new and emerging drug trends, environmental hazards and the health impacts of adverse weather impacts</p> <p>Infectious disease outbreaks, rising cost of living, healthcare service pressures eg waiting lists and wider societal changes could adversely impact health.</p> <p>Demand for early intervention and prevention services which aim to improve and protect health could outstrip supply</p>	<p>Likelihood of mass disease outbreaks</p> <p>Risk to life of chemical, biological or radiological hazard</p> <p>Late diagnosis & delay in treatment of health conditions that could be prevented through eg healthier lifestyles and / or healthier living, identified earlier through e.g. routine screening, or prevented through e.g. vaccination</p> <p>Reduction in life expectancy and quality of life</p> <p>Increase in health inequalities between population groups in the city</p>	Probable	Major (20)	<p>York Health Protection Committee is established with good engagement with partners locally and regionally.</p> <p>The Health Protection Committee will produce an Annual Health Protection Report for CYC Executive to approve</p> <p>Health protection governance arrangements are subject to regular inspection through the internal audit cycle.</p> <p>Emergency Preparedness arrangements including NYLRF arrangements, plans and exercises</p> <p>Mass vaccination programme for flu and Covid 19</p> <p>The 2022-2032 Health and Wellbeing Strategy sets 10 clear population health goals to improve health and the conditions which create health</p> <p>Climate change mitigation and adaptation programme</p> <p>Ongoing Public Health grant assurance process with DHSC to ensure the effective use of public health resources.</p>	Probable	Moderate (15)	No change	<p>RISK OWNER: PETER RODERICK</p> <p>No current actions, continuous monitoring of controls.</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Failure to protect citizens from the adverse health impacts of climate change								

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KCR 7 CAPITAL PROGRAMME: Failure to deliver the Capital Programme, which includes high profile projects. The capital programme currently has a budget of £427mm from 2025/26 to 2029/30. The schemes range in size and complexity but are currently looking to deliver several high profile projects, including Station Gateway and York Central.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Complex projects with inherent risks</p> <p>Large capital programme being managed with reduced resources across the Council</p> <p>Increase in scale of the capital programme, due to major projects and lifting of borrowing cap for Housing</p> <p>Cost pressures due to fluctuating inflation rate (particularly in Construction where 20-30% increases in costs have been seen)</p> <p>UK Bank of England interest rate expected to remain higher than previously forecast</p>	<p>Additional costs and delays to delivery of projects</p> <p>The benefits to the community are not realised</p> <p>Reputational Damage</p> <p>Pausing or stopping projects because of the economic climate may create some compliance issues and may mean that existing projects require extensions</p> <p>Increased interest rates and the continued impact of inflation will reduce the overall funding available to the Council and may therefore lead to reductions in service levels in some areas.</p>	Probable	Major (20)	<p>Project boards and project plans</p> <p>Regular monitoring of schemes</p> <p>Capital programme reporting to Executive and CMT</p> <p>Financial, legal and procurement support included within the capital budget for specialist support skills</p> <p>Project Management Framework</p> <p>Additional resource to support project management</p> <p>5 year Capital Strategy approved annually</p> <p>Capital Programmes are sufficiently staffed to deliver to timescales</p> <p>Internal Audit Report gave reasonable assurance on project management arrangements</p>	Probable	Moderate (15)	Slightly worse	<p>RISK OWNER: Debbie Mitchell and Garry Taylor</p> <p>Development of capital strategy for 2026/27 (Debbie Mitchell, 31/01/2026)</p> <p>NEW Review of major capital projects governance to be undertaken, including development of a resource plan</p> <p>(Garry Taylor & Debbie Mitchell 30/09/2025)</p>

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KCR 8 COMMUNITIES: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services. The council needs to engage in meaningful consultation with communities to ensure decisions taken reflect the needs of residents, whilst encouraging them to be empowered to deliver services that the council is no longer able to do. Failing to do this effectively would mean that services are not delivered to the benefit of those communities or in partnership.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Failure to effectively engage with the communities we serve</p> <p>Failure to contribute to the delivery of safe communities</p> <p>Failure to effectively engage stakeholders (including Members and CYC staff) in the decision making process</p> <p>Failure to manage expectations</p> <p>Communities are not willing/able to fill gaps following withdrawal of CYC services</p> <p>Lack of cohesion in the planning and use of CYC and partner community based assets in the city including Parish Councils</p> <p>Failure to mitigate wider determinants of health/deprivation impacts</p>	<p>Lack of buy in and understanding from stakeholders</p> <p>Alienation and disengagement of the community</p> <p>Relationships with strategic partners damaged</p> <p>Impact on community wellbeing</p> <p>Services brought back under council provision – reputational and financial implications</p> <p>Budget overspend</p> <p>Create inefficiencies</p> <p>Services not provided</p> <p>Poor quality provision not focused on need, potential duplication, ineffective use of resources, difficulty in commissioning community services e.g. Library services</p>	Probable	Major (20)	<p>CMT working collegiately on joint initiatives around Early Intervention and prevention</p> <p>New early help and prevention community based service delivery models in Housing& Communities</p> <p>Revised Community Safety Plan</p> <p>Devolved budgets to Ward Committees and delivery of local action plans through ward teams</p> <p>Improved information and advice, Customer Strategy and ICT support to facilitate self service</p> <p>CYC Staff and Member training and development</p> <p>Community Safety Strategy in place for 2023/24</p> <p>Community Hubs set up to support residents</p> <p>Roll-out of the Community hubs model as agreed in Oct 2020</p>	Possible	Major (19)	Revised date for action	<p>RISK OWNER: Pauline Stuchfield</p> <p>COMPLETED</p> <p>Team being established to cover equalities, access & inclusion.</p> <p>Updated JD now approved, ready for recruitment.</p> <p>(Pauline Stuchfield 31/12/2024)</p> <p>Approval of Community Safety Strategy for 2024/25</p> <p>(Pauline Stuchfield, 31/03/2025)</p> <p>Neighbourhood Model development Pauline Stuchfield – July 2025</p>

