



**Notice of a public meeting of  
Audit & Governance Committee**

<b>To:</b>	Councillors Derbyshire (Chair), Dew (Vice-Chair), Shepherd, Cuthbertson, Fenton, Kramm and Steward & Mr Mendus
<b>Date:</b>	Wednesday, 20 September 2017
<b>Time:</b>	5.30 pm
<b>Venue:</b>	The George Hudson Board Room - 1st Floor West Offices (F045)

**AGENDA**

**1. Declarations of Interest**

At this point in the meeting, Members are asked to declare:

- any personal interests not included on the Register of Interests
- any prejudicial interests or
- any disclosable pecuniary interests

which they might have in respect of business on this agenda.

**2. Minutes (Pages 1 - 18)**

To approve and sign the minutes of the meetings of the Audit & Governance Committee held on 21 June and 19 July 2017.

### **3. Public Participation**

It is at this point in the meeting that members of the public who have registered their wish to speak can do so. The deadline for registering is by **5:00pm on Tuesday 19 September 2017**.

To register please contact the Democracy Officer for the meeting, on the details at the foot of this agenda.

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### **4. Mazars Audit Completion Report (Pages 19 - 48)**

The paper attached at Annex A is the Audit Completion Report from Mazars and communicates their findings of the audit for the year ended 31 March 2017.

### **5. Annual Financial Report - Statement of Accounts 2016/17 (Pages 49 - 222)**

This report presents a final set of accounts for 2016/17 to reflect changes made since the draft pre-audit accounts were presented to the Committee on 19 July 2017.

**6. Local Government Association Procurement Peer Challenge** (Pages 223 - 240)

This report presents the feedback from the Local Government Association (LGA) external peer review of corporate procurement within the Council, along with an update of the action that has already been taken, actions ongoing and consideration of any future actions following the recommendations to ensure the full benefits are realised from the peer review process.

**7. Internal Audit Follow Up Report** (Pages 241 - 248)

This report sets out progress made by council departments in implementing actions agreed as part of internal audit work.

**8. Audit & Counter Fraud Monitoring Report** (Pages 249 - 274)

This report provides an update on progress made in delivering the internal audit workplan for 2017/18 and on current counter fraud activity.

**9. Monitor 2 2017/18 - Key Corporate Risks and Update on Major Projects** (Pages 275 - 356)

The report provides an update on the key corporate risks and an update on major projects for City of York Council.

**10. Overview of Constitution** (Pages 357 - 378)

This report responds to Members' request for a report providing an overview of the Constitution.

**11. York Environmental Services Consultancy** (Pages 379 - 384)

This briefing note presents further information on the York Environmental Services (YES) Consultancy as requested by members of the Committee at the meeting on 19 July 2017.

**12. Forward Plan** (Pages 385 - 392)

This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to April 2018.

### **13. Urgent Business**

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

Democratic Services

Contact Details:

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Email – [democratic.services@york.gov.uk](mailto:democratic.services@york.gov.uk)

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.

City Of York Council

Committee Minutes

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Meeting	Audit & Governance Committee
Date	21 June 2017
Present	Councillors Derbyshire (Chair), Dew (Vice-Chair), Shepherd, Cuthbertson, Fenton, Kramm, Steward and Mr Mendus
Apologies	Mr Bateman

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### 1. **Declarations of Interest**

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.

### 2. **Minutes**

Resolved: That the minutes of the meeting held on 3 May 2017 be approved and then signed by the Chair as a correct record.

### 3. **Public Participation**

It was reported that there had been one registration to speak at the meeting under the Council's Public Participation Scheme on general matters and Item 7. Draft Social Media Policy & Media Protocol.

Gwen Swinburn spoke about her blocking by CYC on social media and requested that there be a consultation and review of the social media protocols regarding appeals against blocking. She recommended that blocking should only happen in conjunction with an independent person, protocols should be in place for evidencing 'wrongdoing' and that a clear appeals process should be developed. She also spoke on her concerns around the grading given in the Annual Internal Audit Report, given the ongoing concerns around financial audit and procurement.

#### **4. Mazars Audit Progress Report**

Members considered a report from Mazars, the Council's external auditors, on progress in delivering their responsibilities as auditors. Representatives from Mazars were in attendance to present the report and answer Member questions. They stated that this was a short report as they were just about to receive the draft financial statements and therefore complete the main work for the year. They also highlighted a technical update on page 15 of the report, on matters which had progressed since the last meeting.

In response to Member questions they stated:

- The Better Care Fund had been identified as one of the main risk areas in the Value for Money work being completed this year.
- The financial sustainability of the Vale of York Clinical Commissioning Group (VoY CCG) had serious risk implications for CYC and this would be reported on at September's meeting.
- The work on Value for Money would cover concerns raised about good governance and transparency of the Better Care Fund.

Resolved: That Members note the matters set out in the Progress report presented by Mazars.

Reason: To ensure Members are aware of Mazars progress in delivering their responsibilities as external auditors.

#### **5. Monitor 1 2017/18 - Key Corporate Risks and Update on Major Projects**

Members considered a report presenting them with an update on the key corporate risks and an update on major projects for City of York Council.

Officers gave a brief background to the report and information contained in the annexes. They highlighted a new Key Corporate Risk (KCR) relating to external market conditions, which covered situations where CYC was commissioning services. The Programme Manager also explained that the Project Management System had recently been upgraded which

had unfortunately led to some minor errors in the report. An updated version had been circulated to Members ahead of the meeting.

In response to Member questions, Officers stated:

- Public Health had been included on the KCR register as an element of Health and Wellbeing.
- When services cannot be provided by CYC, there are factors other than cost to consider.
- The Resilient Communities Working Group was a cross departmental Officer Board including representation from Local Area Teams, Children's Services and Adult Social Care and Chaired by the Director of Children, Education and Communities.
- Where some of the reports under Major Projects were seemingly brief, this was due to the length of time they had been in progress and more detail would be added in time.
- The 12 grade salary structure would be reviewed in the future, particularly with regard to the impact the National Living Wage had on grades 1-5.
- Digital Services and CRM projects were being monitored by Customer & Corporate Services Scrutiny Management Committee and work was now progressing.

In response to a question on controls in relation to how the open data platform, transparency code compliance and management of data architecture were monitored, Officers agreed to circulate more details after the meeting.

Resolved: That Members:

- a) Note the key corporate risks provided at Annex A
- b) Note the project information provided at Annex B

Reason: To provide assurance that the authority is effectively understanding and managing its key risk and is kept updated on major programme and project activities.

## 6. **Treasury Management Annual Report**

Members considered the draft Treasury Management Annual Report and Review of Prudential Indicators 2016/17. This

information provided Members with an update of treasury management activity for 2016/17.

Members attention was drawn to interest rates, in particular the reduction in 2016 of 0.25% and the likelihood of a rise in rates in quarter 4 of 2019. Officers also highlighted one new loan which had been taken out from West Yorkshire Combined Authority.

In response to Member questions on the report, Officers stated that:

- Advice was received daily on treasury activity and decisions were made accordingly.
- The loan from WYCA was taken out in the amount stated as this was the sum offered.
- Under 'Upper limit for fixed interest rate exposure' (Page 103, 7a) the figure for 16/17 was based on actual rates, where as figures for 17/18 were on forecast rates. This is why year end figures may vary in the way seen.

Resolved: That Members note the Treasury Management Annual Report and Review of Prudential Indicators 2016/17.

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.

## **7. Draft Social Media Policy & Media Protocol**

Members considered a report presenting the draft social media policy and media protocol for information and/or comment prior to approval by the Chief Executive. The report was requested by the Committee as part of the consideration of the council's Key Corporate Risks.

During a lengthy discussion Members raised the following issues:

- It was felt the phrase 'cause offence' on page 117 should be removed. It was felt his was too subjective and could not reasonably be enforced.



- There should be a report to Members when an individual is blocked on any form of social media to ensure transparency. There was an understanding that there are vulnerable adults who may be blocked for various reasons and so releasing individual data would not be helpful, however statistics could be provided to enable Members to have an overview of these instances.
- Under Media Policy (Item 8, page 106) it was felt the statement '*...It reflects the prevailing political leadership model in the council and is likely to change if the model changes*' was badly worded.
- There appeared to be too many social media accounts being set up for different council departments and not being updated regularly. It was suggested that Officers should be encouraged to publicise events and news via the main CYC accounts.
- There should be an independent person, perhaps an Independent member of the A&G committee reviewing any decision made by the Chief Executive to block individuals. This would provide robustness and ensure that the Chief Executive's decisions withstand scrutiny.

It was requested that Officers circulate the revised version, with tracked changes, to the committee. There was a further request that an update report on the implementation of these policies be brought back to committee.

Resolved: That, in relation to their risk management role, Members;

- a) note the draft social media policy at Annex A to the report; and
- b) note on the draft media protocol at Annex B to the report.

Reason: In order that Members can comment on the reports ahead of approval by the Chief Executive.

## **8. Annual Report of the Head of Internal Audit**

Members considered a report summarising the outcome of audit and counter fraud work undertaken in 2016/17 and providing an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control. The Head of Internal Audit was in attendance to

present the report and answer Member questions. He stated that in delivering the report there had been good cooperation from CYC and that when issues had been identified management were happy to accept these and address them within reasonable timescales.

In response to questions on the report he stated that his opinion of 'Substantial Assurance' in Annex 1 was based on work undertaken over the whole year and progress that the management team had made on issues raised. This was not a mechanistic process but rather based on experience and judgement. However there had been more audits in the past 12 months which scored in the higher categories.

He also stated:

- In Adult Services Officers had been aware of issues and had asked for an audit to assist with tackling these. They had been fully accepting of the result of the audit and were taking steps to address issues raised.
- There were ongoing discussions as to how best to manage risk in relation to housing tenancy fraud.

The Director of Customer and Corporate Services clarified that the rules around procurement, and language used, were being reviewed and issues raised by the LGA Review would be brought to Committee, possibly in September.

The Chair reminded Members that they could meet with the Head of Internal Audit if there were matters they wished to clarify which may not be suitable for discussion in a public meeting.

Resolved: That Members;

- a) note the results of audit and counter fraud work undertaken.
- b) note the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's framework of governance, risk management and internal control .
- c) note the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conformed with Public Sector Internal Audit Standards.

- d) note the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement.
- e) approve the proposed changes to the internal audit charter at annex 7.

Reason:

- a) To enable members to consider the implications of audit and counter fraud findings.
- b) To enable members to consider the implications of audit and counter fraud findings.
- c) To enable members to consider the opinion of the Head of Internal Audit.
- d) To enable the Annual Governance Statement to be prepared.
- e) In accordance with the responsibility of the committee to consider reports dealing with the management of the internal audit function, and to comply with proper practice for internal audit.

#### **9. Annual Report of the Audit and Governance Committee**

Members considered a report seeking views on the draft annual report of the Audit and Governance Committee for the year ended 5 April 2017, prior to its submission to Full Council.

Resolved: That Members agree the Annual Report of the Audit and Governance Committee prior to its submission to Full Council.

Reason: To enable the Committee to fulfil its role in providing assurance about the adequacy of the council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.

#### **10. Annual Governance Statement 2016/17**

Members considered a report presenting the draft Annual Governance Statement (AGS) 2016/17 for approval. Members were reminded that they would see this report twice more after this meeting, once in June as part of the Draft Statement of Accounts and again in September as part of the final accounts.

Members suggested the following points for consideration:

- On page 219 in relation to the system of risk registers – rather than ‘*to which all Directors have access*’ it could be worded ‘*to which all Directors contribute*’.
- The report does not adequately reflect the level of financial and governance risk involved in the relationship between CYC and VoY CCG in distributing the Better Care Fund. It was felt that this significant risk should be addressed in either Item 1 or Item 3 of the report.
- The report could be amended to reflect the potential involvement that scrutiny could have in looking at some of these issues – for example procurement.

Resolved: That Members;

1. approve the AGS 2016/17 with consideration given to the above points.
2. recommend a that specific and clear comment should be made on the financial risks that the VoY CCG poses to CYC, both in relation to the Better Care Fund and more generally.

Reason: To enable Members to consider the effectiveness of the council’s governance framework, and in particular the significant control issues.

## **11. Audit and Governance Committee Forward Plan**

Members considered the future plan of reports expected to be presented to the Committee during the forthcoming year to April 2017.

There was a lengthy discussion of how CYC could review the work of the Audit and Governance Committee. Mazars suggested that they were able to provide a straightforward self assessment questionnaire for the Committee, but that any additional review would need to go through the procurement process as there were several providers who offered these services.

It was agreed that the Committee would await the outcome of the ongoing Local Government Association review before moving forward with this.

Members also took this opportunity to thank Mr Bateman for his work as an independent Member of this committee after he recently stepped down.

Resolved: That the Committee's Forward Plan for the period up to April 2018 be received and noted.

Reason: To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.

Councillor Derbyshire, Chair

[The meeting started at 5.30 pm and finished at 7.40 pm].

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MEETING	AUDIT & GOVERNANCE COMMITTEE
DATE	19 JULY 2017
PRESENT	COUNCILLORS DERBYSHIRE (CHAIR), DEW (VICE-CHAIR), SHEPHERD, CUTHBERTSON, FENTON, KRAMM AND STEWART AND MR MENDES

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## **12. DECLARATIONS OF INTEREST**

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.

Councillor Cuthbertson declared a personal interest in agenda item 4 (Statement of Accounts) as a Trustee of York Museums Trust during consideration of the item.

## **13. MINUTES**

Resolved: Following concerns as to the late receipt of the minutes of the meeting held on 21 June 2017, consideration of the minutes be deferred to the meeting on 20 September 2017.

## **14. PUBLIC PARTICIPATION**

It was reported that there had been no registrations to speak at the meeting under the Council's Public Participation Scheme.

## **15. DRAFT STATEMENT OF ACCOUNTS**

Members considered a report which presented the draft 2016/17 Statement of Accounts before audit. Statement of Accounts before they were audited. The draft accounts were currently available for public inspection until 11 August 2017 and the

audited accounts would be brought back to the committee in September for approval on behalf of the Council.

In response to Member questions, officers stated:-

- Expenditure on the Housing Revenue Account included the impact of capital charges, housing values and re-evaluation gains as per the Code of Practice guidance.
- Pension fund liabilities variances were as a result of the tri-annual valuation process and assumptions were broadly the same.
- The date of the Local Plan adoption target stated in Annex B (page 154) would be clarified, and given that minor changes could be made before formal approval, amended if required.<sup>1</sup>
- Residents of the City were entitled to inspect and ask questions on the accounts. Suggestions for improvement were welcomed and further consideration would be given as to how to improve accessibility and engagement.
- The Treasury Management Strategy was kept under constant review, and current advice was to continue to postpone borrowing given the continued economic uncertainty.

Resolved: That Members note the draft pre-audit statement of accounts for the financial year ended 31 March 2017.

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

Action Required

1. To confirm the date of the Local Plan adoption target DM

**16. INFORMATION GOVERNANCE UPDATE REPORT**

Members considered a report which provided information on (i) Information Governance Performance; (ii) the new General Data Protection Regulation (GDPR); (iii) compliance with the Local Government Transparency Code 2015 (LGTC 2015) and an overview of the code for smaller public authorities; and (iv) the Health and Social Care Information Centre (HSCIC) Information Governance Toolkit (IG Toolkit) update.



In response to Member questions, it was noted that:-

- Whilst schools were independent bodies with regards to data protection, advice and guidance continued to be provided as to the awareness of risks and potential gaps and weaknesses to ensure compliance with legislation, through a range of sources such as the school business website, telephone support and training sessions for heads, governors and staff.
- Volume as to requests and requestors could not be given as it was a requirement of Freedom of Information (FOI) legislation to look at applications as 'applicant blind'. However, themes of applications were examined and the publication scheme updated as necessary and request responses published. Website content was reviewed and updated wherever possible to prevent the need for further requests.
- With regards to FOI guidelines it was clarified that if the information was accessible and an answer could be provided immediately, then the enquiry could be treated as a question outside of the legislation. If not, then it should be determined as a FOI request.
- Whilst charges could be applied for enquiries that exceed the time/cost limit of £450, specific charges to commercial enquiries could not be applied.

Resolved: Members noted the sustained performance levels and the ongoing work required.

Reason: To ensure that the Council meets its information governance responsibilities.

## **17. HEALTH & SAFETY AUDIT ACTIONS**

Members considered a follow up report to the update received by on 7 December 2016. The report was requested by the Committee as part of the consideration of outstanding audit actions. The report also provided an update of the governance and oversight arrangements in place for managing Health & Safety (H&S) in the council.

In response to Member questions, officers stated:-

- The summary of actions and responses (Annex A to the report) was as presented to the Committee in December 2016. The update on actions was provided within the body of the report.
- An overarching view had been taken as to a number of the risks outlined. For example, it had been recognised that the approach to lone working was inconsistent, not just with Social Care, but across the Council. This had been subsequently discussed at CMT and a directorate by directorate review was ongoing.
- Whilst there was an analysis of H&S risks at individual premises, the limitations of the software used within the service meant that a separate report could not be produced for each property.

Whilst Members recognised the progress being made and welcomed the move to a standardised approach to risk across the services, the need for definitive deadlines for key H&S issues was required. It was agreed that a further report which clearly set out, in tabular form, the key issues identified, measurable actions and progress, with specific completion deadlines would be brought back to the Committee at a date to be agreed.

Resolved: That Members:

- (i) Noted the progress made in implementing outstanding audit actions;
- (ii) Noted the governance and oversight arrangements for health and safety in the council; and
- (iii) Requested that a further report outlining the key issues, actions, progress and specific completion deadlines, be brought back to the Committee at a date to be agreed.

Reason: To update the Committee on the implementation of outstanding audit actions and ensure that Members are aware of the governance and oversight arrangements for health and safety in the council.

**18. SUB-CONTRACTING ARRANGEMENTS (CIVIL ENGINEERING) 2015-16 INTERNAL AUDIT REPORT UPDATE**

Members considered a report which provided an update following the internal audit report for Sub-Contracting Arrangements (Civil Engineering) 2015-16 and outlined actions taken to address the issues raised in the report.

Officers gave an update on progress and highlighted that a much stronger process and evidence base, with a register of contracts, was now in place.

Members raised a number of concerns as to the findings of the audit. In response, it was noted that remedial actions had been put in place since the audit report. Over the last year a programme of training had been delivered across the directorate in order to ensure a consistent knowledge base.

Whilst it was acknowledged that the issues presented within the report were historical and measures had been put in place to move forward, it was proposed, that given the Committee's concerns, the option of a sub-group be established to provide further assurances.

The need to set clear Terms of Reference for any potential sub-group was acknowledged, as was the boundary between the elected member and officer roles. It was agreed that the Deputy Chief Executive and Director of Customer and Corporate Services would clarify the options available to the Committee and the constitutional requirements as to process. The Terms of Reference, format and remit would be determined further to this clarification.

If such a sub-group was established, membership would comprise of Mr Mendes, Councillors Shepherd and Dew and Councillor Kramm, if availability permitted.

It was noted that the LGA peer review of procurement processes was ongoing and would be presented to the Audit Committee on completion.

Resolved: That Members:

- (i) Noted the work undertaken by the service areas to address the audit report actions;
- (ii) Requested that the Deputy Chief Executive and Director of Customer and Corporate Services provide the Committee with options in respect of a sub-group, or other means of providing assurances to Members, including the constitutional requirements as to process.

Reason: To update the Committee, following the internal audit report on Sub-Contracting Arrangements (Civil Engineering) 2015-16.

**19. SUB-CONTRACTING ARRANGEMENTS (BUILDING MAINTENANCE) 2015-16 INTERNAL AUDIT REPORT UPDATE**

Members considered a report which provided an update following the internal audit report for Sub-Contracting Arrangements (Building Maintenance) 2015-16 and outlined actions taken to address the issues raised in the report.

In response to Member questions, officers stated:-

- Currently £1m of a £6m budget was being awarded to sub-contractors, which was a reduction on the £3m spent at the time of the audit. This spend was regularly reviewed and it was a key target to further reduce spend to £500k, from the current forecast of £800k.
- Plastering costs outlined within the report included both flood and void property related works. It was noted that there was a turnaround target to ensure that empty properties were back in circulation as quickly as possible, with a minimal loss of rental income. As a consequence there was a need to employ contractors to carry out this work.
- The Housing Repairs service was ongoing significant re-structure to ensure that adequate management was in place. It was explained that a Service Manager could manage up to 70 individuals under the current structure. This was being addressed through the introduction of a new layer of team leaders.

- In response to concerns as to control of working time and overtime working payments, it was noted that part of the aforementioned restructure was looking at the terms and conditions of the workforce to review overtime and stand by arrangements.
- Assurance was given that all staff within Housing Services had or would undergo procurement training.

Resolved: Members noted the work undertaken by the service areas to address the audit report actions.

Reason: To update the Committee, following the internal audit report on Sub-Contracting Arrangements (Building Maintenance) 2015-16.

## 20. FORWARD PLAN

Members considered the future plan of reports expected to be presented at the Committee during the forthcoming year to June 2018.

Resolved: The Committee's Forward Plan for the period up to June 2018 was received and the following amendments<sup>1</sup> agreed:-

- (i) The presentation of the Forward Plan be revised to a spreadsheet format to include actions and progress dates;
- (ii) A report on Yes Consulting be brought to a future meeting of the Committee;
- (iii) Feedback from the LGA Peer Reviews to be added to the Plan on completion;
- (iv) A Health and Safety update be brought back to the committee on either 6 December 2017 or 7 February 2017; and
- (v) An additional Audit Committee meeting to be arranged between September and December 2017, if required.

Reason: To ensure the Committee receives regular reports in accordance with the functions of an effective Audit Committee.

Action Required

1. FWD Plan to be amended as noted

DM

Councillor Derbyshire, Chair

[The meeting started at 5.30 pm and finished at 8.00 pm].



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**Audit and Governance Committee**

20 September 2017

Report of the Deputy Chief Executive / Director of Customer & Business Support Services

**Mazars Audit Completion Report****Summary**

1. The paper attached at Annex A is the Audit Completion Report from Mazars and communicates their findings of the audit for the year ended 31 March 2017.

**Background and Analysis**

2. The report covers:
  - a. Details of any significant findings from the audit
  - b. Details of any internal control recommendations
  - c. A summary of minor misstatements and other amendments
  - d. Details of the value for money assessment and conclusion.

**Options**

3. Not applicable.

**Corporate Priorities**

4. The report contributes to the overall effectiveness of the Council's governance and assurance arrangements.

**Implications**

5. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

**Risk Management**

6. The Council will fail to comply with legislative and best practice requirements to provide for a proper audit of the Council if it does not consider this report.

## Recommendations

7. Members are asked to
- (a) Note the matters set out in the Audit Completion Report presented by the external auditor

### 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.*

## Contact Details

<b>Author:</b>	<b>Chief Officer responsible for the report:</b>			
Debbie Mitchell Finance & Procurement Manager Ext 4161	Ian Floyd Deputy Chief Executive / Director of Customer & Business Support Services			
Emma Audrain Technical Accountant 01904 551170	<b>Report Approved</b>	✓	<b>Date</b>	11/9/17
<b>Wards Affected:</b> All				
<b>For further information please contact the author of the report</b>				

### Background Papers:

None

### Annex:

Annex A – Mazars Audit Completion Report



# Audit Completion Report

City of York Council



For the year ended 31 March 2017



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

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# 1. Executive summary

## Purpose of this report

The Audit Completion Report sets out the findings of our audit of City of York Council ('the Council') for the year ended 31 March 2017, and forms the basis for discussion at the Audit and Governance Committee on 20 September 2017.

## The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £7.392m. We have updated our assessment as part of our continuous planning processes and have set materiality at £7.716m. Our clearly trivial threshold for reporting matters to you has been set at £0.232m.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in April 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.</p>
Identified misstatements	<p>Our work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.</p>
Value for Money	<p>At the time of issuing this report, and subject to the satisfactory completion of the remaining work, we anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>
Whole of Government Accounts (WGA)	<p>We anticipate completing our work on your WGA submission, in line with the group instructions issued by the National Audit Office, by the deadline of 29 September 2017. We anticipate reporting that the WGA submission is consistent with the audited financial statements.</p>

### The status of our work

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017. At the time of preparing this report the following elements of our work remain outstanding:

Income and expenditure	We are in the process of finishing our audit procedures on the Council's Comprehensive Income and Expenditure Statement. These include the testing of individual items of account as well as disclosure notes associated with the Council's income and expenditure for the year.
Non-current assets	Our work on investment properties, property, plant and equipment, and heritage assets is nearing completion. We are yet to finalise our work on the Council's valuation programme for 2016/17, which includes reviewing the valuation of a sample of property assets.
Debtors	We are awaiting evidence from management in relation a small number of debtor balances that we have sample tested.
Pensions	Our work on the Council's defined benefit liability has identified that a small number (6) of schools that converted to academy status since 1 April 2016 have not been removed from the actuary's IAS 19 valuation report. Further work is required to assess the value of this error by the actuary and the action that management wish to undertake to correct it if required.
Provisions and contingent liabilities	We are in the process of completing our work on reviewing a sample of provisions and contingent liabilities in the statement of accounts.