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Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
such as world conflicts and the cost of living increases	Increase in cost of living and in deprivation			UPDATED Management structure 2024 bringing Communities and Housing together. Volunteer Centre established through York CVS. 'People Helping People Strategy' being reviewed. Financial Inclusion Steering Group Establishment of Food roles in Communities Team Support for Anti-Racism group provided Maintaining strong relationships with parish councils through their Charter Access Officer role has been established in Communities Interim Financial Inclusion Strategy monitored by the Financial Inclusion Steering Group				

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KCR 9 WORKFORCE/ CAPACITY: Reduction in workforce/ capacity may lead to a risk in service delivery. It is crucial that the council remains able to retain essential skills and also to be able to recruit to posts where necessary, during the current periods of uncertainty caused by the current financial climate and transformational change. The health, wellbeing and motivation of the workforce is therefore key in addition to skills and capacity to deliver. In addition, the council must ensure that its key governance frameworks are strong particularly those around statutory compliance for Health & Safety.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>The necessity to deliver savings has resulted in a reduced workforce requiring new and specialist skills</p> <p>Recruitment and retention difficulties as the council may be seen as a less attractive option than the private sector</p> <p>Lack of succession planning</p> <p>HR Policies may not be consistent with new ways of working (eg remuneration policy)</p> <p>Uncertainty around long term funding from central government.</p> <p>Lack of long term funding announcements from central government may impact on staff retention as it creates uncertainty for temporary posts funded by external funding</p>	<p>Increased workloads for staff</p> <p>Impact on morale and as a result, staff turnover in key services impacting on business continuity and performance</p> <p>Inability to maintain service standards</p> <p>Impact on vulnerable customer groups</p> <p>Reputational damage as a current and prospective employer.</p> <p>Single points of failure throughout the business</p> <p>.</p> <p>Impact on the health & wellbeing of staff has been and will be significant and may increase early retirements and leavers. Due to</p> <ul style="list-style-type: none"> Remote working (working from home) 	Probable	Major (20)	<p>Workforce Strategy and Action Plan</p> <p>Stress Risk Assessments</p> <p>Annual PDRs</p> <p>Comprehensive Occupational Health provision including counselling.</p> <p>HR policies e.g. whistleblowing, dignity at work</p> <p>Development of coaching/ mentoring culture to improve engagement with staff</p> <p>Corporate Cost Control Group monitoring of absence and performance reporting</p> <p>Apprenticeship task group</p> <p>Agency and Interim Staffing Policies</p> <p>Absence Management Policies</p> <p>Substance Misuse Policy</p> <p>A Workplace Health & Wellbeing Group has been established with staff & trade union representation which is chaired by the Head of HR.</p>	Possible	Moderate (14)	No change	<p>RISK OWNER: Helen Whiting</p> <p>Ongoing action: Review of HR policies to ensure they complement the diverse ways in which our workforce deliver services (Helen Whiting,) 30/06/2026)</p> <p>Implementation of the new Workforce Strategy and Action plan from May 2025</p> <p>(Helen Whiting, 31/03/26)</p> <p>Ongoing action: Review of employee T&Cs. Progress has started with costing options ahead of discussions with CMT and Trade Unions.</p>

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KEY CORPORATE RISK REGISTER AT December 2025

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Reduction in posts due to restructures required to achieve budget savings</p> <p>Potential strike action impacting on delivery of services. Ongoing school strikes and wider transport strikes also implicate on workforce availability.</p> <p>Lack of qualified workforce (e.g. care staff, HGV drivers)</p> <p>Ongoing national skills shortage</p> <p>Pay structure issues causing pressure at lower end having knock on impact on middle grades and especially supervisory roles around Grade 5</p> <p>Stress sickness absence remains the highest absence reason, importance of managing stress and potential burnout of staff.</p> <p>All LA's have a heightened awareness of the risk of</p>	<p>can have a negative impact on wellbeing.</p> <ul style="list-style-type: none"> Work life balance – unable to separate work from home due to work being carried out within the home Ongoing vacancies and volume of work in hard to recruit roles <p>However many staff may see an increase in their Health & Well Being due to more agile working. Having greater flexibility between work and home life.</p> <p>More agile and flexible working may also result in increased retention of staff and increase the attraction of candidates for vacant positions.</p> <p>Reduction in agency spend is a positive however, a reduced spend will impact on Teckal arrangements for City of York Trading (operating as Work With York)</p> <p>Financial & reputational impact of successful challenges to T&Cs and claims for equal pay</p>			<p>A staff health & wellbeing survey has been undertaken & this is being followed up by staff focus groups.</p> <p>Increase in regulatory compliance to protect the workforce e.g. Health and Safety regulations, working time directives</p> <p>Annual increase in Living wage is applied (although there is no control over this rate and conflicts with NJC rates)</p> <p>Joint Health and Safety Board and regular review of support for staff</p> <p>Improved frequency of informal and formal meetings with Trade Unions to improve communications and relationships</p> <p>Employer benefits package is well established</p> <p>Annual reminders and voucher provision for flu and covid vaccinations</p> <p>Increased help and awareness of staff wellbeing and mental health; monthly 'make a difference communications' which focuses on wellbeing</p>				<p>(Helen Whiting, 30/06/2026)</p> <p>Ongoing action - Implementation of creative recruitment initiatives.</p> <p>(Helen Whiting, 30/06/2026)</p> <p>Teckal arrangements resolved from 1st April 2025, WWY will operate exclusively for CYC (noting other City of York Trading companies will continue to operate for other sectors)</p>

ANNEX A
KEY CORPORATE RISK REGISTER AT December 2025

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>equal pay claims, following events at Birmingham</p> <p>Serious breach of health and safety legislation</p> <p>Failure to comply with statutory obligations in respect of public safety</p> <p>There continues to be a review of the NJC pay spine as National Living Wage and Living Wage Foundation rates increase, it has an impact on the compression of the grading structure. This in turn has an impact on competitive market rates.</p>	<p>Public and staff safety may be put at risk</p> <p>Possible investigation by HSE</p> <p>Prohibition notices might be served preventing delivery of some services</p> <p>Prosecution with potential for imprisonment if Corporate Manslaughter</p>			<p>Business Continuity Planning to assist with redeployment of staff or reduction of service during times of shortage eg HGV drivers</p> <p>Managers being equipped with the right training to manage and lead teams and workforce plan</p> <p>Review of job descriptions and not one size fits all</p> <p>Retention payments and market supplements agreed for key posts</p> <p>HR Advisory circulars now being issued to managers</p> <p>HR representatives on a number of regional task force groups, including for social care workforce promotion and addressing and considering changing terms and practices to mitigate challenges to equal pay. Corporate Governance Board reviewing EP risk progress on regular basis.</p> <p>Health and Safety monitoring in place</p> <p>Ongoing Health and Safety Training programmes at all levels</p>				

ANNEX A
KEY CORPORATE RISK REGISTER AT December 2025

KCR 10 EXTERNAL MARKET CONDITIONS: Failure to deliver commissioned services due to external market conditions. The financial pressures experienced by contracted services (in particular Adult Social Care providers) as a result of increases due to the cost of living crisis could put the continued operation of some providers at risk. The Council has a duty to ensure that there is a stable/diverse market for social care services delivery to meet the assessed needs of vulnerable adults/children. Some services provided by the Council cannot be provided internally (eg Park and Ride) and must be commissioned. External market conditions such as the number of providers willing to tender for services may affect the Council's ability to deliver the service within budget constraints.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Increases to the national living wage, employers national insurance contributions, and wage inflation in general.</p> <p>Recruitment and retention of staff</p> <p>If failure occurs, the Council may remain responsible for ensuring the needs of those receiving the service continue uninterrupted.</p> <p>Providers may go out of business as a result of the cumulative effects of the financial challenges</p> <p>Many sectors under financial pressure due to cost of living and inflationary pressures (reductions in income or increase in expenditure)</p>	<p>Vulnerable people do not get the services required or experience disruption in service provision</p> <p>Safeguarding risks</p> <p>Financial implications: Increased cost of alternative provider</p> <p>Increased cost if number of providers are limited</p> <p>Reputational damage</p> <p>Providers may face short to medium term recruitment issues due to current market conditions, or face an increase in costs which is passed on to the Council</p>	Probable	Major (20)	<p>Clear contract and procurement measures in place and have been further updated</p> <p>A clear progression process is now in place together with changes to JDs and HoS posts. Retention and recruitment drives in place to support staff within the council and potential new employees</p> <p>Ongoing review of operating and business models of all key providers and putting further mitigation in place, such as more robust contract monitoring and commissioning some 'enhanced' credit checks. Enhanced contract and quality team in place to work with providers reducing the potential for failure</p> <p>CYC investment in extra care OPHs has reduced recruitment pressure</p> <p>Revised SLA with independent care group and quarterly monitoring meetings with portfolio holders</p>	Possible	Moderate (14)	No change	<p>RISK OWNER: SARA STOREY</p> <p>ONGOING ACTION Increase joint working with NHS commissioners to manage market effectively and get best value.</p> <p>(Director of Adults & Integration, 30/06/2025)</p> <p>ONGOING ACTION Work with regional commissioning networks, national networks, local providers, and health and care partners to understand, monitor and manage any individual or national provider instability.</p>