We will provide an update to you in relation to these outstanding matters in a follow up letter prior to giving our opinion.

**Correspondence received under the provisions of the Local Audit and Accountability Act 2014 ('the 2014 Act')**

Within the statutory period for electors to exercise their rights under the 2014 Act, we received a notice of objection from a local elector. The objection referred to two specific items of account in the 2016/17 statement of accounts, raised a number of questions for us as the Council's auditor and provided us with information that we have considered as part of our audit.

The two items of account subject to objection are below our materiality threshold and as such we have concluded that we expect to be able to issue our opinion on the financial statements prior to concluding the objections. However, as we will not have discharged all of our responsibilities under the 2014 Act until we have resolved the objection, we will be unable to certify completion of the audit by 30 September 2017. We have reflected this in our draft auditor's report in Appendix C.

## 2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum but we have noted a key area of management judgement that we wish to bring to members' attention. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
<p><b>Management override of control</b></p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We carried out a range of audit procedures that included the following:</p> <ul style="list-style-type: none"> <li>• Challenging the reasonableness and appropriateness of accounting estimates used by management in the process of preparing the financial statements;</li> <li>• Identifying and challenging any unusual or significant transactions outside the Council's normal course of business; and</li> <li>• Carrying out a risk-based review of journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>	<p>Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to members' attention, in relation to management override of control.</p>
<p><b>Valuation of the defined benefit pension liability</b></p> <p>The financial statements contain material entries in a number of primary statements as well as material disclosure notes in relation to the Council's participation in the Local Government Pension Scheme.</p>	<p>We considered the Council's arrangements for making estimates in relation to pension entries within the financial statements. This included considering and challenging the reasonableness of the actuary's valuation through the use of our own expert as commissioned on our behalf by the National Audit Office.</p>	<p>As outlined in section 1 of this report, we have identified an issue with regard to the inclusion of academy schools that converted in the year, within the Council's IAS 19 valuation. This has</p>

<p>These entries arise from complex estimates used by the Council's actuary as well as information provided to the actuary from the Council and North Yorkshire Pension Fund.</p> <p>The valuation of pension liabilities involves significant judgement to be applied involving a number of variables and as a result, there is high degree of estimation uncertainty. We have therefore identified this to be an area of risk.</p>	<p>As the actuary's work is dependent on the quality of data in respect of cash flows and membership, we considered the arrangements that the Council has in place to ensure that the Fund and actuary are kept informed of events that may impact on the valuation of pension liabilities.</p> <p>We also agreed a programme of work to be undertaken on our behalf by the Fund's auditor. This included testing a number of key information flows between the Council, Fund and actuary, as well as undertaking specific testing in relation to the Fund's triennial valuation as at 31 March 2016.</p>	<p>been considered more fully in section 3 in relation to control recommendations.</p> <p>At the time of preparing this report, our work on this significant risk has not been completed.</p>
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Key area of management judgement	Summary of work undertaken	Audit conclusion
<p><b>Valuation of non-current property assets</b></p> <p>The financial statements contain material entries in relation to property, plant and equipment (PPE) and investment properties. The majority of these assets are held at valuation and are subject to periodic revaluation as part of the Council's rolling programme.</p> <p>Management, including the internal valuers, make a number of judgements that have implications for the valuation of property assets. Although we have not identified this as an area of high estimation uncertainty, and thus a significant risk, we have carried out a number of procedures in order to obtain sufficient appropriate evidence that the value of the Council's property portfolio is materially fairly stated.</p>	<p>We considered the Council's arrangements for ensuring property valuations are materially accurate and undertook a range of procedures, that included:</p> <ul style="list-style-type: none"> <li>• Reviewing and challenging the valuation of a sample of properties;</li> <li>• Assessing the competence, skills and experience of the Council's valuer;</li> <li>• Assessing the data sources used by the valuer in forming the valuations;</li> <li>• Physically verifying a sample of assets to obtain assurance that there were no unidentified material impairment events that had not been taken into account by the valuer; and</li> <li>• Considering the value of the Council's property portfolio against valuation trends provided to us by our own valuation expert, as commissioned by the National Audit Office.</li> </ul>	<p>As outlined in section 1 of this report, we have not yet fully completed our work in this area, although our work is substantially complete.</p> <p>The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to members' attention, in relation to the valuation of the Council's property portfolio</p>

### Qualitative aspects of the Council's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of the Council's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	<p>As explained more fully in Appendix A, as part of our review of the Council's existing PFI scheme relating to three schools, we noted that the Council's accounting treatment in relation to the scheme's liabilities is not in line with the requirements of the Code of Practice of Local Authority Accounting ('the Code'). We have obtained sufficient evidence that the value of the liabilities are not materially misstated, but the Council should review its accounting policies for this scheme for future years to ensure that treatment aligns with the requirements of the Code.</p> <p>We have reviewed the Council's accounting policies and disclosures and, other than in relation to the schools' PFI scheme and investment property revaluation, found these to be in line with the requirements of the Code.</p> <p>In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.</p>
Quality of the draft financial statements	<p>We received draft financial statements from management on 30 June 2017. The overall quality of the draft statements was good, subject to a number of minor presentational errors.</p>
Quality of supporting working papers	<p>Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. We will work with management to identify a suite of working papers that we will require in order to complete the audit of the 2017/18 financial statements as the deadlines for their preparation and audit coming forward to 31 May and 31 July respectively.</p>

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full cooperation of management. We have identified areas where the audit process can be improved from both the Council's and our perspective, in 2017/18. We will work with management to ensure that we put an audit protocol in place that will seek to ensure that audit queries and requests for evidence are actioned as quickly as possible and that we can complete a greater proportion of our substantive testing during our interim visit prior to the year end.



# 3. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that 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 be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

- **Priority 1 (high)**  
There is potential for financial loss, damage to reputation or loss of information. Weaknesses may have implications for the achievement of strategic objectives and our recommendations should be considered immediately by management.
- **Priority 2 (medium)**  
There is a need to strengthen internal controls or enhance efficiency. Our recommendations should be actioned in the near future.
- **Priority 3 (low)**  
Internal controls should be strengthened where practicable and where there is a cost benefit from doing so.

**Other deficiencies in internal control – Priority 2**

<p>Description of deficiency</p>	<p><b>Accounting for PFI liabilities</b></p> <p>The Council is party to a PFI scheme for the design, build and operation of three schools. The scheme commenced in the 2006/07 financial year and the accounting policies adopted at that time for the scheme, were those required by UK GAAP as adapted by CIPFA's Statement of Recommended Practice.</p> <p>On transition to the IFRS-based Code, the Council undertook work to revise the accounting treatment for the scheme which was considered and subsequently amended by the Council's auditor at the time, the Audit Commission. We have reviewed this accounting treatment in 2016/17 on the basis that it is a number of years since a detailed review has been carried out due to the scheme's liabilities being non-material. Our work identified that, in our view, the Council's accounting treatment in respect of elements of the scheme is not in line with the underlying requirements of the Code.</p> <p>Because of the passage of time since the scheme was brought onto the Council's Balance Sheet in 2008/09, there is nobody in the Council that has a detailed knowledge of the accounting treatment being applied, which is based on a model produced by an external advisor.</p>
<p>Potential effects</p>	<p>As a result of the lack of retained knowledge in relation to the accounting treatment being applied to the PFI scheme, there is a risk that:</p> <ul style="list-style-type: none"> <li>• The statement of accounts may be misstated; and</li> <li>• The Council may not always be able to respond fully to auditor queries relating to the accounting treatment.</li> </ul>
<p>Recommendation</p>	<p>We recommend that the Council:</p> <ul style="list-style-type: none"> <li>• Reviews its accounting treatment for the scheme as part of its preparation of the 2017/18 financial statements;</li> <li>• Puts in place arrangements to ensure that detailed knowledge of the accounting treatment does not rest with a single individual; and</li> <li>• Discusses and agrees any required revision to its treatment with us as early as possible.</li> </ul>
<p>Management response</p>	<p>This is a highly specialised area of accounting and, as such, it is not possible to retain all the knowledge and expertise in house. As a result, the Council relied on external expertise to ensure compliance with the Code and have continued to maintain this detailed model having not been made aware of any inconsistencies with Code compliance by each subsequent Audit since 2010. The Council clearly recognises that the current accounting treatment needs to be amended and has committed to review this. We will continue to use external specialist advice where we consider it appropriate to do so. We also agree that the issue has not been examined by the external auditor since 2010 as the scheme's liabilities are non-material.</p>

Description of deficiency	<p><b>Related party disclosures</b></p> <p>As part of our audit procedures on related party disclosures, we noted a small number of omissions that management has corrected in the final financial statements. We noted:</p> <ul style="list-style-type: none"> <li>• One instance of a Councillor failing to declare an interest as a Director of City of York Trading Ltd; and</li> <li>• One instance of a Director failing to declare an interest as a Director of a company with which the Council traded in 2016/17, although the relationship with this company ended in August 2016</li> </ul> <p>The Council has made amendments to its financial statements to correct the related party disclosure note.</p> <p>We have not identified any indications that these omissions are indicative of fraud.</p>
Potential effects	<p>Failure to properly declare and disclose interests in related parties can give rise to an erosion of public trust in circumstances where failures are widespread or systemic.</p>
Recommendation	<p>We recommend that the Council:</p> <ul style="list-style-type: none"> <li>• Reminds relevant officers and members of the need to make appropriate declarations in line with its internal policies; and</li> <li>• Considers whether any checks can be carried out in the preparation of the financial statements to identify potential missing declarations (for example, checks of Companies House records).</li> </ul>
Management response	<p>The Council recognises there were some minor omissions from the related parties note. We will review the process to ensure that some checks are carried out prior to the completion of the financial statements.</p>

Description of deficiency	<p><b>Impact of converting academies on the valuation of the Council's pension liabilities</b></p> <p>As part of our audit procedures on the valuation of the Council's pension liabilities arising from its involvement in the local government pension scheme, we have noted that the arrangements in place to ensure that the actuary is informed of any schools that convert to academies did not result in the actuary removing these schools from the Council's valuation. In 2016/17, there were 6 maintained schools that moved to academy status that the actuary incorrectly included as part of the Council's IAS 19 valuation.</p>
Potential effects	<p>Failure to ensure the actuary removes transferring academies may lead to a material overstatement of the Council's pension liabilities.</p>

Recommendation	<p>We recommend that the Council puts in place procedures to:</p> <ul style="list-style-type: none"> <li>• Ensure the process whereby the actuary is notified of any schools transferring to academy status is adhered to ; and</li> <li>• Ensure that the actuary has correctly removed transferred schools for the Council's IAS 19 valuation.</li> </ul>
Management response	<p>The Council has discussed this issue with NYPF. They have raised this issue with the actuary to ensure that, in future, the actuary removes from the Council's IAS19 valuation those schools converting to academy status during the year. The actuary has stated that it is not their standard practice to explicitly allow for any academy conversions occurring between 1 April 2016 and 31 March 2017 under the "roll forward" approach used. The impact of the academy conversions over the period from the 2013 actuarial valuation to the 2016 actuarial valuation is included in the actuarial gains/losses due to liability experience item on the balance sheet (along with other experience items allowed for as part of the 2016 actuarial valuation).</p>

#### Follow-up of previous internal control deficiencies and recommendations

Description of deficiency	<p><b>Valuation of Council dwellings</b></p> <p>As part of our Audit Completion Report for the 2015/16 audit, we recommended that the Council reviewed its approach to interim valuations of its housing stock so that material movements are reflected in the carrying value of the assets between the 5-yearly full valuations.</p>
Conclusion in 2016/17	<p>We have carried out work on the Council's valuation of its housing stock in the year and have not noted any matters arising that indicate the deficiencies outlined last year have continued into 2016/17.</p>

# 4. Value for Money Conclusion

**Our approach to Value for Money**

We are required to form a conclusion 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 conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
<p><b>Informed decision making</b></p>	<p><b>Acting in the public interest, through demonstrating and applying the principles and values of sound governance</b></p> <p>The Council has put in place a significant management restructure over the last few years and has seen changes in a number of senior posts, including the Chief Executive, over that time. 2016/17 has been a period of relative stability in this respect.</p> <p>The Audit and Governance Committee is the body that we determine to be ‘those charged with governance’ as defined by International Auditing Standards. The committee is responsible for the oversight of the Council’s governance framework which includes considering reports from internal and external audit providers, and approving the financial statements. The Committee had a busy agenda in 2016/17 and addressed some significant risk issues including internal and external audit reports on procurement. .</p>	<p>Yes</p>

The Council's internal audit function is provided by Veritau, who carried out an annual review of the effectiveness of the system of internal control in place at the Council. For 2016/17, Veritau gave a substantial assurance opinion.

**Using appropriate and reliable financial and performance information to support informed decision making and performance management**

As part of our on-going work in assessing risk and updating our understanding of the Council, we review minutes for Executive, Council and committee meetings, as well as meeting regularly with senior officers such as the Chief Executive and s151 Officer. We have not identified any evidence of material decisions being taken that are not supported by reports that outline appropriate option appraisal, suitably supported recommendations and all other relevant considerations.

**Reliable and timely financial reporting that supports the delivery of strategic priorities**

The Council's financial performance appears well-controlled and is reported appropriately to members on a quarterly basis. Any significant financial consequences of options presented to members for decision appear to be supported by an appropriate level of financial commentary to allow proper decision making.

The financial outturn for 2016/17 was positive resulting in an underspend of around £0.5m together with an unspent contingency of a similar amount.

**Managing risks effectively and maintaining a sound system of internal control**

As noted above, the Council's internal audit provider provided a substantial assurance opinion in relation to the system of internal control for 2016/17. The results of our work have not identified any matters that would cause us to challenge this opinion.

Regular reporting of corporate risk is undertaken with periodic reports being presented to the Audit and Governance Committee for consideration and discussion. We have noted changes in the presentation of the reports in 2016/17 as a result of suggestions from members.

**Sustainable resource deployment**

**Planning finances to support the sustainable delivery of strategic priorities and maintain statutory functions**

The Council continues to make good progress in meeting the challenges that it faces as a result of reductions in central government funding. As noted above, the 2016/17 outturn position was positive which follows a number of years of relatively strong performance in terms of delivery to budget.

We have carried out work in relation to the Council's arrangements to deliver its programme of savings for the period up to 2019/20, in response to the significant risk we identified in our Audit Strategy Memorandum, and have concluded that arrangements are in place for the 2016/17 financial year.

**Managing and utilising assets effectively to support the delivery of strategic priorities**

A number of the individual savings programmes that form part of the Council's overall savings plans for the period to 2019/20, involve driving efficiencies and revenue maximisation from the use of both operational and commercial property holdings. Progress on these programmes has been good to date, and the Council will need to continue this positive start if it is to meet all of its targets in this area, particularly in the 2018/19 and 2019/20 financial years.

**Planning, organising and developing the workforce to deliver strategic priorities**

The Executive approved a revised approach to workforce development, the People Plan, in Q1 of 2016/17. Since that time, we have noticed a range of initiatives that have been introduced under the Plan that have brought about potential increases in staff engagement. Progress on delivery of the Plan has been reported to the Executive as part of the quarterly finance and performance update reports.

Yes

**Working with partners and other third parties**

**Working with third parties effectively to deliver strategic priorities**

As part of our Audit Completion Report in 2015/16, we reported that one of the Council's most important partnerships in terms of meeting strategic priorities, was that with the Vale of York Clinical Commissioning Group ('the CCG').

The Council and the CCG work together in a range of areas but the most significant of these is the operation of the Better Care Fund, which seeks to reduce emergency admissions to hospital and provide as much support as possible in a social care setting.

There has been a challenging relationship between the Council and CCG in recent years. The financial position of the CCG has led to difficulties in the operation of the Better Care Fund since its introduction.

Arrangements to deliver the 2016/17 Better Care Fund from a budget standpoint appear to have been in place and we are not aware of a repeat of the potential issues that arose in 2015/16 where there was a concern that the CCG may withhold funding from the Fund, and thus the Council.

Following the delayed receipt of detailed technical guidance from NHS England, a plan for the operation of the Better Care Fund for the period 2017-2019 has been developed. This sees the proposed future contributions from the CCG and Council increasing to an overall £15.3m in 2017/18. The Council's overall share of contributions will increase in 2017/18.

Performance against the Fund's objectives is developing but arrangements to date have not been successful in delivering priorities. This is a picture that is seen in many parts of the England and is not necessarily isolated to York, and there are clear challenges that the partners need to address in order to meet both national and local priorities.

**Commissioning services effectively to support the delivery of strategic priorities**

We have considered the information in VFM profiles published by PSAA, in relation to commissioning activity. These provide data that compares the Council's performance against a range of metrics with those of its statistical nearest neighbours or other comparative groups.

Although there are variations in the costs within and between services, overall, the Council's performance against relevant metrics indicates that arrangements are in place to efficiently commission services when compared to its comparator group.

Yes



### Procuring supplies and services effectively to support the delivery of strategic priorities

We have considered the Council's arrangements for procuring supplies and services as part of work on a significant risk to our Value for Money conclusion as previously reported in our Audit Strategy Memorandum.

A number of concerns were raised about the Council's arrangements following an objection to the 2015/16 statement of accounts. This led to specific reports on the issue from us and the Council's internal auditors.

Since this time, the Council has responded to the recommendations made by internal audit which we have considered as part of our work on the significant risk.

### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risks. The work we carried out in relation to significant risks is outlined below.

Value for Money conclusion risk	Work undertaken	Conclusion
<p><b>Responding to financial pressures</b></p> <p>The Council faces financial pressures from reduced funding and continues to identify plans to deliver future savings. The Council also has some significant programmes and projects to deliver. Without robust budgetary control and delivery of its action plans, the Council's financial resilience and service performance could deteriorate.</p>	<p><u>Overall arrangements for budget monitoring and reporting</u></p> <p>We have reviewed the Council's arrangements for monitoring progress against budget and reporting that progress to members. We have noted the strong outturn position for 2016/17 and the corrective actions taken in the second half of the year to turn around a forecast deficit of around £0.48m at Q2 to a forecast surplus of £0.16m in Q3 and the eventual outturn surplus of £0.54m.</p> <p>Reporting to members appears robust, with sufficient detail to allow for proper oversight of the financial position and performance of the Council on a quarterly basis.</p> <p><u>Review of arrangements for delivering savings programmes</u></p> <p>As part of the 2016/17 budget setting process, the Council outlined an ambitious but realistic programme of savings in the region of £21m to the end of 2019/20. We have considered the arrangements in</p>	<p>We have concluded that there are no indications that a modification to our Value for Money conclusion is required as a result of the Council failing to respond to financial pressures.</p> <p>The Council will need to ensure that the positive start that it has made to its new savings programme in 2016/17 is continued.</p>

	<p>place to monitor achievement of these individual programmes by reviewing relevant document, reports to members and through meetings with key officers.</p> <p>We have reviewed a number of individual savings programmes to assess whether the current RAG rating given to these appears appropriate both for 2016/17 and future years' delivery.</p> <p><u>Consideration of the Council's financial position</u></p> <p>As well as considering the financial performance of the Council and its delivery to budget, outlined above, we have also considered the Balance Sheet position to assess its financial position. We have done this through review of a number of key financial ratios and comparison to other local authorities.</p> <p><u>Review performance reports</u></p> <p>Managing the budget and delivering savings is just one aspect of responding to financial pressures. This needs to be balanced with continuing to meet the needs of service users and delivering sound statutory services. We have considered the quarterly performance reports presented to the Executive, as well as a number of other reports that provide an assessment of the Council's performance. We have also considered the work of inspectorates and regulators relevant to our conclusion (such as OFSTED and the Care Quality Commission), and information available to us from PSAA's value for money profiles.</p>	
<p><b>Responding to prior year procurement issues</b></p> <p>In response to an objection to the accounts in the 2015/16 audit, a number of breaches of financial regulations were identified by Veritau in relation to procurement of a local consultant.</p> <p>Although this related to a specific instance where a senior manager had apparently not followed procedures and was no longer an employee of the Council, the need to strengthen procedures was identified and management developed an action plan.</p>	<p><u>Review of progress against the action plan</u></p> <p>We have considered management's response to the action plan agreed as part of the initial response to internal audit's findings. This has been considered through discussions with relevant officers and the gathering of information and evidence to support the current position.</p> <p>From our review of relevant documentation, we are not aware of any substantial elements of the action plan that remain outstanding and have been pleased to note that there has been a marked increase in attempts to raise awareness of procurement policies and procedures to relevant directorate groups.</p>	<p>We have concluded that there are no indications that a modification to our Value for Money conclusion is required as a result of the Council failing to respond to previous year procurement issues.</p> <p>The Council should consider the recommendations made by the peer review team and continue to seek continuous improvement in its procurement function.</p>

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If the action plan is not addressed, the Council might not be able to demonstrate that it achieves best value from its procurement.

Peer review

As part of management's response to the findings, an independent peer review of its procurement function was commissioned from the Local Government Association. The peer review team concluded that 'the Council has a good corporate procurement function and that the compliance issues are being addressed'.

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**Our 'reality check'**

Having gathered evidence of the Council's arrangements for each of the sub-criteria and responded to the identified significant risks, we have also conducted a reality check that builds on our existing knowledge of the Council and considers whether or not there are any other indications that arrangements are not in place to meet the overall criterion. In doing so, we have considered the following:

- All relevant minutes and minutes from our discussions with senior management;
- Correspondence from electors and other parties that may be relevant to our conclusion;
- The work of inspectorates and regulators; and
- Information from other local authorities that we audit and the National Audit Office's Value for Money Technical Network, to ensure common issues are being dealt with on a consistent basis.

**Our overall Value for Money conclusion**

Our draft auditor's report included in Appendix C states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

# Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £232,000, are set out below.

In line with our reporting in previous years, we report misstatements on the following basis:

- Material adjusted misstatements are reported in full
- Non-material misstatements or uncertainties that management has not amended are reported in full
- Non-material misstatements or uncertainties that management has amended are discussed with management and reported on a summary basis.

## Material adjusted misstatements

At the time of preparing this report, we have not identified any material misstatements that require amendment.

## Non-material misstatements or uncertainties that management has not amended

### Non-material uncertainty – Accounting for schools' PFI liabilities

As noted in section 3 of this report, the Council has been unable to respond to a number of questions relating to the accounting treatment adopted for its schools PFI scheme. We have done sufficient work to gain assurance that the accounting treatment adopted does not materially misstate the Council's PFI liabilities, but we believe it is highly likely that the PFI liabilities recognised on the Council's Balance Sheet are misstated as a result of adopting an accounting policy that appears contrary to proper accounting practices as outlined in the Code of Practice on Local Authority Accounting.

Management has committed to reviewing its accounting treatment for the 2017/18 financial statements.

### Non-material uncertainty – Local Government Pension Scheme

As noted in section 3 of this report, the Council's actuary, despite being informed of the transfer of six schools to academy status during the 2016/17 financial year did not reflect this in the Council's IAS19 valuation. . As a result, the net defined benefit liabilities as recognised on the Council's Balance Sheet are misstated. We have done sufficient work to gain assurance that the impact of this error is not material in respect of the value of the Council's Local Government Pension Scheme liabilities and associated entries in the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, and associated notes.

**Non-material misstatements that management has amended**

We have identified a number of misstatements that fall below our materiality threshold that management has agreed to amend in the final financial statements. These include amendments to:

- Note 1 – Accounting policies
- Note 12 – Property, plant and equipment
- Note 16 – Financial instruments
- Note 19 – Debtors
- Note 23 – Creditors
- Note 24 – Provisions
- Note 27 – Cash Flow Statement (operating activities)
- Note 38 – External audit costs
- Note 41 – Related party transactions
- HRA note 8 – Vacant possession value of council dwellings

We have also agreed a number of minor presentational changes to the accounts.

# Appendix B – Draft management representation letter

[Client address]

[Date]

Dear [name]

## **City of York Council - audit for year ended 31 March 2017**

This representation letter is provided in connection with your audit of the statement of accounts for City of York Council ('the Council') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code').

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

### **My responsibility for the statement of accounts and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts 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 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.