ANNEX A
KEY CORPORATE RISK REGISTER AT December 2025

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Costs and cost of living pressures due to increasing inflation rate</p> <p>Cost pressures due to conflict in Ukraine</p>				<p>Ongoing work with providers to set a York cost of care</p> <p>Local policies in place for provider failure</p> <p>Ongoing attendance at Independent Care Group Provider Conference</p> <p>DASS will have oversight of market sustainability. The appointment of a Head of Commissioning starting in Jan 2023 will co-produce a market position statement with health colleagues and providers</p> <p>Focus on prevention and early support to ensure residents are supported to stay at home for longer</p> <p>Co-producing model of care with people using services and their carers</p> <p>The Council's market position statement is regularly reviewed</p>				

ANNEX A
KEY CORPORATE RISK REGISTER AT December 2025

KCR 11 MAJOR INCIDENTS: Failure to respond appropriately to major incidents. Local Authorities are required by law to make preparations to deal with emergencies. Local Authorities have four main responsibilities in an emergency 1. to support the Emergency Services, 2. to co-ordinate non-emergency organisations, 3. to maintain their own services through a robust Business Continuity Management process, 4. to facilitate the recovery of the community and 5. since 2013 the council also has a statutory duty to protect the health of the population under the Health and Social Care Act 2012 and the transfer of public health responsibilities to local authorities. The Council must ensure that its resources are used to best effect in providing relief and mitigating the effects of a major peacetime emergency on the population, infrastructure and environment coming under it's administration. This will be done either alone or in conjunction with the Emergency Services and other involved agencies, including neighbouring authorities.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>An uncoordinated or poor response to a major incident such as:</p> <ul style="list-style-type: none"> Flood Major Fire Terrorist Attack Pandemic <p>Failure to protect citizens from the adverse impacts of climate change</p> <p>Potential for rolling commercial power outages over winter</p> <p>Increasing frequency of extreme weather events</p> <p>Radicalisation and emergence of extremism and terrorism</p>	<p>Serious death or injury</p> <p>Damage to property</p> <p>Reputational damage</p> <p>Potential for litigation</p> <p>Potential for corporate manslaughter charges if risks are identified and proposed actions not implemented</p> <p>Reduction in life expectancy and quality of life</p> <p>Civil disturbances</p> <p>Risk to community cohesion</p>	Probable	Catastrophic (24)	<p>Emergency planning and Business Continuity Plans in place and regularly reviewed along with regional risk registers</p> <p>Strong partnerships with Police, Fire, Environment Agency and other agencies with principles such as JESIP and METHANE built into the way we work together</p> <p>Support to Regional Resilience forums</p> <p>Support and work in partnership with North Yorkshire local resilience forums</p> <p>Investment in Community Resilience (re Flooding)</p> <p>Work with partners across the city to minimise the risk of a terrorist attack through Protect and Prepare Group and Hostile Vehicle Management projects</p>	Possible	Major (19)	No change	<p>RISK OWNER: Garry Taylor</p> <p>The Terrorism (Protection of Premises) draft bill also known as Martyn's Law, is working it's way through parliament. This KCR will need to be reviewed in light of new obligations after that.</p>

ANNEX A
KEY CORPORATE RISK REGISTER AT December 2025

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Warning and Informing is a key responsibility of Category 1 responders. It is important therefore that in times of emergency this responsibility is exercised in a timely way, not to do so has the potential to put a communities at risk.				<p>Development of the local outbreak control plan and a variety of internal recovery strategies</p> <p>Local outbreak prevention, management and response in place</p> <p>Climate change mitigation and adaptation program</p> <p>Regular review and reporting of carbon emissions</p> <p>Carbon reduction and climate change action plan regular updates to Executive/CMT</p> <p>Communications to citizens about steps they can take to reduce impact of climate change</p> <p>Sustainability leads group to encourage city partners to work together to reduce impact of Climate change</p> <p>Communications incident management plans, including outbreak</p> <p>Regular review of emergency and business continuity plans</p>				

ANNEX A
KEY CORPORATE RISK REGISTER AT December 2025

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				<p>Directorate risk registers will include relevant climate change risks</p> <p>Prevent Situational Risk Assessment in place. The York Prevent Local Delivery Group will mitigate risks from radicalisation and report to the Safer York Partnership and the York & North Yorkshire Prevent Partnership Board.</p> <p>New Corporate Emergency Planning Group established improve resilience of the Council and our Communities and provide assurance we are resilient in Integrated Emergency Management* and comply with the Civil Contingencies Act 2004. (*Anticipate, assess, prevent, prepare, respond and recover)</p> <p>The LRF is currently undertaking a review of capabilities linked with risk reviews.</p>				

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KEY CORPORATE RISK REGISTER SUMMARY

Key Corporate Risk	Gross Likelihood	Gross Impact	Gross Score	Net Likelihood	Net Impact	Net Score
KCR1 Financial Pressures	Highly Probable	Major	21	Probable	Major	20
KCR2 Governance	Probable	Major	20	Possible	Major	19
KCR3 Effective and Strong Partnerships	Probable	Major	20	Possible	Moderate	14
KCR4 Changing Demographics	Probable	Major	20	Possible	Major	19
KCR5 Safeguarding	Probable	Major	20	Possible	Major	19
KCR6 Health and Wellbeing	Probable	Major	20	Probable	Moderate	15
KCR7 Capital Programme	Probable	Major	20	Probable	Moderate	15
KCR8 Communities	Probable	Major	20	Possible	Major	19
KCR9 Workforce/ Capacity	Probable	Major	20	Possible	Moderate	14
KCR10 External Market Conditions	Unlikely	Major	18	Unlikely	Moderate	13
KCR11 Major Incidents	Probable	Catastrophic	24	Possible	Major	19

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Analysis of Key Corporate Risk 7 – Capital Programme

1. This Annex provides a more detailed analysis of KCR7, Capital Programme.
2. The description of this risk is as follows; **Failure to deliver the Capital Programme, which includes high profile projects.** The capital programme currently has a budget of £427m from 2025/26 to 2029/30 at Monitor 2. The schemes range in size and complexity but are currently looking to deliver several high profile projects, including Station Gateway and York Central.
3. Members will be aware of some recent high profile schemes where costs have increased significantly beyond the approved budget. A lessons learned exercise undertaken internally and a subsequent internal audit review has highlighted areas for improvement.
4. A key action is to undertake a review of existing arrangements with a view to creating a capital programme management office (PMO). This PMO will provide assurance, manage risk and support budget management. It will establish “guardrails” within which projects and programmes can be effectively delivered to time and budget as well as manage the provision of clear, timely, accurate information both within the Council and to external stakeholders.
5. This work will also result in a clear resource plan to give assurance that we have the right skills in the right places to deliver the capital programme, as well as creating a career pathway to support ongoing resilience of the overall project management functions.

Risk Detail

Complex projects with inherent risks

6. The latest approved capital programme has a number of major schemes, including;
 - Investment in Housing of £155m over the next 5 years, £57m of which relates to the building of new homes
 - Investment of £188m in Transport, Highways and Environment schemes over the next 5 years including areas such as the Clean Air Zone, York Outer Ring Road Dualling (£42m) and the Local transport plan road safety scheme.
7. Other major individual schemes set to deliver significant outcomes for the city include Station Gateway (£36m), Castle Gateway (£8m) and York Central Infrastructure (£38m).

Large capital programme being managed with reduced resources across the Council

8. Due to reductions in government funding the Council has made significant savings over recent years, which has inevitably reduced staff resources.
9. Work is underway to create a capital programme management office (PMO) which brings together delivery of the capital programme into one function. This will allow the sharing of expertise across the programme and deliver robust and consistent processes across all capital programme schemes.

Analysis of Key Corporate Risk 7 – Capital Programme

Increase in scale of the capital programme, due to major projects and lifting of the borrowing cap for Housing

10. The Council continues to have a significant capital programme covering a wide range of schemes. In recent years, due to the Council's financial challenges, only essential new schemes have been considered and approved, and this has slowed down the rate of increase in the overall programme, reducing the risk that the programme grows beyond that which can be delivered.

Cost pressures due to fluctuating inflation rate

11. This has been a significant cost pressure over recent years. There can often be a long delay between the inception and delivery of a scheme. Allowances are made for inflation when costing schemes, but the increases seen since the pandemic have been well beyond the tolerances usually included, particularly in construction where increases of 20% to 30% have not been unusual.

Interest Rate expected to remain higher than previously forecast

12. Interest rates have an impact on the cost of a scheme funded through borrowing. Whilst the rate of borrowing does not fluctuate once it has been taken, during the planning stages of a new project assumptions are made about the cost of borrowing, which is crucial to determining if there is a valid business case for delivery of the scheme.

Implications

13. The implications for the Council include;

- Additional costs and delays to delivery of projects
- The benefits to the community are not realised
- Reputational Damage
- Pausing or stopping schemes due to the economic climate can create compliance issues, meaning that some schemes need to be extended. This further increases the costs.
- Increased interest rates and inflation reduce the overall funding available to the Council and may therefore lead to reductions in service levels in other areas of the Council

Controls

14. The controls in place include;

Project boards and project plans for major schemes

15. Consistent with the guidance in the All About Projects (AAP) framework, each of the Major projects reports to a Project board. All these boards operate within the mechanisms set out in the constitution of the Council. The boards for each of the Council's Major projects are included in the corporate highlight report;

Analysis of Key Corporate Risk 7 – Capital Programme

<https://data.yorkopendata.org/dataset/major-projects-highlight-reports>

16. Each major scheme has a project plan.

Regular monitoring of schemes

17. Each of the council's major project managers submit a monthly highlight report through the Councils project management system, Verto. All of the council's large projects have a risk register recorded on Verto.

18. Project management of larger capital schemes is considered by the council's Directorate Management Teams (DMTs). The City Development Board provides additional coordination between projects, ensuring that dependencies are managed.