### **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 the Code and 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 fair value**

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

### 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 Code.

### Laws and regulations

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

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

### Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts 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 statement of accounts 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.

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 below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code 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.

**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.

**Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements and uncertainties as included in the auditor’s draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

s151 officer

Date.....



# Appendix C – Draft audit report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF YORK COUNCIL

### Opinion on the Authority financial statements

We have audited the financial statements of City of York Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund, and the related notes. 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 2016/17.

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 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of City of York Council, as a body, for our audit work, for this report or for the opinions we have formed.

### Respective responsibilities of the Director of Customer and Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, the Director of Customer and Corporate Services 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the City of York Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Customer and Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of City of York Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

**Opinion on other matters**

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

**Matters on which we report by exception**

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- 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 the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

**Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources****Respective responsibilities of the Authority and the auditor**

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

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

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, City of York Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed our work on an objection raised in relation to the Authority's financial statements for the year ended 31 March 2017. We are satisfied that these matters do not have a material effect on the financial statements or on our value for money conclusion.

Gareth Davies

For and on behalf of Mazars LLP

Salvus House, Aykley Heads, Durham, DH1 5TS

29 September 2017

# Appendix D – Independence

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

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



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**Audit and Governance Committee**

20 September 2017

Report of the Deputy Chief Executive / Director of Customer & Corporate Services

**Annual Financial Report - Statement of Accounts 2016/17****Summary**

1. This report presents a final set of accounts for 2016/17 to reflect changes made since the draft pre-audit accounts were presented to this committee on 19 July 2017.

**Recommendations**

2. 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) Approve the amended Annual Financial Report at Annex A for signature by the chair from a resolution of this Committee in accordance with the Accounts and Audit Regulations 2015.

*Reason*

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

**Background**

3. 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 30<sup>th</sup> September each year.

### **Analysis**

4. The accounts attached at Annex A have been revised since the unaudited version was reported to the Audit & Governance Committee meeting in July 2017. A number of minor amendments have been made to the text and supporting information, mostly to try and improve the information contained within the accounts. There have been no substantive changes made to any of the core statements. All the changes made have been highlighted in the accounts attached at Annex A.
5. It should also be noted that these changes have no impact on the outturn position of the council as all the changes made are minor clarifications and technical accounting adjustments.
6. The Audit Completion Report highlights the auditor's view that the Council has made proper arrangements to secure economy, efficiency and effectiveness in our use of resources. Both the final accounts and the Value for Money assessment will be signed off without qualification.
7. The Value for Money assessment specifically mentions the good progress made by the Council in addressing the major challenges to date and highlights that good progress continues to be made in addressing the financial challenges. It also again notes the positive outturn position for 2016/17 and that financial reporting to members is robust, with sufficient detail to allow proper oversight of the financial position.
8. Only 3 recommendations have been brought to your attention, regarding the technical accounting treatment of the PFI scheme, the valuation of the pension scheme by the fund actuary and the related parties note. The audit has concluded that all other matters are satisfactory.
9. In relation to the accounting treatment of the PFI scheme, when the International Financial Reporting Standards (IFRS) were introduced in 2010/11 the Council amended the way the PFI scheme was accounted for. However, the external auditor at the time determined that the Council should revert back to the previous accounting treatment and we have continued on this basis ever since. Subsequently, the new audit team have reviewed the scheme and do not feel the current accounting treatment is correct. We have therefore committed to review and amend this during the current financial year. This is a technical adjustment that

will have no impact on the PFI arrangement itself, any of the payments made or services received.

10. The details of all the changes made are included in appendix A of the Audit Completion Report. The 2016/17 audit is now substantially complete, and Mazars summarise their review of the accounts in their Audit Completion Report which is presented separately on the agenda for this meeting.
11. The accounts were available for public inspection between the 3rd July and 11th August. There were a number of queries from several residents during this period which had a significant impact on the workload of the finance team.
12. There has been an objection to the accounts by a local elector. The objection raises a number of issues, from which two specific items are being considered further by Mazars. Both items are less than £150k, well below the materiality level of £7.7m, and therefore, regardless of the final determination of the auditors, will not result in any changes to the accounts presented at Annex A to this report.
13. The annual production of the accounts is the subject of continuous review and, as usual, areas for improvement will be identified as a result of any issues identified this year. Any subsequent items identified in the last few days of the audit work will be reported verbally at the meeting.
14. The areas identified in 2016/17 will again form the basis of a structured improvement programme in the build up to the production of next years accounts which will focus on:
  - (i) continued effective project planning to ensure deadlines are achieved, in particular planning for an earlier closedown in 2017/18
  - (ii) continuing to try and improve the accessibility and quality of information provided to residents during the public inspection period
  - (iii) working with the external audit team to improve the overall audit process

### **Consultation**

15. 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.

## Options

16. Not applicable.

## Corporate Priorities

17. The Annual Financial Report provides a technical financial summary of the activities of the council and assists in providing the Council with a viable financial position on which to base future budget projections, as well as contributing to the overall effectiveness of the Council's governance and assurance arrangements.

## Implications

18. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

## Risk Management

19. Areas of risk identified throughout the annual accounts process are monitored and managed on an ongoing basis to ensure the statutory deadline is met.
20. The Council will fail to comply with legislative and best practice requirements to provide for a proper audit of the Council if it does not consider this report or approve and sign the Annual Financial Report.

<b>Authors:</b>	<b>Chief Officer responsible for the report:</b>			
Debbie Mitchell Finance & Procurement Manager Ext 4161	Ian Floyd Deputy Chief Executive / Director of Customer & Corporate Services			
Emma Audrain Technical Accountant 01904 551170	<b>Report Approved</b>	✓	<b>Date</b>	11/9/17
<b>Wards Affected:</b> All				
<b>For further information please contact the author of the report</b>				



**Background Papers:**

Audit & Governance Committee 19 July 2017 – Pre Audit Statement of Accounts 2016/17

**Annex:**

Annex A Final Statement of Accounts 2016/17

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# Annual Financial Report 2016/17

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ANNUAL FINANCIAL REPORT

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**NARRATIVE REPORT****1. INTRODUCTION**

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These accounts set out the financial results of the City of York Council activities for the year ending 31<sup>st</sup> March 2017. 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 31<sup>st</sup> March 2017 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 Director of Customer and Corporate Services 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)

This is a new note for 2016/17. The objective of the EFA is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

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

### Housing Revenue Account Income and Expenditure Statement

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

### Movement on the Housing Revenue Account Statement

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

### 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. THE COUNCIL

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This council has 47 Councillors who are elected every four years by local residents on a ward by ward basis. The May 2015 elections resulted in a new administration when the Conservatives and Liberal Democrats formed a coalition to lead the council and councillors from both parties sit on the ruling Executive. The updated Council Plan for 2015-19 focuses on three key priorities:

- a prosperous city for all - where local businesses can thrive and residents have good quality jobs, housing and opportunities
- a focus on frontline services - to ensure all residents, particularly the least advantaged, can access reliable services and community facilities
- a council that listens to residents - to ensure it delivers the services they want and works in partnership with local communities

## 3. REVIEW OF THE FINANCIAL POSITION

---

### Funding Context and Financial Planning

At the start of 2016/17 York had the 13th lowest band D council tax, the 2nd lowest spend per head of population and the 9th lowest government funding per head of any unitary council in England. All aspects of the public sector are continuing to face challenging times and in recent years the Council has had to deal with large reductions in funding, combined with a range of significant pressures.

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 over the next four years and services are actively working to develop plans which will change the way services are provided, and deliver budget reductions over a four year period.

Looking forward, the Settlement Funding Assessment for 2017/18 is £33.3m which corresponds to a loss of £5.8m, or 15%, compared to the funding received in 2016/17. Provisional figures were provided for the years 2018/19 to 2019/20 and confirm that central government support to local authorities will continue to be reduced in coming years. This presents a major challenge to the council in coming years to secure further savings and for cost pressures to be managed 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 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. Rising costs such as landfill tax and inflation are driving costs up, 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

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.

By 2019/20, the Council will be self funded from council tax and business rates. Therefore, a successful economy is critical to the council's financial future, with strong and growing business rates.

In relation to council tax, the 2017/18 budget includes a council tax increase in 2017/18 of 0.7%, plus an additional increase of 3% in line with the Government's Social Care precept.

The medium term strategy will continue to focus on a transformational approach, particularly in the area of adult social care and a significant amount of savings will be delivered by restructuring services.

### Revenue Outturn 2016/17

The Council's General Fund budget for its own net expenditure was set at £120.9m. To this sum the parish precepts added a further £0.7m. Band D Council Tax, including both Police and Fire Authority precepts, was set at £1,483.39. This was a 3% 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.

Overall, the net outturn shows an under spend of £542k, along with £549k of unallocated contingency. However, included within this net underspend are several service areas where there have been significant budgetary pressures, for example additional costs have arisen due to demographic pressures in relation to adult social care. These areas continue to present challenges and detailed monitoring will seek to ensure issues are identified and resolved.

These pressures have been mitigated by reduced expenditure or additional income in other areas, and this has been achieved through effective monitoring of the budget throughout the year so that, overall, spending has remained within budget. Full details on the individual service areas position for 2016/17 were reported to Executive in June 2017.

The underspend of £542k has been transferred to reserves in recognition of the increased risks facing the Council. These risks include the scale of budget reductions on top of those already made and the financial situation of health partners. The unallocated contingency of £549k has been transferred to the existing £500k general contingency set aside for 2017/18 to allow the Council to meet significant issues that may arise in the 2017/18 budget and beyond.

The overall outturn position for the Council is shown below;

Directorate	2016/17 Net Budget	2016/17 Net expenditure	Variation
	£'000	£'000	£'000
Children, Education & Communities	25,278	25,246	(32)
Economy & Place	14,830	15,554	+724
Customer & Corporate Services	20,052	19,793	(259)
Health, Housing & Adult Social Care	47,551	47,742	+191
Central budgets	13,238	12,072	(1,166)
TOTAL	120,949	120,407	(542)
Unallocated contingency			(549)

## NARRATIVE REPORT

**Reserves**

At the end of the financial year 2016/17 the useable reserves stood at £134m, compared to £114m at the end of 2015/16. This increase is primarily due to a surplus on the Housing Revenue Account and an increase in funds received in advance of expenditure being incurred, such as Care Act monies and New Homes Bonus. The table below summarises the position on useable reserves

	<b>Opening Balance</b>	<b>Net movement in year</b>	<b>Closing Balance at 31.3.17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund balance	13,610	(1,325)	12,285
Earmarked General Fund Reserves	41,878	3,473	45,351
Housing Revenue Account	18,365	4,275	22,640
Earmarked Housing Revenue Account Reserves	14,179	1,852	16,031
Major Repairs Reserve	4,175	1,133	5,308
Capital Receipts Reserve	8,867	4,926	13,793
Capital Grants Unapplied	13,059	6,068	19,127
<b>Total</b>	<b>114,133</b>	<b>20,402</b>	<b>134,535</b>

The Council takes a risk based approach to the management of useable reserves and as part of setting the annual budget, the Director of Customer and Corporate Services 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 2016/17, it was determined by the Director of CCS that a level of £6.4m remained an appropriate figure. However in light of the risks facing the council, in particular the scale of future reductions on top of those already made, it was also considered that headroom should remain above the minimum level. This would then allow, if needed, a draw on reserves without the immediate breach of the minimum level. If reserves were maintained at minimum levels, any use would immediately require the restatement back to minimum in the following year. Taking all this into account, the year end balance was £7.4m.

The General Fund reserve balance of £12.2m in the table above also includes individual school balances of £4.8m. 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 2017/18.

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.

#### 4. HOUSING REVENUE ACCOUNT (HRA)

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In April 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 replacing it with a new system of self financing. This resulted in a number of changes which have 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 gets 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. However, subsequently the Government has announced that it will require councils to sell their high value properties when they become vacant and to reduce social housing rents by 1% per year for the next four years. While the full extent of the impact of these changes is not yet known, the HRA will be required to make significant efficiencies in order to mitigate the reduction in income without reducing the HRA balance below prudent and sustainable levels.

The HRA had an in year surplus of £4,275m. The account brought forward a surplus from 2015/16 which means that the final position is a surplus of £22,640m at the year-end (£18.365m at 1st April 2016), an increase of £1.3m from that originally budgeted for. In 2016/17 the most significant variances have resulted from an overspend of £278k on repairs and maintenance, savings of £139k on utilities, £393k from delays in capital schemes that are funded from revenue, additional income from rents of £160k and £326k from lower than budgeted levels of arrears and bad debts.

#### 5. BUSINESS RATES AND COUNCIL TAX

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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.

Abolition of the national Council Tax benefit system and replacement with the Local Council Tax Scheme has transferred significant risk from Central to Local Government, as any non collection must now be borne in part by the Council.

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 2013 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.

The operation of the pool is governed by a formal agreement between the seven authorities which was updated in March 2015. The pool is led by a Joint Committee made up of the leaders of the seven authorities and is administered by Leeds City Council. The Joint Committee is responsible for making decisions about the use of pool receipts.

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

The account shows a surplus on Council Tax and a deficit on Business Rates at 31 March 2017. This deficit is due to the requirement to make a provision for backdated business rate appeals and will broadly be resolved over the coming years. 97.6% of the total sum collectable for 2016/17 Council Tax bills was received in the year. It should be noted that the majority of amounts not collected in year are collected in the following financial year. Similarly, the recovery on Business Rates was 98.2% of the 2016/17 bills.

## NARRATIVE REPORT

**6. CAPITAL EXPENDITURE**

Capital expenditure for the year totalled £35.75m (2015/16 £41.5m). 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 2016/17 and how it was funded is shown below:

	<b>2016/17 Outturn £m</b>
<b>Capital Expenditure</b>	
Children, Education & Communities	6.061
Health, Housing & Adult Social Care – Adult Social Care	2.169
Health, Housing & Adult Social Care – Housing & Community Safety	11.012
Economy & Place – Transport, Highways & Environment	8.731
Economy & Place – Regeneration & Asset Management	3.414
Community Stadium	0.949
Corporate Schemes	1.266
IT Development Plan	2.149
<b>Total expenditure</b>	<b>35.751</b>
<b>Funding</b>	
Prudential Borrowing	10.258
Major Repairs Allowance	6.775
Capital Receipts	1.533
Grants and other contributions	13.708
Revenue	3.477
<b>Total Funding</b>	<b>35.751</b>

The Council maintains a wide-ranging capital programme and is currently working on a number of major projects including:

- The delivery of the Local Transport Plan
- Modernisation and repairs to Council properties
- Improvements to and expansion of schools and devolved capital works on a variety of schools
- The resurfacing, refurbishment and improvement of the Council's roads
- Development of Older Peoples Accommodation choices
- Community Stadium
- York Central
- Guildhall

## NARRATIVE REPORT

**7. TREASURY MANAGEMENT**

The Council's year end treasury debt position for 2016/17 compared to 2015/16 is summarised in the table below:

<b>Debt</b>	<b>31/03/2017 £000</b>	<b>31/03/2016 £000</b>
Balance brought forward	<b>268,183</b>	270,165
Reversal of previous years carrying value	<b>(1,068)</b>	(1,050)
Add new loans taken	<b>1,221</b>	0
Less loans matured in year	<b>(7,000)</b>	(2,000)
Total debt as per Treasury Management Outturn Report	<b>261,337</b>	267,115
In year carrying value adjustment	<b>1,062</b>	1,068
Total Debt at 31 <sup>st</sup> March	<b>262,399</b>	268,183

Although the Council may borrow from a variety of financial institutions, the majority of its long-term debt is borrowed from the Public Works Loan Board (PWLB). One new loan was taken during the year. This was a 10 year fixed rate loan from the West Yorkshire Combined Authority at 0% interest. Due to the general economic situation there were no opportunities for debt restructuring. Two PWLB loans totalling £7m were repaid during the year.

The 16/17 closing borrowing figure of £262.399m (£268.183m 15/16) is different to note 16 borrowings figure of £262.500m (£268.284m 15/16) by £101k, as the former does not include the balances held on behalf of Veritau of £101k.

The Council maintained an average investment balance of £108.55m compared to £104.57m in 2015/16. The surplus funds earned an average rate of return of 0.49% in 2016/17 compared to 0.56% in 2015/16. There has been a gradual increase in cash balances over recent years due to the level of developer's contributions held pending investment through the capital programme, along with the continued early receipt of grant funding from Government in advance of spending. These balances are therefore not available in the longer term and will start to decrease as capital investment is made in a range of projects, as outlined in the Capital Strategy approved by Council in February 2017.

The most recent economic forecasts continue to show a downturn in expectations for economic growth and the bank rate was reduced to 0.25% during 2016/17. Looking ahead, the continued economic uncertainty is forecast to continue as the UK negotiates the detailed arrangements to achieve Brexit and therefore the current strategy of postponing borrowing to avoid the cost of holding higher levels of investments and to reduce counter party risk will continue.

**8. PENSIONS**

The cost of pensions to the Council continues to increase year on year and remains a major item of expenditure. The Council is a member of the North Yorkshire Pension Fund (NYPF) and the last full actuarial valuation of the fund was carried out as at 31<sup>st</sup> March 2016. This has been updated by independent actuaries to take account of the requirements of International Accounting Standard 19 in order to assess liabilities as at 31<sup>st</sup> March 2017.

The Council's overall pension liability has increased from 2015/16 primarily due to changes in key assumptions used by the actuary to calculate the present value of liabilities.



## 9. NON CURRENT ASSETS

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

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

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

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

The Valuation techniques adopted for each category of Non Current Assets are in accordance with the requirements set out in the CIPFA Code of Practice.

The 2016/17 balance sheet value of the council's non current assets (including current assets held for sale) is £987.284m. This has increased by £148.108m from the 2015/16 value of £839.176m.

Capital enhancements to the value of £30.848m were made to these assets during 2016/17 and Assets to the value of £25.964m were disposed of during the year. The disposals figure includes £20.635m in relation to 6 schools which converted to Academies during 2016/17 and are therefore accordingly removed from the council's balance sheet.

Non current assets were depreciated by £24.140m during 2016/17. This figure includes amortisation of intangible assets.

Valuations on the council's properties are carried out by qualified valuers within the council's Asset and Property Management Team. A revaluation programme exists which set out when each category of Asset will be valued and during 2016/17 this programme included the council's schools and heritage properties.

The council's housing stock has a full revaluation every 5 years, with the last full revaluation undertaken in 2015/16. On the interim years, desktop revaluations are undertaken. The value of the council's housing stock increased by £116.388m as a result of the desktop revaluation this year. The main driving factor behind this is the increase in the regional Social Housing Adjustment Factor from 31% to 41% by the Department for Local Government and Communities (DCLG) which intended to take account of changes in the housing market, along with an increase in residential values during the period.

The revaluation of investment properties led to a decrease in their valuation of £0.481m. This is reflected in note 14 and in the Comprehensive Income and Expenditure statement.

**NARRATIVE REPORT**

The council's heritage assets increased in value by £1.350m during 2016/17. This is mainly due to increases in the insurance valuation for the Art Gallery collection which is increased annually on a percentage basis, and the revaluation of heritage properties which were revalued this year as part of the five year rolling programme. This increase is reflected in note 13 and also in note 26.

**INDEPENDENT AUDITOR'S REPORT**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF YORK COUNCIL****Opinion on the Authority financial statements**

We have audited the financial statements of City of York Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund, and the related notes. 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 2016/17.

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 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of City of York Council, as a body, for our audit work, for this report or for the opinions we have formed.

**Respective responsibilities of the Director of Customer and Corporate Services and auditor**

As explained more fully in the Statement of Responsibilities, the Director of Customer and Corporate Services 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the City of York Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Customer and Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of City of York Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

## INDEPENDENT AUDITOR'S REPORT

**Opinion on other matters**

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

**Matters on which we report by exception**

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- 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 the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

**Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources*****Respective responsibilities of the Authority and the auditor***

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

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

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

***Conclusion***

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, City of York Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed our work on an objection raised in relation to the Authority's financial statements for the year ended 31 March 2017. We are satisfied that these matters do not have a material effect on the financial statements or on our value for money conclusion.

Gareth Davies

For and on behalf of Mazars LLP

Salvus House, Aykley Heads, Durham, DH1 5TS

29 September 2017

**STATEMENT OF ACCOUNTS**

**STATEMENT OF RESPONSIBILITIES**



**STATEMENT OF RESPONSIBILITIES**

**1. THE COUNCIL'S RESPONSIBILITIES**

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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 Director of Customer and Corporate 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 DIRECTOR OF CUSTOMER AND CORPORATE SERVICES RESPONSIBILITIES**

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The Director of Customer and Corporate Services 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).

In preparing this Statement of Accounts, the Director of Customer and Corporate Services has:

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

The Director of Customer and Corporate Services 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**

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I certify that the Statement of Accounts presents fairly the position of the City of York Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017. These audited accounts replace the un-audited statement of accounts previously published on 30 June 2017.

Signed

Dated 20/09/17

I.M. Floyd B. Sc. (Hons), CPFA

Director of Customer and Corporate Services

**4. APPROVAL OF THE ACCOUNTS**

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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 20<sup>th</sup> September 2017.

On behalf of the Audit and Governance Committee

Signed .....

Dated 20/09/17

Cllr F Derbyshire

Chair, Audit and Governance Committee

**CORE FINANCIAL STATEMENTS**

**Comprehensive Income and Expenditure Statement**

	2016/17			2015/16		
Note	Gross Exp. £000's	Income £000's	Net Exp. £000's	Gross Exp. £000's	Income £000's	Net Exp. £000's
<b>Service Costs</b>						
Customer and Corporate Services	77,862	(58,196)	19,666	84,573	(57,086)	27,487
Children and Education Services	136,965	(119,011)	17,954	149,909	(123,896)	26,013
Communities and Equalities	8,503	(2,846)	5,657	9,239	(3,160)	6,080
Housing Revenue Account	29,829	(35,732)	(5,903)	(12,098)	(36,301)	(48,398)
Adult Social Care	72,342	(24,254)	48,088	71,475	(23,209)	48,266
Housing and Community Safety	4,855	(4,414)	441	5,804	(4,107)	1,696
Public Health	5,474	(8,668)	(3,194)	7,993	(8,106)	(113)
Economy and Place	50,992	(25,522)	25,470	52,701	(23,452)	29,248
<b>Cost of Services</b>	(54) <b>386,823</b>	<b>(278,643)</b>	<b>108,180</b>	<b>369,596</b>	<b>(279,316)</b>	<b>90,280</b>
Other Operating Expenditure	(9)		19,863			1,679
Financing and Investment Income and Expenditure	(10)		11,378			5,841
Taxation and Non-Specific Grant Income	(11)		(144,014)			(153,653)
<b>(Surplus)/Deficit on Provision of Services</b>	(54)		<b>(4,592)</b>			<b>(55,853)</b>
Revaluation (gains) on non current assets	(26)		(159,061)			(10,499)
Impairment losses on non current assets			-			-
Surplus/loss arising on the revaluation of available-for-sale financial assets			-			-
Remeasurement of net defined benefit/ liability	(49)		18,872			(32,702)
<b>Other Comprehensive Income and Expenditure</b>			<b>(140,189)</b>			<b>(43,201)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(144,781)</b>			<b>(99,054)</b>

From 2016/17 to reflect new Code requirements, the service analysis for Cost of services has been provided in the way the Council organises itself and manages performance. The 2015/16 comparatives have been updated from last year to reflect this.