19. Arrangements are currently being reviewed to establish a Capital Programme Management Office. This will provide corporate and project assurance, manage strategic risk, support budget management, ensure compliance and safety as well as supporting project governance, management and gateway approval processes.

Capital programme reporting to Executive and CMT

20. The capital programme is reported to CMT and Executive quarterly. The report sets out the projected outturn position including any variances from budget and adjustments in the budget. Requests to reprofile budgets to or from current and future years are also included, as these must be approved by Executive.

21. Major Capital schemes have also provided various reports to Executive. Further details of the Executive reports are listed in the highlight reports, which are reported on the open data platform as detailed in paragraph 13.

Financial, legal and procurement support included within the capital budget for specialist support skills

22. In the capital budget setting process, managers are required to submit proposals for new schemes, taking account of budget, resources and benefits to be realised.

23. Where appropriate finance, legal, procurement or other specialist skills are included in the larger capital schemes from the outset to ensure that schemes are correctly resourced, and budgets are accurate.

Project Management Framework

24. The Council's Project Management Framework includes the All About Projects (AAP) guide, its project management system (Verto) for storing project

Analysis of Key Corporate Risk 7 – Capital Programme

information and the Introduction to Project Management training delivered by the Workforce Development Unit.

25. The AAP guide is readily available to all staff via the council's intranet site. In addition to the AAP guide, a user guide tailored to the council's Verto setup and to its project management framework has been produced and covers the key functions that need to be performed by project managers to progress through the gateways in the system.

Additional resource to support project management

26. In the 2017/18 budget additional growth was included for a Project Assurance Officer post, to strengthen the project assurance function. This function aims to decrease risk in terms of project visibility and interdependencies and to provide support to project managers.
27. The creation of the Capital PMO referred to above will further strengthen the resource available to support project management.

Capital Strategy 2025/26 to 2029/30 approved in Feb 2025

28. The latest Capital Strategy report was approved by Council in February 2025. This sets out the 5 year programme, including new investment based on council priorities and how the schemes will be funded.

Capital Programmes are sufficiently staffed to deliver to timescales

29. Staff turnover and sickness absence in some areas has resulted in short term gaps in staffing. Interim staff have been engaged where appropriate, and recruitment has taken place to ensure staff are in place to deliver the capital programme.

Internal Audit Report gave reasonable assurance on project management arrangements

30. The purpose of the audit was to provide assurance that procedures and controls were in place to ensure that:
- Effective project management guidance is in place and has been adopted by those involved with projects.
 - Project information is available and retained to support decisions.
 - Projects have adequate governance and risk management processes embedded into them.
31. The audit concluded that the council's approach to project management has seen significant improvements since the arrangements were last fully audited in

Analysis of Key Corporate Risk 7 – Capital Programme

2015/16 but there are still some improvements that could be made. The overall opinion of the controls within the system at the time of the audit in June 2019 was that they provided reasonable assurance.

Outstanding Actions

- 32. The development of the Capital Strategy for 2026/27 is set to be completed by 31/1/2026, for approval by Council in February 2026.
- 33. Review of major projects governance to be undertaken, including the development of a resource plan. This work has been referred to in the risk detail and controls above.

Risk Rating

- 34. The gross risk score is 20 (likelihood probable, impact major). After applying the controls detailed above the net risk score is reduced to 15 (likelihood probable, impact moderate).

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Annex D- Risk Matrix

Impact		Catastrophic	17	22	23	24	25
		Major	12	18	19	20	21
		Moderate	6	13	14	15	16
		Minor	2	8	9	10	11
		Insignificant	1	3	4	5	7
			Remote	Unlikely	Possible	Probable	Highly Probable
		Likelihood					

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Meeting:	Audit and Governance Committee
Meeting date:	28/01/2026
Report of:	Head of Internal Audit (Veritau)
Portfolio of:	Cllrs Lomas Executive Members for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Audit and Governance Committee Report: Internal Audit Work Programme Consultation 2026/27

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 2026/27.

Policy Basis

2. The work of internal audit is governed by the Accounts and Audit Regulations 2015, and the Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector).
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 2026/27 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 GIAS UK Public Sector, 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 contain audits designed to cover a range of risk areas. This allows 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 2026/27 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 2026 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 2026/27 internal audit work programme.

Risks and Mitigations

13. The requirements of the GIAS UK Public Sector 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

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Report approved:	Yes
Date:	20/01/2026

Background papers

- None

Annexes

- Annex 1: Internal Audit Work Programme Consultation Report 2026/27

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Internal Audit Work Programme Consultation 2026/27

Date: 28 January 2026

Annex 1

CONTENTS

- 3** Introduction
- 4** Approach: the opinion framework
- 6** Key assurance areas
- 11** Questions for the committee to consider
- 12** Next steps
- 13** Appendix A: the opinion framework

Introduction



Professional standards: work programme development

- 1 The Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector), 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 & 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 2026/27. 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 11 March 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 2026/27. A £6.2m overspend is projected by the end of the current financial year, despite prudent financial management¹.
- 5 The council has been under cost control measures for the last two financial years. It is likely that measures will continue to be enforced into 2026/27 as the council looks to bring its spending down to affordable levels over the short to medium term.
- 6 Delivery of the council's savings programme will also remain a key priority. Savings will be required across the council but particularly within adult social care, which continues to overspend. Managing this situation will be particularly challenging given the need to improve services following the recent CQC inspection.
- 7 While much of the council's focus for 2026/27 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 systems of governance, risk management, and internal control. These challenges include:

¹ 2025/26 Finance and Performance Monitor 2 (Executive, 4 November 2025).

- ▲ 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 and inspections: 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 and Eye of York, and York Station Gateway.
- 8 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



The opinion framework

- 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.
- 10 Veritau has established an opinion framework designed to ensure that assurance coverage is targeted towards priority areas. This, in turn, allows us to provide a properly informed annual opinion. Application of the framework is therefore crucial during the work programme development stage. It continues to be so during the year as the work programme is adapted in response to changes in priorities.
- 11 The opinion framework has three components. 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.
- 12 The 11 key assurance areas we have identified 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 on 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.

- 13 The GIAS UK Public Sector require that internal audit work is linked to, and contributes to, an organisation's:
 - ▲ management of strategic risks, and
 - ▲ achievement of organisational objectives and priorities.
- 14 Therefore, 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.
- 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 11 risks on the KCR register².
- 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 priorities, and the mechanisms by which they are delivered, are an important consideration when identifying and prioritising engagements for inclusion in the internal audit work programme. So too are key documents such as the latest revenue budget and strategy which shape how resources will be deployed to achieve the council's ambitions.
- 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 corporate risks and priorities.

Overview

- 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.

² As at the time the Key Corporate Risk monitor was last reported to this committee (3 September 2025).

- 21 In the next section, we will explain the 11 key assurance areas in more detail and provide examples of risk areas, systems and processes we could review, as part of the 2026/27 programme of work.

Key assurance areas



Key assurance areas: an overview and examples

- 22 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

- 23 Strategic planning covers the arrangements the council has to define and develop 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 a range of other key plans and policies which give effect to the strategies.
- 24 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	▲ Economic development
▲ Partnerships	▲ Savings delivery

Organisational governance

- 25 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.
- 26 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

▲ Transparency	▲ Declarations of interests & gifts and hospitality
▲ Policy framework	▲ Democratic governance

Financial governance

- 27 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.
- 28 The GIAS UK Public Sector 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	▲ Housing rents

Risk management

- 29 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.
- 30 As the council's internal audit provider, the GIAS UK Public Sector expect that we evaluate the effectiveness of risk management processes and contribute to their improvement.

Examples

▲ Risk management processes	▲ Health and safety
▲ Business continuity	▲ Disaster recovery

Information governance

- 31 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.
- 32 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

- 33 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

- 34 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.
- 35 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
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▲ Compliance with the CPRs

▲ Category management and forward planning

People management

- 36 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.
- 37 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

▲ Overtime and additional hours

▲ Attendance management

▲ Equalities, diversity, and inclusion

▲ Establishment control

Asset management

- 38 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.
- 39 Ensuring the safeguarding of assets is an area that the GIAS UK Public Sector require internal audit to evaluate when providing assurance on the adequacy and effectiveness of the council's risk management arrangements.

Examples

▲ Fleet management

▲ Council house repairs

▲ Housing standards

▲ Acquisition, transfer, and disposal

Programme and project management

- 40 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.

- 41 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 | ▲ Planned capital maintenance programme |

IT governance

- 42 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.
- 43 The GIAS UK Public Sector require internal audit to assess whether information technology governance supports the council's strategies and objectives.

Examples

- | | |
|-------------------|-----------------------|
| ▲ Cybersecurity | ▲ IT asset management |
| ▲ Access controls | ▲ AI governance |

Questions for the committee to consider



- 44 As part of our preparations for the audit work programme for 2026/27, 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 2026/27?
 - ▲ Irrespective of the assurance areas, risks and council priorities, does the committee have any specific suggestions for internal audit assignments we should consider in 2026/27?

Next steps



- 45 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 2026.
- 46 Alongside this we will continue to keep abreast of emerging issues relevant to the public sector as well as any specific sector 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.
- 47 Information collected will be used to develop the indicative long list of audits to be included in the 2026/27 internal audit work programme. This will be brought to the committee for approval at its 11 March 2026 meeting.
- 48 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



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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
28th January 2026			
Governance	Update on the Recruitment of an Independent Member	<u>CYC</u> <u>Bryn Roberts</u>	Verbal update as part of action log
External Audit	Audit Completion Report 2024/25	<u>Mazars</u> <u>Mark Outterside</u>	
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>	
Risk	Key Corporate Risks monitor 3	<u>CYC</u> <u>Debbie Mitchell</u>	Update on Key Corporate Risks (KCRs) including focus on KCR 7 (exemption item)
Veritau (internal audit / counter fraud)	Internal Audit Work Programme Consultation Report 2026/27	<u>Veritau</u> <u>Max Thomas/Connor</u> <u>Munro</u>	
11th March 2026			
Risk	Key Corporate Risks monitor 4	<u>CYC</u> <u>Debbie Mitchell</u>	Update on Key Corporate Risks (KCRs). Focus on KCR 5 (Section 50 and CQC)
Veritau (internal audit / counter fraud)	Internal Audit Progress Report 2025/26	<u>Veritau</u> <u>Max Thomas/Connor</u> <u>Munro</u>	