**MOVEMENT IN RESERVES STATEMENT**

**Movement in Reserves Statement**

**2016/17**

	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
<b>Balance at 1 April 2016</b>	<b>(13,610)</b>	<b>(41,878)</b>	<b>(18,365)</b>	<b>(14,179)</b>	<b>(4,175)</b>	<b>(8,867)</b>	<b>(13,059)</b>	<b>(114,133)</b>	<b>(379,147)</b>	<b>(493,280)</b>
<b>Movement in Reserves during 2016/17</b>										
Surplus /(Deficit) on Provision of Services	(1,987)	-	(2,605)	-	-	-	-	(4,592)	-	(4,592)
Other Comprehensive Income and Expenditure movement	-	-	-	-	-	-	-	-	(140,189)	(140,189)
<b>Total Comprehensive Expenditure and Income</b>	<b>(1,987)</b>	<b>-</b>	<b>(2,605)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,592)</b>	<b>(140,189)</b>	<b>(144,781)</b>
Adjustments between accounting basis & funding basis under regulations	7 (161)	-	(3,522)	-	(1,133)	(4,926)	(6,068)	(15,810)	15,810	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(2,148)</b>	<b>-</b>	<b>(6,127)</b>	<b>-</b>	<b>(1,133)</b>	<b>(4,926)</b>	<b>(6,068)</b>	<b>(20,402)</b>	<b>(124,379)</b>	<b>(144,781)</b>
Transfers to/from Earmarked Reserves	8 3,473	(3,473)	1,852	(1,852)	-	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>1,325</b>	<b>(3,473)</b>	<b>(4,275)</b>	<b>(1,852)</b>	<b>(1,133)</b>	<b>(4,926)</b>	<b>(6,068)</b>	<b>(20,402)</b>	<b>(124,379)</b>	<b>(144,781)</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>(12,285)</b>	<b>(45,351)</b>	<b>(22,640)</b>	<b>(16,031)</b>	<b>(5,308)</b>	<b>(13,793)</b>	<b>(19,127)</b>	<b>(134,535)</b>	<b>(503,526)</b>	<b>(638,061)</b>

**MOVEMENT IN RESERVES STATEMENT**

**2015/16:**

	Note	General Fund Balance £000's	Earmarked General Fund Reserves £000's	Housing Revenue Account £000's	Earmarked HRA Reserves £000's	Major Repairs Reserve £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Authority Reserves £000's
<b>Balance at 1 April 2015</b>		<b>(13,095)</b>	<b>(37,615)</b>	<b>(14,021)</b>	<b>(11,382)</b>	<b>(3,343)</b>	<b>(5,664)</b>	<b>(10,861)</b>	<b>(95,981)</b>	<b>(298,245)</b>	<b>(394,226)</b>
<b>Movement in Reserves during 2015/16</b>											
Surplus /(Deficit) on Provision of Services		(10,491)	-	(45,362)	-	-	-	-	(55,853)	-	(55,853)
Other Comprehensive Income and Expenditure movement		-	-	-	-	-	-	-	-	(43,201)	(43,201)
<b>Total Comprehensive Expenditure and Income</b>		<b>(10,491)</b>	<b>-</b>	<b>(45,362)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55,853)</b>	<b>(43,201)</b>	<b>(99,054)</b>
Adjustments between accounting basis & funding basis under regulations	7	5,713	-	38,221	-	(832)	(3,203)	(2,198)	37,701	(37,701)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>(4,778)</b>	<b>-</b>	<b>(7,141)</b>	<b>-</b>	<b>(832)</b>	<b>(3,203)</b>	<b>(2,198)</b>	<b>(18,152)</b>	<b>(80,902)</b>	<b>(99,054)</b>
Transfers to/from Earmarked Reserves	8	4,263	(4,263)	2,797	(2,797)	-	-	-	-	-	-
<b>Increase/Decrease in Year</b>		<b>(515)</b>	<b>(4,263)</b>	<b>(4,344)</b>	<b>(2,797)</b>	<b>(832)</b>	<b>(3,203)</b>	<b>(2,198)</b>	<b>(18,152)</b>	<b>(80,902)</b>	<b>(99,054)</b>
<b>Balance at 31 March 2016 carried forward</b>		<b>(13,610)</b>	<b>(41,878)</b>	<b>(18,365)</b>	<b>(14,179)</b>	<b>(4,175)</b>	<b>(8,867)</b>	<b>(13,059)</b>	<b>(114,133)</b>	<b>(379,147)</b>	<b>(493,280)</b>

<b><u>Split of General Fund Balance between Schools and GF</u></b>	<b>31-Mar-17</b>	<b>31-Mar-16</b>
	<b>£000's</b>	<b>£000's</b>
Amount of General Fund Balance held by governors under schemes to finance schools	<b>(4,843)</b>	(5,834)
Amount of General Fund Balance generally available for new expenditure	<b>(7,442)</b>	(7,776)
<b>Total General Fund Balance</b>	<b>(12,285)</b>	(13,610)

**Balance Sheet**

	Note	31 March 2017	31 March 2016
		£000's	£000's
Property, Plant and Equipment	(12)	897,563	754,719
Investment Property	(14)	42,214	40,205
Intangible Assets	(15)	1,631	1,062
Heritage Assets	(13)	43,027	41,677
Long - Term Investments	(16)	1,255	1,255
Long - Term Debtors	(20)	6,129	6,021
<b>LONG - TERM ASSETS</b>		<b>991,819</b>	<b>844,939</b>
Short-Term Investments	(16)	30,000	30,000
Assets Held for Sale	(22)	2,849	1,513
Inventories	(17)	280	218
Short-Term Debtors	(19)	29,644	31,549
Cash and Cash Equivalents	(21)	65,258	54,946
<b>CURRENT ASSETS</b>		<b>128,031</b>	<b>118,226</b>
Short-Term Borrowing	(16) / (52)	(11,989)	(14,038)
Provisions due to be settled within 12 months	(24)	(2,760)	(3,331)
Short-Term Creditors	(23)	(39,604)	(42,528)
Other Short-Term Liabilities	(23)	(3,145)	(3,564)
<b>CURRENT LIABILITIES</b>		<b>(57,498)</b>	<b>(63,461)</b>
Long-Term Creditors	(16)	-	-
Provisions	(24)	(7,745)	(8,883)
Long-Term Borrowing	(16) / (52)	(250,302)	(254,246)
Other Long-Term Liabilities	(16)	(4,560)	(4,849)
Liability related to Defined Benefit Pension Scheme	(26) / (49)	(161,684)	(138,446)
<b>LONG-TERM LIABILITIES</b>		<b>(424,291)</b>	<b>(406,424)</b>
<b>NET ASSETS</b>		<b>638,061</b>	<b>493,280</b>
<b>RESERVES</b>			
<u>Usable Reserves</u>			
Capital Receipts Reserve		13,793	8,867
General Fund Balance		12,285	13,610
Housing Revenue Account Reserve		22,640	18,365
Major Repairs Reserve		5,308	4,175
Capital Grants Unapplied		19,127	13,059
Earmarked Reserves	(8)	61,382	56,057
	MIRS	134,535	114,133
<u>Unusable Reserves</u>			
Revaluation Reserve		280,995	129,320
Capital Adjustment Account		385,844	391,120
Available-for-sale Financial Instruments Reserve		-	-
Financial Instruments Adjustment Account		(1,218)	(1,558)
Pensions Reserve		(161,684)	(138,446)
Collection Fund Adjustment Account		2,733	2,275
Employee Benefit Adjustment Account		(3,145)	(3,564)
	(26)	503,526	379,147
<b>TOTAL RESERVES</b>		<b>638,061</b>	<b>493,280</b>

**Cashflow Statement**

	Note	2016/17	2015/16
		£000's	£000's
Net (Surplus)/Deficit on the provision of Services		<b>(4,592)</b>	(55,853)
Adjustments to the Net (Surplus)/Deficit on the Provision of Services for non-cash movements	(27)	<b>(41,548)</b>	29
Adjustments for items included in the Net (Surplus)/Deficit on the Provision of Services that are investing and financing activities	(27)	<b>15,598</b>	26,173
Net Cash Flows from Operating Activities		<b>(30,542)</b>	(29,651)
Investing Activities	(28)	<b>15,287</b>	34,542
Financing Activities	(29)	<b>4,943</b>	2,334
Net (Increase)/Decrease in Cash and Cash Equivalents		<b>(10,312)</b>	7,225
Cash and Cash Equivalents at the beginning of the reporting period	(21)	<b>(54,946)</b>	(62,171)
Cash and Cash Equivalents at the end of the reporting period	(21)	<b>(65,258)</b>	(54,946)



**NOTES TO THE CORE FINANCIAL STATEMENTS**

## 1. ACCOUNTING POLICIES

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### I. General

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 the Code of Practice on Local Council Accounting in the United Kingdom 2016/17 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. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### III. Cash and Cash Equivalents

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

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

### IV. Exceptional Items

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

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

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

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

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

## VI. Charges to Revenue for Non-Current Assets

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

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

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

## VII. Employee Benefits

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

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

### ***Termination Benefits***

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

**Post Employment Benefits**

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

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

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

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

**The Local Government Pension Scheme**

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

- The liabilities of the North Yorkshire Pension Fund (NYPF) attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Further information can be found in NYPF’s Annual Report that is available upon request from Financial Services, County Hall, Northallerton, DL7 8AL.
- Liabilities are discounted to their value at current prices, calculating the discount rate as a weighted average of "spot yields" on AA rated corporate bonds. These weightings reflect more accurately the duration of the pension liabilities of the typical LGPS employers.
- 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 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 ie net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the

Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Re-measurement comprising
  - o the return on plan assets – excluding amounts included in net interest on the net defined benefit liability charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - o gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – 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.

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

### **Discretionary Benefits**

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

### **VIII. Events After the Balance Sheet Date**

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

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

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

**IX. Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets, investment properties and assets held for sale and some of its financial instruments 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**

**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.

### **Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 loans that the Council has made, 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.

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

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

### **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for

the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

- 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 – independent appraisal of company valuations.

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.

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

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

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 in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

## **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.

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 in the balance sheet using insurance valuations. This collection was last revalued in 2007 by a fine art external valuation expert. The valuation for the Mansion House Collection is deemed to be an appropriate insurance valuation at the current time. The Regalia and items in the Mansion House are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation. The policy for acquisitions, made by purchase or donation, is the same as for the art collection.

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

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

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

#### **Heritage Assets – General**

**Impairment:** The carrying amounts of heritage assets are reviewed and where there is evidence of impairment eg 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 PPE note XXI in this summary of accounting policies.

**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 XXI in this summary of accounting policies).

### **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 (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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

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

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

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

#### **XIV. Interests in Companies and Other Entities**

An assessment of the Council's interests has been carried out during the year, in accordance with the Code of Practice, to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors. The Council does have a number of interests in companies and other entities, the majority of 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, whilst material, is fully disclosed within the Related Parties disclosure rather than group accounts.

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 with in the Related Parties note 41.

#### **XV. Joint Arrangements**

Joint arrangements are arrangements by which two or more parties have joint control bound by contract. A Joint Arrangement can be classified as follows:

- A Joint Venture
- A Joint Operation
- 

##### Joint Venture

A joint Venture is an arrangement under which two or parties have contractually agreed to share control, such that decisions about the activities of the arrangement are given unanimous consent from all parties.

##### Joint Operation

A Joint Operation is an arrangement by which the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. All parties have joint control with decisions of the activities of the arrangement requiring unanimous consent from all parties. The Council recognises on its Balance Sheet the assets that it controls and the liabilities

that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

**XVI. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

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

**XVII. Investment Property**

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

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

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

**XVIII. Leases**

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

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

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

## The Council as Lessee

### Finance Leases

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

Lease payments are apportioned between:

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

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

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

### Operating Leases

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

## The Council as Lessor

### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg 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 2016/17 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of costs relating to the Council's status as a multifunctional, democratic organisation which are charged under Corporate and Customer Services in the Comprehensive Income and Expenditure Statement.

## XX. Property, Plant and Equipment

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

### Recognition

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

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 9 Voluntary Aided and 10 Voluntary Controlled 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 where these are owned by the Council

All elements of the 32 Local Authority controlled schools are shown in the Council's financial statements.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.



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

- infrastructure and community 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
- school buildings – 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:
  - – intangibles and equipment fair value market 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 77% of depreciation charged to the Comprehensive Income & Expenditure Account for buildings. The cost of the component should be at least 20% of the value of the building.

Components whose value is under this level will be considered if the circumstances are deemed appropriate. Componentisation will only be done either at the full 5 yearly valuations or when major capital improvements are undertaken.

## Impairment

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

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

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

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

## Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over 3-10 years
- infrastructure – straight-line allocation over 40 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **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 Schools PFI, the liability was written down by an initial capital contribution of £4.2m. Three schools are incorporated in the PFI scheme – Hob Moor, St Barnabas and St Oswalds. Hob Moor School is owned by the council, whereas the other schools are Voluntary Aided and belong to the church diocese.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council. This applies to Hob Moor School only. For St Oswalds and St Barnabas where the Council does not own the assets, the non current assets are recognised and written back out of the balance sheet.

The amounts payable to the PFI operators each year are analysed into five elements:

- **fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- **finance cost** – an interest charge on the outstanding Balance Sheet liability, debited to the **Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement**
- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the **Comprehensive Income and Expenditure Statement**
- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## XXII. Provisions, Contingent Liabilities and Contingent Assets

### Provisions

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

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

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

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

### Contingent Liabilities

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

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

**Contingent Assets**

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

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

**XXIII. Reserves**

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

The category of Unusable Reserves includes those reserves that are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

**Earmarked Reserves**

Amounts set aside for purposes falling outside the definition of provisions, e.g. for future policy purposes or to cover contingencies, have been accounted for as reserves. In line with the code the creation of a reserve is shown by an appropriation entry on the Movement in Reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, and shown in the Net Cost of Services in the Income and Expenditure Account. The use of the reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

The earmarked reserves held by the Council are shown in the Core Statements and detailed in note 8.

**Usable Reserves**

In addition to those funds under the Earmarked Reserves classification there are a number of usable reserves for specific and non specific purposes.

The Major Repairs Allowance (MRA), previously paid as part of HRA subsidy, provided councils with the resources needed to maintain the value of their housing stock over time. Councils are required to set up a **Major Repairs Reserve** (regulation 6(4A) of the Accounts and Audit Regulations 1996), and to transfer into it a sum not less than the MRA. From 1st April 2012 and the introduction of self financing, the council can continue to use MRA as a proxy for depreciation during the transitional period of 5 years. These funds are then available to councils for capital expenditure on HRA assets. They will have the flexibility to carry over any unspent MRA funds from one year to the next. The HRA may also benefit from any short-term investment of unspent funds.

**Unusable Reserves**

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and that do not represent usable resources for the Council. These reserves are shown in Note 26.

**XXIV. Revenue Expenditure Funded from Capital under Statute**

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

**XXV. 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 Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's income and expenditure account.

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

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Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The code for 2017/18 has not introduced any accounting standards which are expected to impact on the accounts.

**3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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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.

**Future Levels of Funding for local government** - The main critical judgement made in the Statement of Accounts is regarding the high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

**Pensions** - The Council has made estimates of net pay liability to pay pensions which depend on a number of complex judgements and projections supported by the actuary, which include; the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected future returns on Pension Fund Assets

**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 Accounting Policies point XXI

**Group Accounts Boundaries** – The Councils group boundaries have been assessed using the criteria outlined in the Code of Practice, which has confirmed the Council has a number of interests in other entities which therefore fall within the boundary. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. The Council therefore considers that the reader of the accounts is better served by expanding the related party disclosure note in respect of these interests rather than completing separate group accounts statements. The enhanced related parties note can be found at Note 41.

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

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The Statement of Accounts contains estimated figures that are 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, because 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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

##### **Pensions**

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

During 2016/17 the Council's actuaries advised that the net pension liability had increased by £23.238m. This is made up of:

- £18.872m loss from actuarial changes
- £4.366m loss arising from employer contributions of £15.926m being less than the pension obligations of £20.292m

**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.

**5. MATERIAL ITEMS OF INCOME AND EXPENSE**

Included within Other Operating Expenditure in the Comprehensive Income and Expenditure Account (CIES) is a loss on disposal of non-current assets of £18.006m which relates mainly to schools which have opted out of local authority control and have become academies, as set out in section 9 of the Narrative report . Under statutory regulations, assets in respect of the school are transferred from the local authority to the new academy body on a long term lease. As such the Council has had to write these assets out of its accounts for a nil consideration. The accounting entries require this 'loss' to be charged to Other Operating Expenditure within the Comprehensive Income and Expenditure Account and then this 'charge' is reversed out in the Movement in Reserves Statement, so that it does not have any impact on the Council Tax payer.

The following assets have been transferred at a loss during 2016/2017:

	Amount of loss on disposal £m	Date of transfer
<b>Schools:</b>		
Knivesmire Primary	3,404	01/04/2016
Scarcroft	1,184	01/04/2016
Millthorpe School (incl Telecom installation)	9,661	01/04/2016
Badger Hill Primary	1,461	01/08/2016
Hempland Primary	2,634	01/08/2016
Burton Green Primary	2,291	01/10/2016
	<b>20,635</b>	
<b>Non-Schools:</b>		
Other net gains / losses	(2,630)	
<b>TOTAL</b>	<b>18,005</b>	

A further 2 schools converted to Academies during the year however as these are both Voluntary Aided schools they do not appear on the Council's balance sheet.



**6. EVENTS AFTER THE REPORTING PERIOD**

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The Statement of Accounts was authorised for issue by the Director of Customer and Corporate Services on 30 June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**Adjusting Events:**

There are no significant events providing evidence of after the reporting period to report for 2016/17.

**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.

The following schools that were part of the Council's asset base as at 31<sup>st</sup> March 2017 have since transferred to Academy status and the carrying value of the assets that will be written out are as follows:

<b>Schools</b>	<b>£m</b>
Canon Lee	15.400
Park Grove Primary	6.853
Tang Hall Primary	4.951
Clifton with Rawcliffe	9.785

**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 – 2016/17**

2016/17

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(13,912)	-	(9,799)	-	-	-	23,711
Revaluation losses on Property Plant and Equipment	12,778	-	(3,403)	-	-	-	(9,375)
Movements in the market value of Investment Properties	(586)	-	106	-	-	-	480
Amortisation of intangible assets	(301)	-	(35)	-	-	-	336
Capital grants and contributions applied	13,102	-	638	-	-	-	(13,740)
Movement in the Donated Assets Account	-	-	-	-	-	-	-
Revenue expenditure funded from Capital under statute	(4,902)	-	-	-	-	-	4,902
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	(21,189)	-	(4,775)	-	-	-	25,964
<b>Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	8,186	-	-	-	-	-	(8,186)
Capital expenditure charged against the General Fund and HRA balances	2,439	-	683	-	-	-	(3,122)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	8,283	-	-	-	-	(8,283)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(2,215)	-	-	-	-	2,215	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	1,478	-	6,480	-	(7,958)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	1,533	-	(1,533)
Contribution from the Capital Receipts Reserve towards revenue costs under Capital Receipts flexibility	(309)	-	-	-	309	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool	-	-	(1,190)	-	1,190	-	-

2016/17 continued:

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA	-	-	7,908	(7,908)	-	-	-
Non dwelling depreciation reversed to the MRR							
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	6,775	-	-	(6,775)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	340	-	-	-	-	-	(340)
<b>Adjustment primarily involving the Pensions Reserve:</b>							
Employer's pensions contributions and direct payments to pensioners payable in the year	15,493	-	433	-	-	-	(15,926)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(19,724)	-	(568)	-	-	-	20,292
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	458	-	-	-	-	-	(458)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	420	-	-	-	-	-	(420)
<b>Total Adjustments:</b>	<b>(161)</b>	<b>-</b>	<b>(3,522)</b>	<b>(1,133)</b>	<b>(4,926)</b>	<b>(6,068)</b>	<b>15,810</b>

**Adjustments between Accounting Basis and Funding Basis under Regulations – 2015/16**

2015/16

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(13,826)	-	(9,831)	-	-	-	23,657
Revaluation losses on Property Plant and Equipment	(1,857)	-	37,526	-	-	-	(35,669)
Movements in the market value of Investment Properties	5,790	-	645	-	-	-	(6,435)
Amortisation of intangible assets	(669)	-	(35)	-	-	-	704
Capital grants and contributions applied	19,311	-	-	-	-	-	(19,311)
Movement in the Donated Assets Account	-	-	-	-	-	-	-
Revenue expenditure funded from Capital under statute	(6,516)	-	-	-	-	-	6,516
Amounts of non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	(4,447)	-	(4,425)	-	-	-	8,872
<b>Insertion of items not debited or credited to the Comprehensive income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	8,500	-	-	-	-	-	(8,500)
Capital expenditure charged against the General Fund and HRA balances	-	-	1,214	-	-	-	(1,214)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,365	-	-	-	-	(3,365)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,167)	-	-	-	-	1,167	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	1,968	-	7,091	-	(9,059)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	4,613	-	(4,613)
Contribution from the Capital Receipts Reserve toward administrative costs of non-current asset disposals	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital receipts pool	-	-	(1,243)	-	1,243	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	-

2015/16 Continued:	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	<b>Movement in Unusable Reserves</b>
	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>							
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-	-
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA	-	-	7,520	(7,520)	-	-	-
Non dwelling depreciation reversed to the MRR							
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	6,688	-	-	<b>(6,688)</b>
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	133	-	-	-	-	-	<b>(133)</b>
<b>Adjustment primarily involving the Pensions Reserve:</b>							
Employer's pensions contributions and direct payments to pensioners payable in the year	15,773	-	414	-	-	-	<b>(16,187)</b>
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(22,975)	-	(655)	-	-	-	<b>23,630</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,432	-	-	-	-	-	<b>(1,432)</b>
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>							
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	898	-	-	-	-	-	<b>(898)</b>
<b>Total Adjustments:</b>	<b>5,713</b>	<b>-</b>	<b>38,221</b>	<b>(832)</b>	<b>(3,203)</b>	<b>(2,198)</b>	<b>(37,701)</b>

## 8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17:

	Transfers Out During Year £000's	Transfers In During Year £000's	Net mov't During Year £000's	Balance at 31-Mar-17 £000's	Balance at 31-Mar-16 £000's
<b>General Fund</b>					
Investment Reserves	-	-	-	(1,208)	(1,208)
Venture Fund	-	(361)	(361)	(2,594)	(2,233)
Developers Contributions Unapplied	5,617	(6,312)	(695)	(19,085)	(18,390)
Insurance Fund	312	(11)	300	(806)	(1,106)
Bus Lane enforcement	-	-	-	(675)	(675)
Miscellaneous	14,320	(17,037)	(2,717)	(20,983)	(18,266)
<b>Subtotal General Fund</b>	<b>20,249</b>	<b>(23,721)</b>	<b>(3,473)</b>	<b>(45,351)</b>	<b>(41,878)</b>
<b>HRA</b>					
53rd Week Rent	86	-	86	322	236
HRA Investment Reserve	2,347	(4,285)	(1,938)	(16,353)	(14,415)
<b>Subtotal HRA</b>	<b>2,433</b>	<b>(4,285)</b>	<b>(1,852)</b>	<b>(16,031)</b>	<b>(14,179)</b>
<b>Total Earmarked Reserves</b>	<b>22,682</b>	<b>(28,006)</b>	<b>(5,324)</b>	<b>(61,381)</b>	<b>(56,057)</b>

### Reserves

The Venture Fund was established with an initial capital balance of £4m. The fund makes monies available for Council projects that have the ability to generate expenditure savings or increased income. Advances from the fund are required to be repaid over an appropriate life of the project in relation to the life of the asset

The most significant item held within Developers Contributions relates to the Community Stadium.

Miscellaneous reserves include a range of earmarked reserves to hold monies over the year end period pending investment, such as Care Act funds. It also includes the York Financial Assistance Scheme and Waste Management Reserve.