Veritau (internal audit / counter fraud)	Counter Fraud Progress Report 2025/26	<u>Veritau</u> <u>Max Thomas/Jonathan Dodsworth</u>	
Veritau (internal audit / counter fraud)	Internal Audit Work Programme 2026/27	<u>Veritau</u> <u>Max Thomas/Connor Munro</u>	
Veritau (internal audit / counter fraud)	Counter Fraud Plan 2026/27	<u>Veritau</u> <u>Max Thomas/Jonathan Dodsworth</u>	
Governance	Improving Ways of Working for the Audit and Governance Committee	<u>CYC</u> <u>Bryn Roberts</u>	

Upcoming items:

- Councillor Code of Conduct



Meeting:	Audit and Governance Committee
Meeting date:	28/01/2026
Report of:	Head of Internal Audit (Veritau)
Portfolio of:	Cllrs Lomas Executive Members for Finance, Performance, Major Projects, Human Rights, Equality and Inclusion

Audit and Governance Committee Report:

Contract management: major project delivery

Subject of Report

1. This report has been prepared to allow the committee to consider the contract management: major project delivery final audit report alongside external audit's 2024/25 audit completion report and the Key Corporate Risks Monitor 3.

Policy Basis

2. The work of internal audit is governed by the Accounts and Audit Regulations 2015, and the Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector).
3. In accordance with these standards, outcomes from internal audit work are presented to the Audit and Governance Committee.

Recommendation and Reasons

4. The Audit & Governance Committee is asked to:
 - note the content of the contract management: major project delivery final audit report.

Reason

To enable members to consider the implications of internal audit findings.

Background

5. During 2024/25, Veritau commenced work on an audit of the council's contract management arrangements for its major capital projects. Work continued into 2025/26, following a request for additional work from the Director of Finance and to allow the council's Director of City Development to contribute to the audit.
6. On 16 January 2026, following discussions with senior management about the content of the report and actions to address identified weaknesses, the final audit report was issued.
7. A Limited Assurance opinion was reached. This means that Veritau has assessed there to be significant gaps, weaknesses or non-compliance. It also means that improvement is required to governance, risk management and control arrangements to effectively manage risks to the achievement of objectives in the area audited.
8. The purpose of the audit was to provide assurance that:
 - a) there is a contract brief which clearly set out the work required
 - b) meetings are held with the contractor to manage delivery of the project
 - c) there is a verification process to confirm that work is completed to the required standard and within timescale
 - d) invoices received are accurate for the work that has been done.
9. In order to provide this assurance, Veritau reviewed the main construction contracts relating to three projects. These were York Station Gateway, Tadcaster Road, and the Housing Delivery Programme.
10. The focus of this audit was on how the main construction contracts for the three projects had been managed. However, in the case of York Station Gateway, we also evaluated officers' own review into the circumstances relating to the significant overspend and delays

with the project. This was the additional work requested by the Director of Finance, mentioned in paragraph 5.

11. A total of four findings were made in the report. The key finding, and the one that led to the Limited Assurance opinion being reached, relates to York Station Gateway. Veritau assessed this finding as 'critical', meaning that it represents a fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
12. The York Station Gateway finding is made up of separate but interrelated parts, as follows:
 - a) entering the construction contract 'at risk', before legal agreements with statutory undertakers had been sufficiently progressed
 - b) costs incurred as a result of changes during project delivery
 - c) accuracy of financial implications in decision reports
 - d) project governance, and delivery and support capacity.
13. Taken together, the four areas outlined in paragraph 12 contributed most to the overspends and delays experienced with the York Station Gateway project.
14. The remaining three findings (one of which was assessed as 'significant' and two as 'moderate') related to inaccuracies in how York Station Gateway costs were presented in monthly project highlight reports, a lack of rigour in reviewing and approving the Tadcaster Road project brief, and inconsistency / unavailability of compensation event documentation.
15. Ordinarily, the outcomes from internal audits are presented as part of regular progress reports. However, the content of this audit report is relevant to other items the committee will consider during the current meeting. The external audit completion report and key corporate risk monitor 3 both contain reference to the council's management of major projects. Officers therefore requested that the outcomes of this audit be brought separately to this meeting, in advance of the next internal audit progress report in March.
16. The full internal audit report is contained in exempt annex 1 to this report.

Consultation Analysis

17. No consultation was required in the preparation of the report. Responsible officers named in the internal audit report, and others, were consulted during its preparation. This was done as part of Veritau's usual practice for undertaking audit work.

Risks and Mitigations

18. 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, particularly where arrangements require improvement. This could result in external scrutiny and challenge.

Contact details

For further information please contact the authors of this report.

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Report approved:	Yes
Date:	20/01/2026

Background papers

- None

Annexes

Exempt Annex 1: Contract management (major project delivery)
final audit report

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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