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**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000's</b>	<b>£'000's</b>
Parish council precepts	<b>667</b>	623
Payments to the Government Housing Capital Receipts Pool	<b>1,190</b>	1,243
Gains/losses on the disposal of non-current assets	<b>18,006</b>	(187)
<b>Total</b>	<b>19,863</b>	1,679

**10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2016/17</b>	2015/16
	<b>£'000's</b>	<b>£'000's</b>
Interest payable and similar charges	<b>10,148</b>	10,333
Net interest on the net defined benefit liability	<b>4,569</b>	5,110
Interest receivable and similar income	<b>(569)</b>	(816)
Income and expenditure in relation to investment properties and changes in their fair value	<b>(2,404)</b>	(8,676)
Other investment income	<b>(366)</b>	(110)
<b>Total</b>	<b>11,378</b>	5,841

**11. TAXATION AND NON SPECIFIC GRANT INCOME**

	<b>2016/17</b>	2015/16
	<b>£'000's</b>	<b>£'000's</b>
Council tax income	<b>(78,852)</b>	(75,734)
Non domestic rates	<b>(28,377)</b>	(27,511)
Non-ring fenced or government grants	<b>(19,700)</b>	(34,136)
Capital grants and contributions	<b>(17,085)</b>	(16,272)
<b>Total</b>	<b>(144,014)</b>	(153,653)

NOTES TO THE CORE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

2016/17	Council Dwellings	Other Land & Buildings	Plant / Vehicle / Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	Service concession assets included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation (GCA)</b>									
At 1 April 2016	318,834	325,153	29,465	139,983	242	10,644	18,135	842,456	15,257
Opening balance adjustment	(754)	-	-	-	-	-	754	-	-
Additions	9,047	4,251	1,037	5,319	-	51	8,448	28,153	57
Acc Dep & Imp WO to GCA	(9,622)	(32,990)	-	-	-	(29)	-	(42,641)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	120,137	34,432	-	-	-	3,143	-	157,712	2,992
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,749)	11,582	-	-	-	1,064	-	8,897	771
Derecognition - Disposals	(4,735)	(24,395)	-	-	-	-	(16)	(29,146)	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	265	(2,059)	-	-	-	-	-	(1,794)	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other movements in Cost or Valuation	273	6,648	1,002	1,799	-	316	(10,776)	(738)	-
At 31 March 2017	429,696	322,622	31,504	147,101	242	15,189	16,545	962,899	19,077
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 April 2016	(9,622)	(34,361)	(18,695)	(25,058)	(2)	-	1	(87,737)	(2,135)
Depreciation Charge for 2016/17	(9,441)	(7,714)	(2,805)	(3,843)	(1)	-	-	(23,804)	(371)
Acc. Depreciation WO to GCA	9,622	32,990	-	-	-	29	-	42,641	-
Derecognition - Disposals	-	3,564	-	-	-	-	-	3,564	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	29	-	-	-	(29)	-	-	-
Other Adjustment	-	-	-	-	-	-	-	-	-
At 31 March 2017	(9,441)	(5,492)	(21,500)	(28,901)	(3)	-	1	(65,336)	(2,506)
<b>Net Book Value</b>									
At 31 March 2017	420,255	317,130	10,004	118,200	239	15,189	16,546	897,563	16,571
At 31 March 2016	309,212	290,792	10,770	114,925	240	10,644	18,136	754,719	13,122



NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in 2015/16:

2015/16	Council Dwellings	Other Land & Buildings	Plant / Vehicle / Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	Service Concession Assets incl in PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b><u>Cost or Valuation (GCA)</u></b>									
At 1 April 2015	276,118	327,862	26,884	129,776	242	10,628	10,092	781,602	15,194
Additions	10,582	1,824	1,522	7,184	-	36	13,820	34,968	63
Acc Dep & Imp WO to GCA	(8,271)	(1,785)	-	-	-	-	-	(10,056)	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,927	2,828	-	-	(190)	(36)	-	8,529	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	37,993	(2,358)	-	-	-	20	(6)	35,649	
Derecognition - Disposals	(4,415)	(3,585)	-	-	-	-	-	(8,000)	
Derecognition - Other	-	-	-	-	-	-	-	-	
Assets reclassified (to)/from Investment Property	-	(39)	-	-	-	-	-	(39)	
Other movements in Cost or Valuation	900	406	1,059	3,023	190	(4)	(5,771)	(197)	
At 31 March 2016	<b>318,834</b>	<b>325,153</b>	<b>29,465</b>	<b>139,983</b>	<b>242</b>	<b>10,644</b>	<b>18,135</b>	<b>842,456</b>	<b>15,257</b>
<b><u>Accumulated Depreciation &amp; Impairment</u></b>									
At 1 April 2015	(8,271)	(28,911)	(15,700)	(21,472)	(1)	-	1	(74,354)	(1,781)
Depreciation Charge for 2015/16	(9,622)	(7,543)	(2,995)	(3,586)	(1)	-	-	(23,747)	(354)
Acc. Depreciation WO to GCA	8,271	1,785	-	-	-	-	-	10,056	-
Derecognition - Disposals	-	291	-	-	-	-	-	291	
Assets reclassified (to)/from Investment Property	-	17	-	-	-	-	-	17	-
At 31 March 2016	<b>(9,622)</b>	<b>(34,361)</b>	<b>(18,695)</b>	<b>(25,058)</b>	<b>(2)</b>	<b>-</b>	<b>1</b>	<b>(87,737)</b>	<b>(2,135)</b>
<b><u>Net Book Value</u></b>									
At 31 March 2016	309,212	290,792	10,770	114,925	240	10,644	18,136	754,719	13,122
At 31 March 2015	267,847	298,951	11,184	108,304	241	10,628	10,093	707,248	13,413

**Depreciation**

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

- Council Dwellings – 45 years (in line with MRA figure)
- Other Land and Buildings – 30-50 years (some exceptions apply)
- Vehicles, Plant, Furniture & Equipment – 3-10 years
- Infrastructure – 40 years

**Capital Commitments**

- At 31 March 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost c£3.029m,. Similar commitments as 31 March 2016 were c£3.937m.

**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 were carried out internally. 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 cost.

A desktop valuation of council dwellings was undertaken in 2016/17. Full valuations of council dwellings are undertaken every 5 years and desktop reviews are done on the interim years. The next full valuation of council dwellings is due in 2020/21.

The desktop valuation resulted in an increase in the value of the council's housing stock of £116.388m in 2016/17. Section 9 of the Narrative report sets out the main reason for this increase in relation to the increase in Social Housing Factor Adjustment from the Department for Communities and Local Government (DCLG).

	Council dwellings	Other land and buildings	Vehicles, plant etc.	Infra-structure	Community	Surplus Assets	Asset under Construction	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Carried at historical cost	-	15,310	31,504	147,101	138	-	15,176	209,229
Valued at Fair Value as at:								
31-Mar-17	431,065	219,391	-	-	-	8,682	-	659,138
31-Mar-16	-	31,442	-	-	-	6,507	-	37,949
30-Mar-15	-	37,096	-	-	-	-	-	37,096
31-Mar-14	-	15,038	-	-	104	-	-	15,142
31-Mar-13	-	4,345	-	-	-	-	-	4,345
<b>Total Cost or Valuation</b>	<b>431,065</b>	<b>322,622</b>	<b>31,504</b>	<b>147,101</b>	<b>242</b>	<b>15,189</b>	<b>15,176</b>	<b>962,899</b>

**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 2017. The fair value of Surplus Properties as at 31 March 2017 is £15.189m. 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.

**13. HERITAGE ASSETS**

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

	Heritage Properties	Art Collection	Mansion House Collection & Civic Regalia	Castle Museum Collections	TOTAL
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
1 April 2015	1,065	31,317	6,346	980	<b>39,708</b>
Revaluations	-	1,907	2	60	<b>1,969</b>
<b>31 March 2016</b>	<b>1,065</b>	<b>33,224</b>	<b>6,348</b>	<b>1,040</b>	<b>41,677</b>
<b>Cost or Valuation</b>					
1 April 2016	1,065	33,224	6,348	1,040	<b>41,677</b>
Revaluations	322	997	-	31	<b>1,350</b>
<b>31 March 2017</b>	<b>1,387</b>	<b>34,221</b>	<b>6,348</b>	<b>1,071</b>	<b>43,027</b>

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 and Civic Regalia in February 2007. The valuation for the Mansion House Collection remains current market value and 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, glass, clocks / barometers, porcelain etc. Specifically the Regalia include 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 Museums collections have been considered as part of the Council's heritage assets as the ownership / responsibility for the collections is with the Council.

The Castle Museum collection has a relatively low insurance valuation included on the Balance Sheet as the nature of the museum is that of a social history collection and therefore many items are of low value. Insurance valuations are reviewed annually.

Yorkshire Museum collection has not been included on the Balance Sheet as no monetary value is available. There are many unique items held at Yorkshire Museum where it would be difficult to obtain an insurance valuation, for example. The CIPFA Code recognises that in some circumstances it is not possible to gain a valuation without considerable cost to the Council, where by it would not be beneficial to obtain one

### Additions/ Disposal of Heritage Assets

There were no additions or disposals of heritage Assets in 2016/17 or 2015/16

**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:

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>
Commercial rental income from investment property	<b>(3,640)</b>	<b>(2,748)</b>
Commercial direct operating expenses arising from investment property	<b>755</b>	<b>566</b>
Net Income	<b>(2,885)</b>	<b>(2,182)</b>

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.

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>
Balance at start of the year	<b>40,205</b>	33,546
Additions:		
Acquisitions	<b>1,016</b>	
Enhancements	<b>1,512</b>	202
Disposals	<b>(38)</b>	-
Net gain or loss on Fair Value	<b>(481)</b>	6,435
Transfers:		
to/ from Property, Plant & Equipment	-	22
Balance at end of year	<b>42,214</b>	40,205

Included within this table is an Investment Property which met the criteria for Asset Held for Sale during 2016/17 so has been recognised as an Investment Property Held for Sale (value £750k at 31 March 2017). This asset is not included in the Asset Held for Sale note.

**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 2017. The fair value of Investment Properties as at 31 March 2017 is £42.214m. 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. However, there are 3 Investment Properties where this is not the case. One is a unit in a retail parade which is being used as a housing office, and the other two are accommodation over shops which are currently leased to a housing organisation. When these existing leases expire, the usage can be reviewed.

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

**Valuation Processes for Investment Properties**

The fair value of the council’s investment property is measured annually at each reporting date. A full revaluation is undertaken every 5 years as part of the rolling programme, and a desktop valuation 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**

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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:

	<b>Internally Generated Assets</b>	<b>Other Assets</b>
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
6 - 10 years	None	Highways, Human Resources

The carrying amount of intangible assets is amortised on a straight-line basis and the amortisation charge in 2016/17 was £336k (2015/16 was £704k), contained in this figure is £35k relating to a HRA assets.

The movement on Intangible Asset balances during the year is shown in the following table:

	2016/17			2015/16		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
<b>Balance at start of year:</b>						
- Gross carrying amounts		5,503	5,503		5,296	5,296
Category Adjustments		738	738		197	197
- Revised Gross carrying amounts		6,241	6,241		5,493	5,493
- Accumulated amortisation		(4,441)	(4,441)		(3,737)	(3,737)
<b>Net carrying amount at the start of the year</b>	-	1,800	1,800	-	1,756	1,756
Purchases	-	167	167	-	10	10
Other disposals	-	-	-	-	-	-
Amortisation for the period	-	(336)	(336)	-	(704)	(704)
Net carrying amount at the end of year	-	1,631	1,631	-	1,062	1,062
<b>Comprising:</b>						
- Gross carrying amounts	-	6,408	6,408	-	5,503	5,503
- Accumulated amortisation	-	(4,777)	(4,777)	-	(4,441)	(4,441)
	-	1,631	1,631	-	1,062	1,062

**16. FINANCIAL INSTRUMENTS**

Financial Instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Categories of financial Instruments**

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

	Long-Term		Short-Term	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	£000's	£000's	£000's	£000's
<b>Investments</b>				
Loans and receivables		-	30,000	30,000
Available-for-sale financial assets	40	40		
Unquoted equity investment at cost	1,215	1,215		
Financial assets at fair value through profit and loss				
<b>Total Investments</b>	<b>1,255</b>	<b>1,255</b>	<b>30,000</b>	<b>30,000</b>
<b>Debtors</b>				
Loans and receivables	6,129	6,021		
Financial assets carried at contract amounts			18,674	22,129
<b>Total Debtors</b>	<b>6,129</b>	<b>6,021</b>	<b>18,674</b>	<b>22,129</b>
<b>Borrowings</b>				
Financial Liabilities at amortised cost	(250,511)	(254,246)	(11,989)	(14,038)
Financial Liabilities at fair value through profit and loss				
<b>Total Borrowings</b>	<b>(250,511)</b>	<b>(254,246)</b>	<b>(11,989)</b>	<b>(14,038)</b>
<b>Other Long Term Liabilities</b>				
PFI liabilities	(4,560)	(4,827)		
Finance lease liabilities	(0)	(22)	(22)	(81)
<b>Total other long term liabilities</b>	<b>(4,560)</b>	<b>(4,849)</b>	<b>(22)</b>	<b>(81)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-		
Financial liabilities carried at contract amount			(28,948)	(25,482)
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>(28,948)</b>	<b>(25,482)</b>

**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. 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** - Per the definition of International Accounting Standard 32 Financial Instruments – Presentation, cash is a financial asset. The above note 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 shown separately to the above in Note 21 Cash and Cash Equivalents totalling in 2016/17 £65.258m (2015/16 £54.946m). Short Term deposits within Note 21 Cash and Cash Equivalents for 2016/17 total £61.658m (2015/16 £47.326m).

**Fair Values of Assets and Liabilities**

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). 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 premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non PWLB loans (market loans) the comparative market rate has been applied to estimate their fair value;
- For loans at concessionary rates the value is discounted using a prevailing market rate;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31-Mar-17		31-Mar-16	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
PWLB debt	(240,978)	(324,276)	(247,980)	(313,489)
Non-PWLB debt	(21,522)	(26,171)	(20,304)	(22,700)
Total debt	(262,500)	(350,447)	(268,284)	(336,189)
Long term creditors	-	-	-	-
PFI and finance liabilities	(4,582)	(4,582)	(4,930)	(4,930)
Total Financial liabilities	(267,082)	(355,029)	(273,214)	(341,119)

The fair value of borrowings is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

The differences are attributable to fixed interest instruments being held by the Council whose interest rate is higher than the prevailing rate estimated to be available at 31 March. This increases the fair value of financial liabilities and raises the value.

The fair value of Public Works Loan Board (PWLB) loans of £324.276m 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 £240.978m and the fair value of £324.276m is £81.648m; £82.473m PWLB fair value amount and £0.825m PWLB carrying value adjustment. The £81.648m measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of existing PWLB loans £240.115m (exc. £0.825m PWLB carrying value adjustment and accrued interest) would be valued at £286.488m, the fair value being £46,373m. But, if the authority were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £82.473m.

	31-Mar-17		31-Mar-16	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
Unquoted equity investment at cost	1,215	1,215	1,215	1,215
Money market loans < 1yr	91,657	91,657	77,326	77,326
Money market loans > 1yr			-	-
Bonds			-	-
Long term trade debtors	6,129	6,129	6,021	6,021
Total Loans and receivables	99,001	99,001	84,562	84,562

The fair values for loans and receivables have been determined by reference to similar practices, as above (where loans are greater than 1 year) to which provide a reasonable approximation for the fair value of a financial instrument and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each Balance Sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

**Available for Sale Assets**

Available for sale assets at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The Councils £40k of equity shares in relation to the Municipal Bonds Agency are recognised at the transaction price at the purchase date, they will subsequently be measured in accordance with the fair value hierarchy as shares not held for trading.

**17. INVENTORIES**

	Consumable Stores		Total	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	£000's	£000's	£000's	£000's
<b>Balance Outstanding at 1 April</b>	<b>218</b>	245	<b>218</b>	245
Purchases	<b>906</b>	731	<b>906</b>	731
Recognised as an Expense in the Year	<b>(844)</b>	(753)	<b>(844)</b>	(753)
Written Off Balances	-	(5)	-	(5)
Reversals of Write Offs in Previous Years	-	-	-	-
<b>Balance Outstanding at 31 March</b>	<b>280</b>	218	<b>280</b>	218

**18. CONSTRUCTION CONTRACTS**

At 31 March 2017 the Council has no construction contracts in progress that require revenue to be recognised in the accounting period. Accordingly no contingent assets or liabilities are required to be recorded.

**19. DEBTORS**

	Balance at 31-Mar-17	Balance at 31-Mar-16
	£000's	£000's
Central Government Bodies	<b>5,117</b>	5,182
Other Local Authorities	<b>611</b>	988
NHS Bodies	<b>1,547</b>	3,415
Public Corporations	<b>3,428</b>	1,658
Other Entities and Individuals	<b>25,691</b>	27,237
	<b>36,394</b>	<b>38,480</b>
Provision for Bad and Doubtful Debts	<b>(6,750)</b>	(6,931)
<b>Total Debtors</b>	<b>29,644</b>	<b>31,549</b>

**20. LONG TERM DEBTORS**

	Expenditure During Year £000's	Income During Year £000's	Balance at 31-Mar-17 £000's	Balance at 31-Mar-16 £000's
Employee Loans	18	(30)	28	40
Council House Mortgages	-	-	2	2
Housing Act Advances	-	-	11	12
Prepayment - PFI scheme		(45)	706	751
PFI - Residual Value Asset	94	-	797	703
PFI - Sculpting Prepayment	85	-	2,998	2,913
Yorwaste Loan	-	-	1,000	1,000
Other	(13)	-	587	600
	<b>184</b>	<b>(75)</b>	<b>6,129</b>	<b>6,021</b>

**21. CASH AND CASH EQUIVALENTS**

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

	Balance at 31-Mar-17 £000's	Balance at 31-Mar-16 £000's
Cash Held by the Authority	6,118	8,436
Short Term Deposits	61,657	47,326
Bank Current Accounts	(2,517)	(816)
<b>Total Cash and Cash Equivalents</b>	<b>65,258</b>	<b>54,946</b>

**22. ASSETS HELD FOR SALE**

	2016/17 £000's	2015/16 £000's
<b>Balance outstanding at start of year</b>	<b>1,513</b>	<b>2,677</b>
<b>Assets newly classified as held for sale:</b>		
- Property, Plant and Equipment	2,059	-
Revaluation losses	(114)	-
<b>Assets declassified as held for sale:</b>		
- Property, plant and Equipment	(265)	-
Assets sold	(344)	(1,164)
<b>Balance outstanding at year-end</b>	<b>2,849</b>	<b>1,513</b>

### Fair Value measurement of Assets Held for Sale

All of the Council's Assets Held for Sale have been categorised as Level 2 within the fair value hierarchy as at 31 March 2017. The fair value of Assets Held for Sale as at 31 March 2017 is £5.078m. The fair value is higher than the balance sheet value for Assets Held for Sale as, in line with accounting policies, Assets Held for Sale are held on the balance sheet at the lower of the carrying value on transfer to this category and fair value less costs to sell.

### 23. CREDITORS

	Balance at 31-Mar-17 £000's	Balance at 31-Mar-16 £000's
Central Government Bodies	(9,213)	(6,116)
Other Local Authorities	(5,622)	(7,461)
NHS Bodies	(523)	(142)
Public Corporations	(2,015)	(404)
Other Entities and Individuals	(22,231)	(28,405)
<b>Total Creditors</b>	<b>(39,604)</b>	<b>(42,528)</b>
Other Short-Term Liabilities	(3,145)	(3,564)
<b>Total Short-Term Liabilities</b>	<b>(42,749)</b>	<b>(46,092)</b>

This note contains £0k (2015/16 £0k) of Capital Grants received in advance and £626k (2015/16 £1.241k) of Revenue Grants received in advance. Further details can be found in Note 40.

### 24. PROVISIONS

#### Total Provisions:

	Insurance Fund £000's	Business Rates £000's	Council Tax £000's	Lendal Bridge/ Coppergate £000's	Other Provisions £000's	Total £000's
<b>Balance at 1 April 2016</b>	(1,736)	(9,754)	(500)	(54)	(170)	<b>(12,214)</b>
Additional provisions made in 2016/17	(531)	(16)	-	-	-	<b>(547)</b>
Amounts Used In 2016/17	68	1,894	-	4	-	<b>1,966</b>
Unused amounts reversed in 2016/17	291	-	-	-	-	<b>291</b>
Unwinding of discounting in 2016/17	-	-	-	-	-	<b>-</b>
<b>Balance at 31 March 2017</b>	<b>(1,908)</b>	<b>(7,876)</b>	<b>(500)</b>	<b>(50)</b>	<b>(170)</b>	<b>(10,504)</b>

#### of which the following are due to be settled within 12 months:

	Insurance Fund £000's	Business Rates £000's	Council Tax £000's	Lendal Bridge/ Coppergate £000's	Other Provisions £000's	Total £000's
<b>Balance at 1 April 2016</b>	(322)	(2,785)	-	(54)	(170)	<b>(3,331)</b>
Additional provisions made in 2016/17	(91)	(16)	-	-	-	<b>(107)</b>
Amounts Used In 2016/17	-	606	-	4	-	<b>610</b>
Unused amounts reversed in 2016/17	68	-	-	-	-	<b>68</b>
Unwinding of discounting in 2016/17	-	-	-	-	-	<b>-</b>
<b>Balance at 31 March 2017</b>	<b>(345)</b>	<b>(2,195)</b>	<b>-</b>	<b>(50)</b>	<b>(170)</b>	<b>(2,760)</b>

**Employee Absences**

A provision to account for the changes made under IFRS whereby the Council accounts for any untaken leave owed to its employees.

**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.

**Lendal Bridge/ Coppergate**

This provision is for the costs of settling claims for repayment of Penalty Charge Notices in relation to the trial traffic regulation of Lendal Bridge and Coppergate. As detailed in the Narrative report a significant number of these fines were repaid in 2016/17, and an Earmarked Reserve is also held in relation to this as show in Note 8.

**Business Rates**

Provision in relation to backdated revaluations arising from the Business Rates retention scheme.

**Council Tax**

Provision to cover variations in Council Tax income, bad debts and the Council Tax Support Scheme. It should be noted that this provision and the one above have been reclassified from earmarked reserves.

**Other Provisions**

All other provisions are individually insignificant.

**25. USABLE RESERVES**

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Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and note 7.

**26. UNUSABLE RESERVES**

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	<b>Balance at 2016/17 £000's</b>	Balance at 2015/16 £000's
Revaluation Reserve	<b>280,995</b>	129,320
Capital Adjustment Account	<b>385,844</b>	391,120
Financial Instruments Adjustment Account	<b>(1,218)</b>	(1,558)
Pensions Reserve	<b>(161,684)</b>	(138,446)
Collection Fund Adjustment Account	<b>2,733</b>	(2,275)
Accumulated Absences Account	<b>(3,145)</b>	(3,564)
<b>Total Unusable Reserves</b>	<b>503,525</b>	374,597

**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.

	2016/17		2015/16	
	£000's	£000's	£000's	£000's
<b>Balance at 1 April</b>		<b>(129,320)</b>		<b>(121,449)</b>
Upward revaluation of assets	(165,558)		(11,496)	
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	6,497		997	
(Surplus)/deficit on revaluation of non-current assets not posted to the (Surplus)/Deficit on the Provision of Services		(159,061)		(10,499)
Difference between fair value depreciation and historical cost depreciation	4,517		2,018	
Accumulated gains on assets sold or scrapped	2,869		610	
Amount written off to the Capital Adjustment Account		7,386		2,628
Properties RR movement with CAA				
<b>Balance at 31 March</b>		<b>(280,995)</b>		<b>(129,320)</b>

**Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The Council holds only one type of this investment (£40k of shares in the Municipal Bonds Agency) that has been recorded at its transaction price.

**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.

	2016/17 £000's	2015/16 £000's
<b>Balance at 1st April</b>	<b>(391,120)</b>	<b>(345,810)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non current assets	23,710	23,657
Revaluation losses on Property, Plant and Equipment	(9,375)	(35,669)
Amortisation of intangible assets	336	704
Revenue expenditure funded from capital under Statute	4,902	6,516
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	25,964	8,872
	<b>45,537</b>	<b>4,080</b>
Adjusting amounts written out of the Revaluation Reserve	(7,386)	(2,628)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>38,151</b>	<b>1,452</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,533)	(4,614)
Use of the Major Repairs Reserve to finance new capital expenditure	(6,775)	(6,688)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(11,524)	(18,144)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,215)	(1,167)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(8,186)	(8,500)
Statutory provision for the financing of the HRA subsidy		
Capital expenditure charged against the General Fund and HRA balances	(3,123)	(1,214)
	<b>(33,356)</b>	<b>(40,327)</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	481	(6,435)
<b>Balance at 31 March</b>	<b>(385,844)</b>	<b>(391,120)</b>



**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.

	2016/17	2015/16
	£000's	£000's
<b>Balance at 1st April</b>	<b>1,558</b>	<b>1,691</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(183)	(183)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	52	50
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	(131)	(133)
Concessionary rate loan interest charged to CIES	(209)	-
Fair Value adjustment write up to reflect the benefit of having a loan at a concessionary rate	(209)	-
<b>Balance at 31st March</b>	<b>1,218</b>	<b>1,558</b>

**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-17	31-Mar-16
	£000's	£000's
<b>Balance at 1 April</b>	<b>138,446</b>	163,705
Actuarial gains or losses on pensions assets and liabilities	<b>18,872</b>	(32,702)
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	<b>20,292</b>	23,630
Employer's pensions contributions and direct payments to pensioners payable in the year.	<b>(15,926)</b>	(16,187)
<b>Balance at 31 March</b>	<b>161,684</b>	138,446

**Collection Fund Adjustment Account**

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

	31-Mar-17	31-Mar-16
	£000's	£000's
<b>Balance at 1 April</b>	<b>(2,275)</b>	(844)
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	<b>(458)</b>	<b>(1,431)</b>
<b>Balance at 31 March</b>	<b>(2,733)</b>	(2,275)

**Accumulated Absences Account**

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

	2016/17		2015/16	
	£000's	£000's	£000's	£000's
<b>Balance at 1 April</b>		<b>3,564</b>		<b>4,462</b>
Settlement or cancellation of accrual made at the end of the preceding year	(3,564)		(4,462)	
Amounts accrued at the end of the current year	3,145		3,564	
		<b>(419)</b>		<b>(898)</b>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-		-
<b>Balance at 31 March</b>		<b>3,145</b>		<b>3,564</b>

**27. CASHFLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	<b>Balance at 31-Mar-17</b>	Balance at 31-Mar-16
	<b>£000's</b>	£000's
Interest received	<b>(520)</b>	(644)
Interest paid	<b>9,954</b>	10,080
Dividends received	<b>(340)</b>	(333)

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

	<b>31-Mar-17</b>	31-Mar-16
	<b>£000's</b>	£000's
Depreciation, Impairment and Amortisation of fixed assets	<b>(15,357)</b>	11,198
(Increase)/decrease in impairment for bad debt	<b>181</b>	(78)
Increase/(decrease) in stocks and works in progress	<b>63</b>	(27)
Increase/(decrease) in debtors	<b>(2,068)</b>	(715)
(Increase)/decrease in creditors	<b>4,308</b>	(2,207)
Pension Liability		
Net Charge to the CIES	<b>15,926</b>	16,187
Employers contributions to pension funds and direct payments to pensioners	<b>(20,292)</b>	(23,630)
Carrying amount of non-current assets sold	<b>(25,964)</b>	(8,872)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services		
Provisions	<b>2,129</b>	1,827
Movements in the value of investment properties	<b>(481)</b>	6,435
Movements in the value of Finance Leases and PFI	<b>51</b>	(50)
Movement in the FIAA	<b>(44)</b>	(39)
Adjustment to the Net Surplus or Deficit on Provision of Services for non-cash movements	<b>(41,548)</b>	29

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:

	<b>31-Mar-17</b>	31-Mar-16
	<b>£000's</b>	£000's
Grants applied to the financing of capital expenditure	<b>7,639</b>	17,114
Proceeds from sale of property, plant and equipment, investment property and intangible assets	<b>7,958</b>	9,059
Adjustments for items included in the net surplus or deficit on the Provision of Services that are investing and financing activities	<b>15,597</b>	26,173

**28. CASHFLOW STATEMENT – INVESTING ACTIVITIES**

	<b>Balance at 31-Mar-17 £000's</b>	Balance at 31-Mar-16 £000's
Purchase of property, plant and equipment, investment property and intangible assets	<b>30,865</b>	35,762
Purchase of short-term and long-term investments	<b>366,750</b>	317,200
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	<b>(7,958)</b>	(9,059)
Proceeds from short-term and long-term investments	<b>(366,731)</b>	(292,247)
Other receipts from investing activities	<b>(7,639)</b>	(17,114)
<b>Net cash flows from investing activities</b>	<b>15,287</b>	34,542

**29. CASHFLOW STATEMENT - FINANCING ACTIVITIES**

	<b>Balance at 31-Mar-17 £000's</b>	Balance at 31-Mar-16 £000's
Cash receipts of short-term and long-term borrowing	<b>(1,013)</b>	-
Other receipts from financing activities	<b>(13)</b>	(32)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	<b>371</b>	435
Repayments of short-term and long-term borrowing	<b>7,000</b>	2,000
Other payments for financing activities	<b>(1,402)</b>	(69)
<b>Net cash flows from financing activities</b>	<b>4,943</b>	2,334

**30. INCOME ANALYSED BY NATURE**

Revenue received from external customers is analysed on a segmental basis below:

	<b>2016/17 Income from External Customers £000's</b>	2015/16 Income from External Customers £000's
Customer and Support Services	<b>(7,552)</b>	(7,505)
Childrens and Education Services	<b>(8,014)</b>	(6,838)
Communities and Equalities	<b>(1,079)</b>	(1,386)
Housing Revenue Account	<b>(34,707)</b>	(35,483)
Adult Social Care	<b>(11,436)</b>	(11,166)
Housing and Community Safety	<b>(3,040)</b>	(3,679)
Public Health	<b>(72)</b>	(87)
Economy and Place	<b>(19,610)</b>	(17,800)
<b>Total income analysed on a segmental basis</b>	<b>(85,510)</b>	(83,944)

### 31. ACQUIRED AND DISCONTINUED OPERATIONS

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All council operations are categorised as continuing operations.

### 32. TRADING OPERATIONS

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The Council had no external trading operations in 2016/17. The Council has established a number of internal trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (eg refuse collection), whilst others are support services to the Council's services to the public (eg schools catering). The expenditure of these operations is allocated or recharged to headings in Net Cost of Services.

### 33. AGENCY SERVICES

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The Council, as a billing Council, both bills and collects income on behalf of the central government, the Police and Crime Commissioner for North Yorkshire and the North Yorkshire Fire and Rescue Council for National Non-Domestic Rates and Council Tax. This statutory arrangement is treated in the Council's accounts as an agency agreement.

The Council provides payroll services to a number of external organisations. These include two Multi Academy Trusts (MATs), one of which contains three schools from outside of the City of York Council boundary. The service is also provided for a district council, a college, and various other small organisations mostly in the voluntary sector.

	2016/17	2015/16
	£000's	£000's
Expenditure incurred providing Payroll Services	63	63
Fee income earned	(79)	(73)
<b>Net Position</b>	<b>(16)</b>	<b>(10)</b>

### 34. ROAD CHARGING SCHEMES

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There were no schemes under the Transport Act 2000 in 2016/17, but these will continue to be considered by the Council in future years.

**35. POOLED BUDGETS**

**Better Care Fund (BCF)**

City of York Council (CYC) and the Vale of York Clinical Commissioning Group (VoY CCG) have 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). Both parties to this agreement contribute to a pooled commissioning budget which is overseen by the City of York Health and Wellbeing Board. The VoY CCG host the pooled budget

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>
<b>Contributions to the Better Care Fund</b>		
Council	1,003	951
Vale of York CCG	11,200	11,176
	<b>12,203</b>	<b>12,127</b>
<b>Expenditure met from the Better Care Fund</b>		
Council Commissioned Schemes	6,309	7,918
Vale of York CCG Commissioned Schemes	5,894	2,878
Withheld Performance funds*	-	1,331
	<b>12,203</b>	<b>12,127</b>
<b>Net Surplus arising on the Pooled budget during the year</b>	<b>-</b>	<b>-</b>

The regime of withholding an element of funding relating to performance stopped in 2016/17

**36. MEMBERS ALLOWANCES**

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

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>
Allowances	<b>623</b>	580
Expenses	<b>5</b>	13
<b>Total</b>	<b>628</b>	593

**37. OFFICERS' REMUNERATION**

The remuneration paid to the Council's senior employees in 2016/17 is as follows:

		Salary (Including Fees and Allowances)	Expenses Allowances and Benefits	Compensation for Loss of Employment	Total excluding Employer's contribution to pension	Employer's contribution to pension	Total Remuneration Package
Position	Note	£	£	£	£	£	£
Chief Executive	1	87,813	-	-	<b>87,813</b>	17,769	<b>105,582</b>
Interim Chief Executive	1	43,767	-	-	<b>43,767</b>	-	<b>43,767</b>
Deputy Chief Executive & Director Customer & Corporate Services		103,990	-	-	<b>103,990</b>	19,351	<b>123,341</b>
Corporate Director Children, Education & Communities		116,235	-	-	<b>116,235</b>	23,594	<b>139,828</b>
Corporate Director Economy & Place		95,666	-	-	<b>95,666</b>	19,382	<b>115,048</b>
Corporate Director Health, Housing & Adult Social Care		104,021	-	-	<b>104,021</b>	21,110	<b>125,131</b>
Director of Public Health	2	83,358	-	-	<b>83,358</b>	16,922	<b>100,280</b>
Director of Communities & Neighbourhoods	3	52,493	-	53,748	<b>106,241</b>	10,555	<b>116,796</b>
Assistant Director Legal & Governance		75,814	-	-	<b>75,814</b>	15,390	<b>91,204</b>
Total		763,156	-	53,748	<b>816,904</b>	144,073	<b>960,977</b>

**Notes:**

(1) The **Interim Chief Executive** resigned from the council on 31<sup>st</sup> July 2016. The council appointed a permanent **Chief Executive** on 1<sup>st</sup> August 2016 with an annualised salary of £131,300.

(2) The council appointed a permanent **Director of Public Health** on 1<sup>st</sup> May 2016. This role had been fulfilled by the same senior officer on a consultancy basis in the preceding year.

(3) As part of the council's restructure during 2016/17, the then **Director of Communities and Neighbourhoods** voluntarily terminated their employment with the council on 30<sup>th</sup> September 2016. This senior officer received a payment of £53,748.09 as compensation for loss of employment as set out in the table above.

(5) No bonuses were paid to any senior officers during the 2016/17 financial year.

(6) The employer's contribution to pension are not payments made to officers, rather they are amounts paid by the Council directly to the pension fund. The employer's contribution rate set in 2016/17 was 20%.

The remuneration paid to the Council's senior employees in 2015/16 was as follows:

Position	Note	Salary (Including Fees and Allowances) £	Expenses Allowances and Benefits £	Compensation for Loss of Employment £	Total excluding Employer's contribution to pension £	Employer's contribution to pension £	Total Remuneration Package £
Chief Executive - Kersten England	1	47,273	-	-	47,273	9,596	56,869
Interim Chief Executive	1	86,667	-	-	86,667	-	86,667
Director of Children's Services Education and Skills		115,192	-	-	115,192	23,384	138,576
Director of Customer and Business Support Services		102,958	-	-	102,958	19,159	122,117
Director of Communities and Neighbourhoods		102,958	-	-	102,958	20,901	123,859
Director of City and Environmental Services	2	83,239	-	-	83,239	16,898	100,137
Director of Adult Services	3	56,341	-	-	56,341	11,437	67,778
Assistant Director of Governance and ICT		75,061	-	-	75,061	15,237	90,298
Assistant Director of Transformation and Change (Acting up)	4	69,973	-	23,351	93,324	-	93,324
<b>Total</b>		<b>739,662</b>	<b>-</b>	<b>23,351</b>	<b>763,013</b>	<b>116,612</b>	<b>879,625</b>

No Bonus payments were made to any Senior Officers in the 2015-16 financial year.

Notes:

(1) The Chief Executive, Kersten England, left the council on 2<sup>nd</sup> August 2015. The subsequent **Interim Chief Executive** Steve Stewart was appointed to the role commencing 1<sup>st</sup> August 2015 on an interim basis.

(2) The Council appointed a permanent **Director of City and Environmental Services** on 3<sup>rd</sup> August 2015, a role previously held by a consultant on an interim basis.

(3) The Council appointed a permanent **Director of Adult Services** on 14<sup>th</sup> September 2015, a role previously held by a consultant on an interim basis.

(4) On 31<sup>st</sup> March 2016, the fixed-term contract of the **Assistant Director of Transformation and Change (Acting up)** ended. As a result this officer received compensation for loss of employment as detailed above.

(5) The employer's contribution to pension are not payments made to officers, rather they are amounts paid by the Council directly to the pension fund.



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

Remuneration band	2016/17 Number of employees					2015/16 Number of employees				
	Officers current	Officers left during year	Teachers current	Teachers left during year	Total	Officers current	Officers left during year	Teachers current	Teachers left during year	Total
£50,000 - £54,999	23	1	30	2	56	26	1	26	2	55
£55,000 - £59,999	4	-	11	-	15	2	1	17	-	20
£60,000 - £64,999	8	2	13	2	25	7	-	12	5	24
£65,000 - £69,999	2	-	10	-	12	1	-	8	1	10
£70,000 - £74,999	-	1	3	-	4	-	1	3	-	4
£75,000 - £79,999	4	-	2	-	6	6	-	-	-	6
£80,000 - £84,999	-	-	2	-	2	-	-	2	1	3
£85,000 - £89,999	1	-	2	-	3	1	-	2	-	3
£90,000 - £94,999	-	-	-	-	-	-	-	1	-	1
£95,000 - £99,999	-	-	3	-	3	-	-	1	-	1
£100,000 - £104,999	-	-	-	-	-	-	-	1	-	1
<b>Total</b>	<b>42</b>	<b>4</b>	<b>76</b>	<b>4</b>	<b>126</b>	<b>43</b>	<b>3</b>	<b>73</b>	<b>9</b>	<b>128</b>

#### Exit Packages/ Termination Benefits

Details of the Exit Packages / Termination benefits paid out to employees who were made redundant during the year are set out in the table below. This table shows the total number of compulsory and other redundancies/ departures and their total cost, broken down into incremental bands of £20k up to £300k. The total cost shown include payments made to the employees plus payments made to the relevant pension funds in year to compensate for "strain on the fund" costs resulting from the employees exit and resulting pension entitlement.

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Number of redundancies		Total cost of exit packages in each band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £000's	2015/16 £000's
£0 - £20,000	10	17	32	42	42	59	297	384
£20,001 - £40,000	4	1	7	8	11	9	261	248
£40,001 - £60,000	-	2	4	3	4	5	185	263
£60,001 - £80,000	-	-	1	-	1	-	65	-
£80,001 - £100,000	1	-	-	-	1	-	90	-
£100,001 - £280,000	-	-	-	-	-	-	-	-
£280,001 - £300,000	-	-	1	-	1	-	299	-
<b>Grand total</b>	<b>15</b>	<b>20</b>	<b>45</b>	<b>53</b>	<b>60</b>	<b>73</b>	<b>1,197</b>	<b>896</b>

The total cost of £1.197k (2016/17 £896k) in the table above includes £819k (2016/17 £676k) for exit packages that have been charged to the Authority’s Comprehensive Income and Expenditure Statement in the current year. The note includes 7 exits from schools controlled by the authority.

Included within the figure of £1.197m above is a total cost of £299k in relation to the voluntary termination of the employment of the Director of Communities and Neighbourhoods on 30<sup>th</sup> September 2016. This amount comprised of £53k in redundancy payment as set out in the first table in this note along with a total pension strain cost of £245k. This is the total cost to the Council over 5 years of the officer accessing their pension early and differs to the first table which sets out the in year cost in 2016/17.

**38. EXTERNAL AUDIT COSTS**

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

	<b>2016/17</b>	2015/16
	<b>£000's</b>	£000's
Fees payable to Mazars LLP with regard to external audit services carried out by the appointed auditor	<b>102</b>	110
Fees payable to Mazars LLP in respect of statutory inspection	-	-
Fees payable to the Mazars LLP for the certification of grant claims and returns	<b>11</b>	11
<u>Fees payable in respect of other services provided by Mazars LLP</u>	<u><b>71</b></u>	<u><b>55</b></u>
	<b>184</b>	<b>176</b>

The above fees have been presented on an accruals basis, in line with Code requirements. The fees for other services payable in 2016/17 relate to an objection to the 2015/16 accounts and the VFM Review. (In 15/16 the fees related to an objection to the 2013/14 accounts, advice on the community stadium and advice on the older persons housing projects).

**39. DEDICATED SCHOOLS GRANT**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early years (England) Regulations 2014.

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 2016/17 are as follows:

	<b>Central Expend- iture £000's</b>	<b>Individual Schools Budget £000's</b>	<b>DSG Total £000's</b>
Final DSG for 2016/17 before Academy recoupment			113,404
Academy figure recouped for 2016/17			<u>(22,857)</u>
Total DSG after Academy recoupment for 2016/17			90,547
Brought forward from 2015/16			<u>215</u>
DSG resources available for distribution in 2016/17	10,611	80,151	90,762
In year adjustments	-	-	-
<b>Final resources available for distribution in 2016/17</b>	<b>10,611</b>	<b>80,151</b>	<b>90,762</b>
Less actual central expenditure	(10,402)		(10,402)
Less actual ISB deployed to schools		(79,602)	(79,602)
Plus Local Authority contribution for 2016/17	-	-	-
<b>Carry forward to 2017/18</b>	<b>209</b>	<b>549</b>	<b>758</b>

#### 40. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

	2016/17 £000's	2015/16 £000's
<b>Credited to Taxation and Non Specific Grant Income</b>		
Demand on Collection Fund	(78,852)	(75,734)
Non-Domestic Rates	(28,377)	(27,511)
Revenue Support Grant	(14,892)	(21,142)
Capital Grants	(17,014)	(16,272)
New Homes Bonus	(65)	(3,712)
Business Rates Retention Grant	(1,368)	(2,958)
Other Government Grants	(3,365)	(6,201)
Other general grants	(81)	(123)
<b>TOTAL</b>	<b>(144,014)</b>	<b>(153,653)</b>
<b>Credited to Services</b>		
Dedicated Schools Grant Base	(90,619)	(98,394)
DWP Council Tax, Housing Benefit & Admin Grant	(40,753)	(42,247)
Other Education Funding Agency	(8,785)	(8,613)
Public Health Grant	(8,480)	(7,712)
New Homes Bonus	(4,648)	
Pupil Premium Grant	(4,155)	(4,462)
Education Services Grant	(1,869)	(2,240)
Universal infant Free Schools meals - revenue funding	(1,548)	(1,702)
Trading Standards Institute Grant	(1,387)	-
Skills Funding Agency	(1,237)	(1,191)
PFI Revenue Support	(1,186)	(1,186)
DCLG Flood recovery	(620)	(416)
Homes and Communities Agency	(299)	(365)
DFE Adoption Support Fund	(266)	-
Housing Delivery Grant	(160)	-
DFT Bus Operators Support Grant	(151)	-
DWP Access to Work grant	(115)	(3)
Cabinet Office	-	(320)
Other Grants	(4,923)	(3,931)
<b>TOTAL</b>	<b>(171,201)</b>	<b>(172,782)</b>

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.

2016/17:	2016/17 £000's
<b>Current Liabilities</b>	
<b>Grants Receipts in Advance (Capital Grants)</b>	
Miscellaneous other grants (capital)	-
S106 Contributions with conditions	-
<b>TOTAL</b>	<b>-</b>
<b>Grants Receipts in Advance (Revenue Grants)</b>	
Dept Education Social Work Program	7
University of York	35
Skills for Care Social worker funding	7
Wilf Ward Grants	13
FERIS Benefits Fraud	25
Pupil Premium Grant	382
Leeds City Region	153
Other	4
<b>TOTAL</b>	<b>626</b>

2015/16:	2015/16 £000's
<b>Current Liabilities</b>	
<b>Grants Receipts in Advance (Capital Grants)</b>	
Miscellaneous other grants (capital)	-
S106 Contributions with conditions	-
<b>TOTAL</b>	<b>-</b>
<b>Grants Receipts in Advance (Revenue Grants)</b>	
Sport England Inclusive and Activation Funds	47
Improvement and Development Agency	20
Lottery Springboard Grant	19
Dept Education Social Work Program	6
University of York	41
CRCNB Grant	2
Skills for Care Social worker funding	11
Wilf Ward Grants	13
FERIS Benefits Fraud	25
DWP Real Time Investigation	3
Public Health England	10
Pupil Premium Grant	306
CLG Flood recovery grant	620
Leeds City Region	118
<b>TOTAL</b>	<b>1,241</b>

## 41. RELATED PARTIES

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

### Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments and Grant receipts outstanding at 31 March 2017 are shown in Note 40.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in Note 36.

The Council paid grants totalling £593k to organisations in which 2 members had positions on the board or are trustees.

No significant grants were made to organisations whose senior management included close members of the families of members.

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

### Officers

During 2016/17 no works and services of a significant value were commissioned from companies in which officers had an interest outside of their Council responsibilities. All contracts were entered into in full compliance with the council's standing orders. **One organisation, SFS (Public Health) Consulting Ltd, received payment of £14k during 2016/17. The directors of this company include a chief officer of the Council and one of their family members. The officer in question was employed through this company during the early part of 2016/17. However, they are now a permanent Council employee and therefore the relationship with this organisation has ended with effect from August 2016.**

The Council did not pay any significant grants to voluntary organisations in which officers had positions on the governing body.

No payments were made to organisations whose senior management included close family members of elected members.

### Entities Controlled or Significantly Influenced by the Council

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, but due to the values involved these do not require the Council to prepare Group Accounts.

For detailed information relating to Yorwaste Limited, Veritau Limited and CYT please see Long Term Investments section of this note.

The **Yorkshire Purchasing Organisation** was established as a joint committee of Local Authorities in 1974 and City of York Council is one of the constituent thirteen member authorities.

**Science City York** is a company limited by guarantee and is a non profit organisation. In May 2011 a subsidiary of Science City York was set up called SCY Enterprises Ltd as a wholly owned subsidiary of Science City York. On 1 April 2015 Science City York sold its brand, assets and subsidiary company SCY Enterprises to Make it York Ltd.

On 20 March 2017 the council's Shareholder Committee approved the transfer of the company and its remaining assets from City of York Council to Make It York Ltd. This was subsequently approved by the Executive committee on 18 May 2017. Although there is no share capital, Make It York Ltd became the sole member and is liable to contribute £1 in the event of the company being wound up.

**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 there representatives will be the Leader of the Council and the Chief Executive. The brand and assets of Science City York and its subsidiary SCY Enterprises Ltd were transferred to Make it York in 2015/16. In 2016/17 the ownership of Science City York Ltd and its remaining assets transferred from City of York Council to Make It York.

**Be Independent** is a Community Interest Company formed on 1 April 2014. The Council has significant influence over this entity due to one Member of the Council sitting on the Board. This Member stood down from the Board on 31 March 2017. Whilst this type of transaction would not normally be consolidated for Group Accounts purposes, transactions have been disclosed within this note to enhance transparency.

## LONG TERM INVESTMENTS

The Council holds a number of investments for the medium / long term. They comprise mainly share investments in three companies: Yorwaste (£1.008m), York Science Park (£0.200m), Veritau (a nominal £1) and City of York Trading (a nominal £1). The shares are included in the balance sheet at nominal value. Other investments have been deposited to be realisable quickly, although the intention is to hold them for the medium/long term

### Yorwaste

The Council has, as a result of the local government reorganisation in the area at 1 April 1996, a 22.27% shareholding in Yorwaste Ltd. The majority shareholder is North Yorkshire County Council who hold the remaining 77.73%. The Company's profit and loss account is not included as part of the Comprehensive Income and Expenditure Account. No dividend was received in 2016/17 or 2015/16. Similarly, the Company's assets and liabilities are not in the Consolidated Balance Sheet.

With effect from 1 October 2015 the Council has a service agreement with Yorwaste Limited for waste disposal services and is charged on a cost recovery basis. Prior to this contract prices were negotiated on an arms length commercial basis.

**SJB Recycling Ltd** is a sister company to Yorwaste and therefore also jointly owned with North Yorkshire County Council. It has the same Directors as Yorwaste and is managed by Yorwaste officers. It has no transactions with the Council.

Member Directors on Yorwaste are entitled to an allowance established in accordance with North Yorkshire County Council's (NYCC's) remuneration arrangements which are paid for by the

Company. One member sits on the board of this company and received total remuneration of £8k from Yorwaste in 2016/17. No amounts were paid directly by the Council.

### York Science Park

City of York Council has owned shares in the company since 23 December 1999 and the nominal value of the shares is £1. The Council now holds 200,000 shares which represent less than 10% of the total share capital of £2.166m. The Council received no dividends or profits from York Science Park and holds no liability.

### Veritau

Since 1 April 2009, internal audit and counter-fraud services have been provided by Veritau Limited. The company is jointly owned by City of York Council and North Yorkshire County Council, with each Council holding 50% of the shares. Contract prices are negotiated on an arms length commercial basis. The Council is represented on the Board by the Director of Customer & Corporate Services and one Member of the Council.

**City of York Trading** was incorporated as a private company on the 18<sup>th</sup> 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, 2 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.

### Net Value of Transactions and Balances at Year End

The net value of transactions during the year with entities controlled or significantly influenced by the Council and not presented anywhere else in the Statement of Accounts are as follows:

	2016/17			2015/16		
	Expenditure £'000	Income £'000	Net Exp £'000	Expenditure £'000	Income £'000	Net Exp £'000
City of York Trading Ltd	5,901	(387)	<b>5,514</b>	5,298	(401)	<b>4,897</b>
Make it York	980	(730)	<b>250</b>	972	(619)	<b>353</b>
Veritau	578	(33)	<b>545</b>	620	(17)	<b>603</b>
Yorwaste Ltd	7,265	(931)	<b>6,334</b>	7,304	(633)	<b>6,671</b>
Science City York	-	-	-	11	-	<b>11</b>
York Science Park	-	-	-	2	-	<b>2</b>
Be Independent	1,647	(169)	<b>1,478</b>	1,768	(214)	<b>1,554</b>
		-				
	16,371	(2,250)	<b>14,121</b>	15,975	(1,884)	<b>14,091</b>

The following amounts were due from related parties at 31 March 2017 and are included in debtors:

	2016/17 £'000	2015/16 £'000
City of York Trading Ltd	<b>116</b>	102



Make it York	<b>267</b>	172
Veritau	<b>10</b>	12
Yorwaste Ltd	<b>94</b>	59
Science City York	-	-
York Science Park	-	-
Be Independent	<b>256</b>	261
	<b>743</b>	606

The following amounts were due to related parties at 31 March 2017 and are included in creditors:

	<b>2016/17</b>	2015/16
	<b>£'000</b>	£'000
City of York Trading Ltd	<b>661</b>	456
Make it York	<b>19</b>	13
Veritau	<b>1</b>	-
Yorwaste Ltd	<b>1,674</b>	852
Science City York	-	-
York Science Park	-	-
Be Independent	<b>1</b>	7
	<b>2,356</b>	1,328

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

#### 42. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP 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.

	2016/17 £000's	2015/16 £000's
<b>Opening Capital Financing Requirement</b>	<b>323,842</b>	322,474
<b>Capital Investment</b>		
Property, Plant and Equipment	28,153	34,783
Investment Properties	2,528	202
Intangible Assets	167	10
Revenue Expenditure Funded from Capital under Statute	4,902	6,516
Leases / PFI	-	185
<b>Sources of Finance</b>		
Capital Receipts	(1,533)	(4,613)
Government grants and other contributions	(20,483)	(26,000)
Direct revenue contributions	(3,155)	(1,215)
MRP (Minimum Revenue Repayment)	(8,186)	(8,500)
Movement in Year	2,393	1,368
<b>Closing Capital Financing Requirement</b>	<b>326,235</b>	323,842
<b>Explanations of movement in year</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	10,579	9,683
Assets acquired under finance leases/PFI	-	185
HRA Self Financing payment		
MRP/ loans fund principal	(8,186)	(8,500)
<b>Increase/ (decrease) in Capital Financing Requirement</b>	<b>2,393</b>	1,368

The Capital Financing Requirement increased in 2016/17 as a result of the level of borrowing required to fund capital expenditure being greater than the provision set a side for the repayment of debt.

**43. LEASES**

**Council as Lessee**

**Finance Leases**

The Council has classified some of its leased assets as finance leases. Assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet:

	<b>2016/17</b>	2015/16
	<b>£000's</b>	£000's
Other Land and Buildings	-	-
Vehicles, Plant, Furniture and Equipment	<b>82</b>	103
	<b>82</b>	103

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

	<b>2016/17</b>	2015/16
	<b>£000's</b>	£000's
Finance lease liabilities (net present value of minimum lease payments)		
- Current	<b>22</b>	81
- Non-current	-	22
Finance costs payable in future years	<b>1</b>	12
Minimum lease payments	<b>23</b>	115

The minimum lease payments are:

	Minimum lease payments		Finance lease liabilities	
	<b>2016/17</b>	2015/16	<b>2016/17</b>	2015/16
	<b>£000's</b>	£000's	<b>£000's</b>	£000's
Not later than one year	<b>23</b>	92	<b>22</b>	81
Later than one year and not later than five years	-	23	-	22
Later than five years	-	-	-	-
	<b>23</b>	115	<b>22</b>	103

Due to the short-term nature of the leases entered into by the Council, no contingent rents were payable by the Council in 2016/17 (2015/16 £0).

**Operating Leases**

The Council has acquired the right to use a number of assets through entering into agreements with external suppliers. These agreements contain operating lease arrangements as well as maintenance charges and cost of materials. Examples of the assets that have been acquired include:

- Fleet of light commercial vehicles
- IT equipment in ICT managed services,
- Various property assets,

The future minimum lease payments due (including payments for non-lease elements) under non-cancellable leases in future years are:

	<b>31-Mar-17</b>	31-Mar-16
	<b>£000's</b>	£000's
Not later than one year	<b>691</b>	865
Later than one year and not later than five years	<b>752</b>	1,020
Later than five years	<b>189</b>	213
	<b>1,632</b>	2,098

The expenditure charged (including payments for non-lease elements) in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2016/17</b>	2015/16
	<b>£000's</b>	£000's
Minimum lease payments	<b>1,109</b>	1,158
Contingent rents	<b>40</b>	40
	<b>1,149</b>	1,198

**Council as Lessor**

**Finance Leases**

The Council acts as lessor for a small number of property leases, with start dates between 1976 and 1994 and remaining lease terms of between 12 and 21 years. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	2016/17 £000's	2015/16 £000's
Finance lease debtor (net present value of minimum lease payments)		
- Current	12	11
- Non-current	321	333
Unearned finance income	188	206
Unguaranteed residual value of property	-	-
Gross Investment in the lease	<b>521</b>	<b>550</b>

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

	Gross Investment in the Lease		Minimum Lease payments	
	2016/17	2015/16	2016/17	2015/16
	£000's	£000's	£000's	£000's
Not later than one year	29	29	12	11
Later than one year and not later than five years	116	116	53	50
Later than five years	376	405	268	283
	<b>521</b>	<b>550</b>	<b>333</b>	<b>344</b>

The minimum lease payments include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 contingent rents of £135k were receivable by the Council (2015/16 £135k).

### Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community and leisure services.
- for income generation purposes

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

	2016/17 £000's	2015/16 £000's
Not later than one year	2,399	2,479
Later than one year and not later than five years	6,099	7,007
Later than five years	43,744	48,895
	<b>52,242</b>	<b>58,381</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 contingent rents of £819k were receivable by the Council (2016/17 £732k).

**44. PFI AND SIMILAR CONTRACTS**

**PFI**

The Council has one PFI scheme for the provision of 3 primary schools with Sewell Education (York) Ltd. PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. The accounting requirements for PFI require that where ownership reverts to an entity at the end of the contract, PFI properties should be recognised on the Council’s Balance Sheet along with a liability for the financing provided by the PFI operator. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year and also relate to the repayment of the liability and finance costs associated with the asset. A prepayment of £4.032m was made prior to service commencement. Under the terms of the contract the Council has granted Sewell a licence for use of the land for 30 years.

**Property Plant and Equipment**

The asset used to provide the services at one of the schools is recognised on the Council’s Balance Sheet. Movements in the value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12. The other 2 schools are voluntary aided where the asset does not revert back to the Council at the end of the contract. These assets are not included on the face of the Balance Sheet and the associated costs have been removed.

**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 2017 (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	631	209	230	1,070
Between 2 Yrs and 5 Yrs	2,703	746	948	4,397
Between 6 Yrs and 10 Yrs	3,918	732	1,017	5,667
Between 11 Yrs and 15 Yrs	4,130	734	1,110	5,974
Between 16 Yrs and 20 Yrs	2,929	900	1,256	5,085
Between 21 Yrs and 25 Yrs	-	-	-	-
	14,311	3,321	4,561	22,193

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**

The City Council has undertaken a joint procurement with North Yorkshire for a long term Waste Management Service Contract for the provision of landfill diversion services. The council's agreed a preferred bidder and signed a commercial contract with Amey Cespa in 2012. The contract allows for the council's waste to be dealt with a number of processes including mechanical sorting and treatment, Energy from Waste and Anaerobic Digestion. The contractor was required to achieve planning consent for its facility and propose a funding package to the councils. This was finally completed in summer 2014.

The City Council meeting (9th October 2014) approved to continue to financial close for the contract. Financial close for the project was achieved on 29th October 2014.

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.

The contractor has 39 months to construct and commission the facilities at Allerton Park and full operation is anticipated to commence in early 2018. The contract is to provide the services once operational for 25 years

The Councils financial commitments under this are :

	CYC less than 1 year £000's	CYC more than 1 year £000's	Total Commitments £000's
Liability payments	218	41,655	41,873
Finance payments	736	63,492	64,228
Operating costs	264	90,928	91,192
<b>Total</b>	<b>1,218</b>	<b>196,075</b>	<b>197,293</b>

**45. IMPAIRMENT LOSSES**

Impairment losses are where a physical loss to the asset occurs. In comparison a revaluation loss is a reduction in market value of the asset. There was no impairment losses charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement during the year.

**46. CAPITALISATION OF BORROWING COSTS**

No borrowing costs were capitalised during 2016/17.

**47. TERMINATION BENEFITS**

The Council terminated the contracts of a number of employees in 2016/17, incurring liabilities of £1.197k (£896k in 2015/16). See Note 37 for further details of the number of exit packages and total cost per band. This sum is payable to officers across all of the Council's directorates.

**48. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

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**Teachers Pension Scheme**

Teachers employed by the Council are members of the Teachers' Pension Scheme, which is administered by Capita Teachers' Pensions (CTP) on behalf of the Department for Education (DfE). The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17 the Council paid £6.180m (2015/16 £6.526m) to CTP in respect of teachers' retirement benefits, representing 16.48% (2015/16 16.48%) of pensionable pay. The contributions due to be paid in the next financial year are estimated to be £5.2m.

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 £729k (2014/15 £757k) and are fully accrued in the pensions liability described in the figures that follow in Note 49. The Council is not liable to the scheme for any other entities obligation under the plan.

**NHS Staff Pension Scheme**

NHS Staff transferred to the Council over recent years have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £230k (2015/16 £15k) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.3% 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 £221k. The Council is not liable to the scheme for any other entities obligation under the plan.



**49. DEFINED BENEFIT PENSION SCHEMES**

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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 (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund 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:

	LGPS £000's	Teachers £000's	2016/17 Total £000's	£000's	LGPS £000's	Teachers £000's	2015/16 Total £000's	£000's
<b>Comprehensive Income and Expenditure Statement</b>								
<b>Cost of Services</b>								
Current service cost	14,928	-	<b>14,928</b>		17,869	-	<b>17,869</b>	
Past service cost	519	-	<b>519</b>		366	-	<b>366</b>	
Administration expenses	276	-	<b>276</b>		285	-	<b>285</b>	
(Gain) / Loss from settlements and curtailments	-	-	-		-	-	-	
	15,723	-	<b>15,723</b>		18,520	-	<b>18,520</b>	
<b>Financing and Investment Income and Expenditure</b>								
Interest cost	20,942	418	<b>21,360</b>		20,371	420	<b>20,791</b>	
Expected return on assets in the scheme	(16,791)	-	<b>(16,791)</b>		(15,681)	-	<b>(15,681)</b>	
Net Interest expense	4,151	418	<b>4,569</b>		4,690	420	<b>5,110</b>	
	19,874	418	<b>20,292</b>		23,210	420	<b>23,630</b>	
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>								
<b>Other Post Employment Benefit Charged to Comprehensive I&amp;E statement</b>								
Remeasurement of the net defined benefit liability comprising:								
Return on plan assets (excluding the amount included in the net interest expense)	(75,937)		<b>(75,937)</b>		15,063	-	<b>15,063</b>	
Actuarial gains and losses arising on changes in demographic assumptions	6,913	149	<b>7,062</b>		-	-	<b>-</b>	
Actuarial gains and losses arising on changes in financial assumptions	146,433	1,926	<b>148,359</b>		(40,170)	(1,005)	<b>(41,175)</b>	
Experience gains and losses	(60,518)	(94)	<b>(60,612)</b>		(6,324)	(266)	<b>(6,590)</b>	
Actuarial gains and losses					-	-	<b>-</b>	
	16,891	1,981	<b>18,872</b>		(31,431)	(1,271)	<b>(32,702)</b>	
<b>Total post-employment benefits charged to Other Comprehensive Income and Expenditure</b>								
<b>Movement in Reserves statement</b>								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code								
	(19,874)	(418)	<b>(20,292)</b>		(23,210)	(420)	<b>(23,630)</b>	
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>								
Employers' contributions payable to scheme	15,197	729	<b>15,926</b>		15,430	757	<b>16,187</b>	

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

	2012/13	2013/14	2014/15	2015/16	2016/17
	£000's	£000's	£000's	£000's	£000's
<u>Present Value of Liabilities</u>					
Local Government Pension Scheme	549,523	503,304	622,093	604,574	<b>721,208</b>
Unfunded Teachers Pensions	13,120	12,524	13,916	12,308	<b>13,978</b>
<u>Fair Value of Assets</u>					
Local Government Pension Scheme	(340,819)	(404,022)	(472,304)	(478,436)	<b>(573,502)</b>
<u>(Surplus)/Deficit in the Scheme</u>					
Local Government Pension Scheme	208,704	99,282	149,789	126,138	<b>147,706</b>
Unfunded Teachers Pensions	13,120	12,524	13,916	12,308	<b>13,978</b>
Net liability arising from defined benefit obligation	221,824	111,806	163,705	138,446	<b>161,684</b>

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

	As at 31-Mar-17		As at 31-Mar-16	
	Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's	Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's
Opening fair value of scheme assets	<b>(478,436)</b>	-	(472,304)	-
Interest income	<b>(16,791)</b>	-	(15,681)	-
Remeasurement (gain) / loss	<b>(75,937)</b>	-	15,063	-
Employer contributions	<b>(15,197)</b>	<b>729</b>	(15,430)	(757)
Contributions by scheme participants	<b>(4,473)</b>	-	(4,607)	-
Benefits/transfers paid	<b>17,332</b>	<b>(729)</b>	14,523	757
Closing fair value of scheme assets	<b>(573,502)</b>	-	(478,436)	-

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

	As at 31-Mar-17		As at 31-Mar-16	
	Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's	Local Government Pension Scheme £000's	Unfunded Teachers Scheme £000's
Opening balance at 1 April	604,574	12,308	622,093	13,916
Current service cost	15,204		18,154	-
Interest cost	20,942	418	20,371	420
Contributions by scheme participants	4,473		4,607	-
Remeasurement (gains)/losses:				
Actuarial gains and losses arising on changes in demographic assumptions	6,913	149	-	-
Actuarial gains and losses arising on changes in financial assumptions	146,433	1,926	(40,170)	(1,005)
Experience gains and losses	(60,518)	(94)	(6,324)	(266)
Benefits/transfers paid	(17,332)	(729)	(14,523)	(757)
Past service costs	519		366	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Closing balance at 31 March	721,208	13,978	604,574	12,308

The liabilities show the underlying commitments that the Council has to pay, namely retirement benefits in the long-term. The total liability of £161.6m (2015/16 £138.4m) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit, in that the deficit will be made good by increasing the contributions over the remaining working life of employees as assessed by the Fund actuary, mean that the financial position of the Council remains healthy. The deficit on the North Yorkshire Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

**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:

	As at 31-Mar-17	As at 31-Mar-16
Life expectancy		
Of a male future pensioner aged 65 in 20 years time	25.0	25.6
Of a female future pensioner aged 65 in 20 years time	28.6	28.1
Of a male current pensioner aged 65	22.8	23.3
Of a female current pensioner aged 65	26.3	25.8

The following shows the inflation factors used:

	As at 31-Mar-17	As at 31-Mar-17	As at 31-Mar-16	As at 31-Mar-16
	% pa LGPS	% pa UTS	% pa LGPS	% pa UTS
Rate of Inflation	2.0	2.0	1.8	1.8
Rate of increase in salaries	3.25	N/A	3.3	N/A
Rate of increase in pensions	2.0	2.0	1.8	1.8
Discount rate	2.6	2.6	3.5	3.5

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, ie 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.

Impact on the Defined Benefit Obligation in the Scheme

	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase in 1 year)	20,948	
Rate of inflation (increase by 0.1%)	11,301	
Rate of increase in salaries (increase by 0.1%)	2,973	
Rate of increase in pensions (increase by 0.1%)	11,301	
Rate for discounting scheme liabilities (increase by 0.1%)		(14,023)

**Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. A strategy has been agreed with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on the 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pensions Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earning schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £14.3m. The weighted average duration of the defined benefit obligation for scheme members is 20 years (20 years in 2015/16).

The Unfunded Teacher's Pension Scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets comprised:

	As at 31-Mar-17		As at 31-Mar-16	
	%	£m	%	£m
Equities	65.4	375.1	62.2	297.6
Property	8.5	48.7	7.3	34.9
Government Bonds	14.2	81.4	14.1	67.5
Corporate Bonds	3.1	17.8	5.4	25.8
Cash	0.1	0.6	0.8	3.8
Other	8.7	49.9	10.2	48.8
Total	100.0	573.5	100.0	478.4

**50. CONTINGENT LIABILITIES**

As at 31st March 2017 the Council had identified one contingent liability in relation to an employment tribunal. The courts initially found in favour of the claimant and ordered the Council to pay compensation of £646k. However, the Council has subsequently been given leave to appeal and therefore the potential liability is yet to be determined. The timing of the appeal is not yet known and it is not possible to predict the outcome or accurately estimate any future potential payment

**51. CONTINGENT ASSETS**

No contingent assets have been identified.

## 52. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have 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 and stock market movements

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and associated regulations. These require the 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 5 years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - 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 also reported after each year, and through a mid year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Budget Council in February 2016 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2016/17 was set at £385.285m. This figure is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary for 2016/17 was set at £355.285m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 113% and –13% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are contained within this note.

**Credit Risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria.

The Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poors, 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 2016/17 was approved by Budget Council in February 2016 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £91.657m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each 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 2017 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount at 31-Mar-16 £000's	Historical Experience of Default %	Historical Experience Adjusted for Market Conditions at 31-Mar-16 %	Estimated Maximum Exposure to Default and Uncollectability at 31-Mar- 16 £000's	Estimated Maximum Exposure to Default and Uncollectability at 31-Mar-16 £000's
Bonds	-				-
Customers	20,699	1.41	1.41	292	233
	<b>20,699</b>			<b>292</b>	<b>233</b>

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 and bonds.



The Council does not generally allow credit for its trade debtors, such that £3.897m of the £18.674m balance is past its due date for payment. The past its due date amounts can be analysed by age as follows:

	31-Mar-17 £000's	31-Mar-16 £000's
Less than three months	1,073	673
three to six months	423	1,361
Six months to one year	562	385
More than one year	1,839	1,939
<b>Total</b>	<b>3,897</b>	<b>4,358</b>

### 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:

	31-Mar-17 £000's	31-Mar-16 £000's
<b>Analysis of loans by maturity:</b>		
Interest Due within one year	(1,888)	(1,937)
Maturing within one year	(10,101)	(12,101)
Maturing in 1 - 2 years	(10,000)	(5,000)
Maturing in 2 - 5 years	(28,000)	(31,000)
Maturing in 5 - 10 years	(52,636)	(44,815)
Maturing in more than 10 years (average maturity 20 years)	(160,700)	(174,300)
Carrying Value Adjustment	825	869
<b>Total</b>	<b>(262,500)</b>	<b>(268,284)</b>

All trade and other payables (£28.970m) are due to be paid in less than one year and are not shown in the table above.

The table below shows the Council loans outstanding split by loan type / lender.

	Interest Rates Payable	31-Mar-17 £000's	31-Mar-16 £000's
<b>Total Outstanding</b>			
Public Works Loan Board (PWLB)	2.500% to 4.750%	(240,115)	(247,115)
PWLB (Carrying Value Adjustment)		825	869
Royal Exchange Trust Co. Ltd	7.155%	(10,000)	(10,000)
Dexia Bank LOBO	3.880%	(5,000)	(5,000)
RBS Bank LOBO	3.600%	(5,000)	(5,000)
WYCA	0.000%	(1,221)	
Short Term Loans	0.000%	(101)	(101)
Local Bonds		-	-
Interest Owed on Long Term Debt at 31st March		(1,888)	(1,937)
<b>Total</b>		<b>(262,500)</b>	<b>(268,284)</b>

### 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 as approved by Council in the Treasury Management Strategy.

	Approved Min Limit 31-Mar-17 %	Approved Max Limit 31-Mar-17 %	Authority Actual at 31-Mar-17 £000's	Authority Actual at 31-Mar-17 %	Authority Actual at 31-Mar-16 £000's	Authority Actual at 31-Mar-16 %
Less than 1 year	0%	30%	<b>(11,989)</b>	5%	(14,038)	5%
Between 1 and 2 years	0%	30%	<b>(10,000)</b>	4%	(5,000)	2%
Between 2 and 5 years	0%	40%	<b>(28,000)</b>	11%	(31,000)	12%
Between 5 and 10 years	0%	40%	<b>(52,636)</b>	20%	(44,815)	17%
More than 10 years	3%	90%	<b>(160,700)</b>	61%	(174,300)	65%
<b>Total</b>			<b>(263,325)</b>		(269,153)	

### 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. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor 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 taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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

	31-Mar-17 £000's	31-Mar-16 £000's
Increase in interest payable on variable rate investments borrowings	-	-
Increase in interest receivable on variable rate investments	916	773
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>916</b>	<b>773</b>
Decrease in fair value of fixed rate investment assets	-	-
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>

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)	<b>57,763</b>	52,322
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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 but does hold an equity stake in the newly formed Municipal Bonds Agency (Local Capital Finance Company). This investment is a policy investment, rather than a treasury management investment and is not material. The Investment is disclosed in the Council's Balance Sheet at cost, as a long-term investment and annual impairment reviews are carried out to determine if cost is still appropriate.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## 53. TRUST FUNDS

The Council administers various trust/third party funds. These funds do not represent assets of the Council and are therefore not included in the Council's Balance Sheet. The balances of these funds are invested with the Council. There are over 20 funds; the table shows the movements in the year, with details on the main trusts following.

	Expenditure During Year £000's	Income During Year £000's	Balance at 31-Mar-17 £000's	Balance at 31-Mar-16 £000's
Haughton/Gardiner Trust	-	(1)	(55)	(54)
Staff Lottery	2	-	(17)	(19)
Edmund Wilson Trust	21	-	-	(21)
Other Funds	93	(19)	(40)	(114)
	116	(20)	(112)	(208)

In March 2016, a review of the Trust Funds held by the Council was held and identified a number of dormant funds that could be put to more effective use. The Executive then agreed to establish a new fund, the 'York Children and Young People's Fund' made up of the dormant trusts, totalling £94k. It also agreed that the new fund would be managed by The Two Ridings Community Foundation on York's behalf and returns would benefit the children and young people of York. The Charity Commission supports the release of funds to leading charitable bodies to make such funds workable again, particularly where it is not appropriate to absorb the trust funds into mainstream Council budgets. There is therefore a notable reduction in the balance of Trust Funds held by the Council between 2015/16 (£208k) and 2016/17 (£112k).

The **Edmund Wilson Trust Fund** was established upon receipt of a legacy from Edmund Wilson. The fund contributed to the development and construction of Edmund Wilson Swimming Pool. The annual income from the remainder of the fund is distributed to local organisations for "the instruction, promotion and encouragement of all kinds of swimming" in York.

In August 2009 a new Trust Fund was established for the **Staff Lottery** Scheme, half of the money from ticket sales is paid out in prize money and the balance is used for funding staff benefits. Since the commencement of the staff lottery not all the funds have been used and the balance of staff contributions at the end of each year is transferred to a trust fund.

The **Haughton/Gardiner Trust** Fund was amended by 'power of resolution' on 8 August 2001, with consolidation being on 1 September 2002, from the original foundation regulated by will dated 23 July 1770. It also now incorporates six other funds. The income is to be used for the benefit of young people under 25, who are in need of financial assistance.

NOTES TO THE CORE FINANCIAL STATEMENTS

54. EXPENDITURE AND FUNDING ANALYSIS (EFA)

2016/17			2015/16			
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
33,299	13,633	19,666	Customer and Support Services	37,872	10,385	27,487
<b>21,907</b>	<b>3,953</b>	17,954	Childrens and Education Services	<b>17,934</b>	<b>(8,079)</b>	26,013
5,557	(100)	5,657	Communities and Equalities	6,387	307	6,080
(8,601)	(2,698)	(5,903)	Housing Revenue Account	(2,817)	45,582	(48,398)
48,084	(4)	48,088	Adult Social Care	48,714	448	48,266
271	(170)	441	Housing and Community Safety	939	(757)	1,696
(2,917)	277	(3,194)	Public Health	(139)	(26)	(113)
21,286	(4,185)	25,470	Economy and Place	23,310	(5,938)	29,248
<b>118,885</b>	<b>10,705</b>	<b>108,180</b>	<b>Net Cost of Services</b>	<b>132,201</b>	<b>41,922</b>	<b>90,280</b>
(121,835)	(9,063)	(112,773)	Other Income and Expenditure	(137,060)	9,073	(146,133)
<b>(2,950)</b>	<b>1,642</b>	<b>(4,592)</b>	<b>Surplus or Deficit</b>	<b>(4,859)</b>	<b>50,995</b>	<b>(55,853)</b>
<b>(31,975)</b>			Opening General Fund and HRA Balance	<b>(27,116)</b>		
<b>(2,950)</b>			Surplus or Deficit	<b>(4,859)</b>		
<b>(34,925)</b>			<b>Closing General Fund and HRA Balance at 31 March 2017</b>	<b>(31,975)</b>		

The adjustments between the funding and accounting basis can be further analysed between:

- Adjustments for Capital purposes
- The net change in relation to Pensions adjustments
- Other differences

**Adjustments for Capital Purposes** - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other Operating Expenditure – adjusts for capital disposal with a transfer of income on disposal of assets and the amounts written off for those assets;
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Change for Pension Adjustments** – net change for the removal of pension contributions and the addition of IAS 19 Employee Benefit pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs; and
- For Financing and Investment Income & Expenditure the net interest on the defined benefit liability is charged to the CIES.

**Other differences** - between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute and include:

- For services this includes adjustments made from accruing compensated absences earned but not taken in the year;
- For Financing and Investment Income & Expenditure the adjustments relate to the timing differences for premiums and discounts; and
- The charge under Taxation and no-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.
- Financing and Investment Income & Expenditure – the statutory charges for capital i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17					2015/16				
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	
(1,451)	16	15,068	13,633	Customer and Support Services	(6,012)	(372)	16,769	10,385	
4,512	105	(664)	3,953	Children's and Education Services	(7,253)	(960)	134	(8,079)	
-	-	(100)	(100)	Communities and Equalities	(390)	-	697	307	
(12,448)	(15)	9,765	(2,698)	Housing Revenue Account	42,607	(100)	3,075	45,582	
1,243	34	(1,282)	(4)	Adult Social Care	(713)	(329)	1,490	448	
57	17	(244)	(170)	Housing and Community Safety	(588)	(160)	(9)	(757)	
(4)	2	278	277	Public Health	-	(19)	(7)	(26)	
(5,859)	43	1,631	(4,185)	Economy and Place	(8,741)	(393)	3,196	(5,938)	
<b>(13,950)</b>	<b>203</b>	<b>24,452</b>	<b>10,705</b>	<b>Net Cost of Services</b>	<b>18,908</b>	<b>(2,333)</b>	<b>25,346</b>	<b>41,922</b>	
(4,494)	(4,569)	1	(9,063)	Other Income and Expenditure from the Expenditure and Funding Analysis	14,181	(5,110)	2	9,073	
<b>(18,444)</b>	<b>(4,366)</b>	<b>24,452</b>	<b>1,642</b>	<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>33,089</b>	<b>(7,443)</b>	<b>25,348</b>	<b>50,995</b>	



**SUPPLEMENTARY STATEMENTS**

**HOUSING REVENUE ACCOUNT**

	Note	2016/17 £000's	2015/16 £000's
<b>Income</b>			
Dwellings Rents	(3)	(32,163)	(32,620)
Non-dwelling rents		(348)	(616)
Charges for Services and Facilities		(963)	(1,036)
Contributions Towards Expenditure		(386)	(351)
<b>Total Income</b>		<b>(33,860)</b>	<b>(34,623)</b>
<b>Expenditure</b>			
Repairs and maintenance		6,630	6,865
Supervision and management		7,170	7,057
Rents, Rates, Taxes and Other Charges		280	270
Depreciation, impairment and revaluation losses of non-current assets	(7)	13,723	(28,290)
Debt Management Costs		45	55
Movement in the allowance for bad debts	(4)	152	222
<b>Total Expenditure</b>		<b>28,000</b>	<b>(13,912)</b>
<b>Net Cost of Services included in the Comprehensive Income and Expenditure Statement</b>		<b>(5,860)</b>	<b>(48,535)</b>
<u>Share of Corporate Costs</u>			
HRA share of other amounts included in the Council			
Net Cost of Services but not allocated to specific services			101
<b>Net Cost of HRA Services</b>		<b>(5,860)</b>	<b>(48,343)</b>
<b>HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>			
Payments to the Government Housing Capital Receipts pool		1,190	1,243
(Gain) or loss on sale of HRA non-current assets		(1,705)	(2,666)
Interest payable and similar charges		4,534	4,584
Interest and investment income		(253)	(268)
Pensions interest cost and expected return on pension assets	(6)	120	141
Capital grants and contributions receivable		(638)	(51)
<b>(Surplus)/Deficit on Provision of Services</b>		<b>(2,612)</b>	<b>(45,360)</b>

	2016/17		2015/16	
	£000's	£000's	£000's	£000's
<b>Balance on the HRA at the end of the previous year</b>		<b>(18,365)</b>		<b>(14,021)</b>
(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	<b>(2,612)</b>		<b>(45,360)</b>	
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>				
Depreciation and impairment charges	<b>(13,723)</b>		28,290	
Revaluation charges	<b>592</b>		14	
Capital grants applied in year	<b>638</b>		-	
Non-current assets written off	<b>(4,775)</b>		(4,425)	
Capital Expenditure funded by the HRA	<b>683</b>		1,214	
Income from non-current asset sales	<b>6,480</b>		7,091	
Transfer from Capital Receipts Reserve	<b>(1,190)</b>		(1,242)	
Transfer to Capital Receipts Reserve			-	
Depreciation costs met by MRR	<b>7,908</b>		7,520	
Retirement benefits	<b>418</b>		414	
Pension payments	<b>(552)</b>		(655)	
Applied grants transferred to CAA			-	
Transfer from Capital Adjustment Account			-	
Accumulated absences	<b>5</b>	<b>-</b>	(2)	<b>-</b>
<b>Net Increase/Decrease before Transfers to or from reserves</b>	<b>(6,129)</b>	<b>-</b>	<b>(7,141)</b>	<b>-</b>
Transfers to/(from) reserves	<b>1,854</b>		<b>2,797</b>	
<b>(Increase)/Decrease in Year on the HRA</b>		<b>(4,275)</b>		<b>(4,344)</b>
<b>Balance on the HRA at the end of the current year</b>		<b>(22,640)</b>		<b>(18,365)</b>

## 1. SIGNIFICANCE OF THE STATUTORY HOUSING REVENUE ACCOUNT

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There is a surplus of £2.612m (2015/16 surplus of £45.360m) on the Housing Revenue Account Income and Expenditure Account, this increases to a surplus of £4.275m (2015/16 surplus of £4.344m) for the year on the Statutory Housing Revenue Account. This is explained as follows.

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with IFRS, 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.

## 2. LEGISLATIVE BACKGROUND

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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

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Gross rent income is the total amount due for the year after allowance for voids of £241k (2015/16 £259k) which represents 0.74% (2015/16 0.79%) of the gross rent income including charges for services. Average rents in March 2016 were £80.60 (2015 £78.87) a week. In April a decrease of 1% (2015 2.2% increase) was applied decreasing the average rent at that time by £0.81 (2014/15 £1.73 increase).

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.

	2016/17 £000's	2015/16 £000's
Rents due from Tenants	<b>(15,368)</b>	(14,879)
Rents remitted by Rent Rebates through the Housing Benefit System	<b>(16,795)</b>	(17,741)
Total Rent Income	<b>(32,163)</b>	(32,620)

The Council was responsible for managing 7,694 (2015/16 7,767) dwellings at 31 March. In addition to this total are 244 (2015/16 225) properties that the Council manages on behalf of a Housing Association and 37 (2014/15 41) properties on behalf of private landlords through the social lettings agency, Yorhome, although these properties are not part of the HRA stock.

The HRA stock was made up as shown in the following table:

	Pre 1919	1919/ 1944	1945/ 1964	After 1964	Total
Low Rise Flats	-	526	643	733	1,902
Medium Rise Flats	4	3	816	772	1,595
Houses and Bungalows	17	2,020	1,462	698	4,197
	21	2,549	2,921	2,203	7,694

The movement in the stock in the year can be analysed as follows:

	2016/17			2015/16		
	Houses/ Bungalows	Flats	Total	Houses/ Bungalows	Flats	Total
<b>Operational Stock</b>						
Balance at 1 April	4,253	3,514	7,767	4,292	3,504	7,796
Sales	(62)	(17)	(79)	(58)	(20)	(78)
New Builds/Conversions	6	-	6	18	31	49
Acquisitions	-	-	-	-	-	-
Awaiting Demolitions	-	-	-	-	-	-
Dwellings declared surplus	-	-	-	-	-	-
Dwellings re-provided with Housing Association	-	-	-	-	-	-
Re-categorisation To General Fund	-	-	-	-	-	-
To HRA non-housing stock	-	-	-	-	-	-
Balance at 31 March	4,197	3,497	7,694	4,252	3,515	7,767

**4. PROVISION FOR BAD/DOUBTFUL DEBTS**

A provision is made for bad and doubtful debts in accordance with the HRA (Arrears of Rent and Charges) Directions 1990. During 2016/17 rent arrears as a proportion of gross rent income have decreased 3.09% of the amount due to 3.07%. The rent arrears figures are as follows:

		<b>2016/17</b>	2015/16
		<b>£000's</b>	£000's
Arrears at 31 March	- Current tenants	<b>703</b>	668
	- Former tenants	<b>283</b>	339
		<b>986</b>	1,007
Provision at start of year		<b>734</b>	703
Amounts Written Off during the Year		<b>(161)</b>	(163)
Increased/(Reduced) Provision during the Year		<b>126</b>	194
Provision for Bad and Doubtful Debts		<b>699</b>	734

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

		<b>2016/17</b>	2015/16
		<b>%</b>	%
Dwelling rent arrears as a % of gross rent debit			
	- Current tenants	<b>2.19%</b>	2.05%
	- Former tenants	<b>0.88%</b>	1.04%
		<b>3.07%</b>	3.09%

A bad and doubtful debt provision is made for debts outstanding on rechargeable repairs. The arrears figures are as follows:

	<b>2016/17</b>	2015/16
	<b>£000's</b>	£000's
Arrears at 31 March 2016	<b>24</b>	18
Amounts Written Off during the Year	<b>(9)</b>	(3)
Increased/(Reduced) Provision during the Year	<b>19</b>	9
Provision for Bad and Doubtful Debts	<b>34</b>	24

**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:

	2016/17		2015/16	
	£000's	£000's	£000's	£000's
<b>Income and Expenditure Account Entries</b>				
<b>Net Cost of HRA Services</b>				
Current service cost	433		536	
Past service cost	23		20	
Curtailment Cost	-		-	
		<b>456</b>		<b>556</b>
<b>Financing and Investment Income and Expenditure</b>				
Interest cost	607		611	
Expected return on assets in the scheme	(487)		(470)	
		<b>120</b>		<b>141</b>
<b>Net Charge to the Income and Expenditure Account</b>		<b>576</b>		<b>697</b>
<b>Statement of Movement on the Housing Revenue Account Balance Entries</b>				
Reversal of net charges made for retirement benefits				
Contribution to/(from) Pensions Reserve	418			414
Actual amount charged to the Housing Revenue Account for Pensions in the year	(552)			(655)



**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. The Item 8 Credit and Item 8 Debit (General) Determination from April 2012 (Item 8 determination), for a transitional period, permits the difference between a notional Major Repairs Allowance (MRA) and depreciation (where dwelling depreciation is greater than the MRA) to be charged to the MRR such that the notional MRA becomes the charge against the HRA balance. Councils are also able to charge capital expenditure directly to the reserve. The following table shows the depreciation charged during the year:

	<b>2016/17</b>	2015/16
	<b>£000's</b>	£000's
Dwellings	<b>9,441</b>	9,622
Other Land and Buildings	<b>357</b>	209
Intangible assets	<b>34</b>	34
Infrastructure	<b>2</b>	1
	<b>9,834</b>	9,866
Depreciation adj for reversal of revaluation loss - Dwellings	<b>1,598</b>	1,590
	<b>11,432</b>	11,456
Reversal of Revaluation loss/Impairment	<b>2,291</b>	(39,746)
	<b>13,723</b>	(28,290)

The following table shows the transfer to the HRA in the year.

	<b>2016/17</b>	2015/16
	<b>£000's</b>	£000's
Depreciation on other HRA assets	-	-
Depreciation on dwellings higher than MRA	<b>(1,892)</b>	(2,346)
Total Transfer from MRR	<b>(1,892)</b>	(2,346)

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:

	<b>2016/17</b>	2015/16
	<b>£000's</b>	£000's
Balance at 1 April	<b>(4,175)</b>	(3,343)
Depreciation on HRA dwellings	<b>(9,441)</b>	(9,666)
Depreciation on other HRA assets	<b>(359)</b>	(200)
Transfer to HRA during the financial year	<b>1,892</b>	2,346
Capital expenditure on houses within the HRA charged to the reserve	<b>6,775</b>	6,688
Balance at 31 March	<b>(5,308)</b>	(4,175)

**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 on 1st April to comply with Housing Resource Accounting requirements. The analysis of the movement on the HRA element of the tangible fixed assets is as follows:

**2016/17 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	<b>Total Property, plant &amp; Equipment</b> £000's	PFI Assets included in Property, plant & equipment £000's
<b>Cost or Valuation (GCA)</b>									
At 1 April 2016	318,834	8,692	-	42	-	20	-	<b>327,588</b>	-
Opening balance adjustment	(754)	-	-	-	-	-	754	-	-
Additions	9,047	-	-	-	-	-	888	<b>9,935</b>	-
Acc Dep & Imp WO to GCA	(9,622)	(429)	-	-	-	-	-	<b>(10,051)</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	120,137	719	-	-	-	520	-	<b>121,376</b>	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,749)	(246)	-	-	-	-	-	<b>(3,995)</b>	-
Derecognition - Disposals	(4,735)	(40)	-	-	-	-	-	<b>(4,775)</b>	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	265	(2,059)	-	-	-	-	-	<b>(1,794)</b>	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other movements in Cost or Valuation	273	584	-	-	-	-	(273)	<b>584</b>	-
<b>At 31 March 2017</b>	<b>429,696</b>	<b>7,221</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>540</b>	<b>1,369</b>	<b>438,868</b>	<b>-</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
At 1 April 2016	(9,622)	(73)	-	(4)	-	-	-	<b>(9,699)</b>	-
Depreciation Charge for 2016/17	(9,441)	(357)	-	(2)	-	-	-	<b>(9,800)</b>	-
Acc. Depreciation WO to GCA	9,622	430	-	-	-	-	-	<b>10,052</b>	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>(9,441)</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,447)</b>	<b>-</b>
<b>Net Book Value</b>									
At 31 March 2017	420,255	7,221	-	36	-	540	1,369	<b>429,421</b>	-
At 31 March 2016	309,212	8,619	-	38	-	20	-	<b>317,889</b>	-

2015/16 Movement of Property, Plant and Equipment

	Council dwellings	Other land and buildings	Vehicles, plant furniture & equipment	Infra-structure Assets	Commu-nity Assets	Surplus	Assets under Cons-truction	Total Property, plant & Equipment	PFI Assets included in Property, plant & equipment
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Cost or Valuation (GCA)</b>									
At 1 April 2015	276,118	8,496	-	17	-	4	-	<b>284,635</b>	-
Category Transfer	-	-	-	-	-	-	-	-	-
<b>Revised 1 April 2015</b>	<b>276,118</b>	<b>8,496</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>284,635</b>	<b>-</b>
Additions	10,582	-	-	25	-	-	-	<b>10,607</b>	-
Acc Dep & Imp WO to GCA	(8,271)	(185)	-	-	-	-	-	<b>(8,456)</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,927	1,968	-	-	(190)	-	-	<b>7,705</b>	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	37,993	(501)	-	-	-	20	-	<b>37,512</b>	-
Derecognition - Disposals	(4,415)	-	-	-	-	-	-	<b>(4,415)</b>	-
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other movements in Cost or Valuation	900	(1,086)	-	-	190	(4)	-	-	-
<b>At 31 March 2016</b>	<b>318,834</b>	<b>8,692</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>327,588</b>	<b>-</b>
<u>Accumulated Depreciation &amp; Impairment</u>									
At 1 April 2015	(8,271)	(49)	-	(4)	-	-	-	<b>(8,324)</b>	-
Category Transfer	-	-	-	-	-	-	-	-	-
Revised 1 April 2015	-	-	-	-	-	-	-	-	-
Depreciation Charge for 2015/16	(9,622)	(209)	-	-	-	-	-	<b>(9,831)</b>	-
Acc. Depreciation WO to GCA	8,271	185	-	-	-	-	-	<b>8,456</b>	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>(9,622)</b>	<b>(73)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,699)</b>	<b>-</b>
<b>Net Book Value</b>									
At 31 March 2016	309,212	8,619	-	38	-	20	-	<b>317,889</b>	-
At 31 March 2015	267,847	8,447	-	13	-	4	-	<b>276,311</b>	-

## 8. VACANT POSSESSION VALUE OF COUNCIL DWELLINGS

In accordance with the Department for Communities and Local Government 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 £424.846m (2015/16 £307.916m) on the balance sheet. The vacant possession value of the council dwellings at 1 April 2016 was £1,015.097m (2015/16 £962.407m). The difference between vacant possession value and balance sheet value of dwellings shows the economic cost to government of providing council housing at less than market rents.

## 9. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The capital expenditure to be financed in 2016/17 is £9.952m (2015/16 £10.582m). The analysis of the expenditure and the sources of financing used are set out in the following table:

	2016/17					2015/16				
	Dwellings	Infra-		Intangibles	Total	Dwellings	Infra-		Intangibles	Total
		structure	Equipment				structure	Equipment		
£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
<b>Total capital expenditure</b>	<b>9,935</b>	-	-	<b>17</b>	<b>9,952</b>	<b>10,582</b>	-	-	-	<b>10,582</b>
<b>Financing</b>										
Borrowing	-	-	-	-	-	-	-	-	-	-
Capital Receipts	(1,533)				(1,533)	(2,679)	-	-	-	(2,679)
Major Repairs Reserve	(6,775)				(6,775)	(6,688)	-	-	-	(6,688)
Grants Revenue	(638)				(638)	-	-	-	-	-
Contributions	(989)			(17)	(1,006)	(1,215)	-	-	-	(1,215)
	<b>(9,935)</b>	-	-	<b>(17)</b>	<b>(9,952)</b>	<b>(10,582)</b>	-	-	-	<b>(10,582)</b>

## 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:

	2016/17			2014/15		
	Council	Land	Total	Council	Land	Total
	Dwellings £000's	Land £000's	Total £000's	Dwellings £000's	Land £000's	Total £000's
Sales proceeds	(6,480)	-	(6,480)	(7,031)	-	(7,031)
less: administrative costs			-			-
Net proceeds	(6,480)	-	(6,480)	(7,031)	-	(7,031)
Right to buy discount repaid			-	(58)		(58)
Mortgage principal repaid			-	(2)		(2)
	(6,480)	-	(6,480)	(7,091)	-	(7,091)
of which:						
Usable	(5,290)	-	(5,290)	(5,848)	-	(5,848)
Payable to Housing Pooled Capital Receipts	(1,190)		(1,190)	(1,243)		(1,243)
	(6,480)	-	(6,480)	(7,091)	-	(7,091)

## 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:

	2016/17	2015/16
	£000's	£000's
Balance 1 April	3,070	2,425
<b>Additions:</b>		
Acquisitions	-	-
Enhancements	-	-
<b>Disposals</b>	-	-
Net gain or loss on Fair Value	105	645
<b>Transfers:</b>		
From Held for Sale		
To / From Property, Plant & Equipment	(3,110)	-
Balance 31 March	65	3,070

**12. ASSETS HELD FOR SALE**

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The following table summarises the movement in HRA assets held for sale over the year:

Description	2016/17 £000's	2015/16 £000's
Balance outstanding at Start of Year	135	145
<b>Assets newly classified as Held for Sale :</b>		
Property, Plant and Equipment	2,059	
Newly Acquired Assets	-	-
Revaluation Losses	-	-
Revaluation Gains	-	-
Impairment Losses	-	-
<b>Assets declassified as Held for Sale:</b>		
Property, Plant and Equipment	-	-
Investment Properties	-	-
Other Transfers	-	-
Assets Sold		(10)
Transfers from Non-Current to Current	-	-
Balance outstanding at End of Year	2,194	135

**COLLECTION FUND**

**INCOME AND EXPENDITURE ACCOUNT**

	Note	2016/17 Business Rates £000	2016/17 Council Tax £000	2016/17 Total £000	2015/16 Total £000
<b>Income</b>					
Council Tax Receivable	2	-	(97,908)	(97,908)	(94,005)
Business Rates Receivable	3	(101,252)	-	(101,252)	(104,496)
<b>Total Income</b>		<b>(101,252)</b>	<b>(97,908)</b>	<b>(199,160)</b>	<b>(198,501)</b>
<b>Expenditure</b>					
Apportionment of Prior Year Surplus					
Central Government		-	1,634	1,634	339
City of York Council		-	-	-	1,616
North Yorkshire Police & Crime Commissioner		-	298	298	230
North Yorkshire Fire & Rescue Authority		-	91	91	77
		-	2,023	2,023	2,262
Precepts, Demands and Shares					
Central Government		51,324	-	51,324	50,561
City of York Council		50,298	77,073	127,371	122,286
Parish Councils		-	667	667	623
North Yorkshire Police & Crime Commissioner		-	13,931	13,931	13,278
North Yorkshire Fire & Rescue Authority		1,026	4,230	5,256	5,042
		102,648	95,901	198,549	191,791
Charges to Collection Fund					
Write Offs			324	324	1,189
Increase/(Decrease) in Bad Debt Provision		(31)	307	276	384
Increase/(Decrease) in Provision for Appeals		(3,835)		(3,835)	492
Cost of Collection		298	-	298	295
Transitional Protection		173	-	173	69
		(3,395)	631	(2,764)	2,429
<b>Total Expenditure</b>		<b>99,253</b>	<b>98,555</b>	<b>197,808</b>	196,482
<b>(Surplus)/Deficit Arising In Year</b>		<b>(1,999)</b>	<b>647</b>	<b>(1,352)</b>	(2,019)
(Surplus)/Deficit Brought Forward		4,330	(5,421)	(1,091)	928
<b>(Surplus)/Deficit Carried Forward</b>		<b>2,331</b>	<b>(4,774)</b>	<b>(2,443)</b>	(1,091)



## 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 2016/17 was 64,199.6 (62,405.7 in 2015/16).

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 x 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 2016/17 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 £526k (2015/16 £461k) 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	17.64	5/9	9.80	£829.88
A	up to £40,000	2,010.60	6/9	1,340.40	£995.86
B	£40,000 to £52,000	20,590.07	7/9	16,014.50	£1,161.84
C	£52,000 to £68,000	22,424.63	8/9	19,933.00	£1,327.81
D	£68,000 to £88,000	11,374.60	9/9	11,374.60	£1,493.79
E	£88,000 to £120,000	6,605.18	11/9	8,073.00	£1,825.74
F	£120,000 to £160,000	3,097.32	13/9	4,473.90	£2,157.70
G	£160,000 to £320,000	1,515.90	15/9	2,526.50	£2,489.65
H	over £320,000	68.35	18/9	136.70	£2,987.58
TOTAL		67,704.29		63,882.40	
Crown Properties				317.20	
Tax Base for the calculation of Council Tax				64,199.60	

Outstanding arrears that are irrecoverable are written off against the provision for 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 £324k (2015/16 £396k) were written off against the provision for bad/doubtful debts. 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 bad debts on the current level of arrears was increased by £307k (increase in 2015/16 of £14k).

### **3. INCOME FROM BUSINESS RATES**

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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 2017 was 247,348,791 (2015/16 247,997,505 ) and the rate for 2016/17 was 49.7p (2015/16 49.3p), with a reduction to 48.4p (2015/16 48.0p) 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 rates. Instead of paying NNDR to a central pool, local authorities retain a proportion of the collectable rates due. In the case of York the local share is 49% and the remainder is distributed to the preceptors and in the case of York these are 50% to Central Government and 1% to North Yorkshire Fire and Rescue Authority (NYFRA).

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £51.324m (£50.561m in 2015/16) to central government, £1.026m (£1.011m in 2015/16) to NYFRA and £50.298m (£49.550m in 2015/16) to City of York Council. These sums have been paid in 2016/17 and charged to the collection fund in year.

The total income from business rate payers collected in 2016/17 was £101.252m (£104.496m in 2015/16). This sum includes £173k of transitional protection payments from ratepayers, which under government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to central government and therefore increases payments to central government to £51.497m.

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 2017. 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 decrease in provision charged to the collection fund for 2016/17 has been calculated at £3.835m.

**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).

	<b>2016/17</b>	<b>2016/17</b>	<b>2016/17</b>	2015/16
	<b>Business Rates</b>	<b>Council Tax</b>	<b>Total</b>	Total
	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	£'s
Central Government	<b>1,165,696</b>	-	<b>1,165,696</b>	2,165,038
City of York Council	<b>1,142,383</b>	<b>(3,875,762)</b>	<b>(2,733,379)</b>	(2,275,494)
North Yorkshire Police Authority	-	<b>(689,326)</b>	<b>(689,326)</b>	(785,066)
North Yorkshire Fire and Rescue Authority	<b>23,314</b>	<b>(209,274)</b>	<b>(185,960)</b>	(195,038)
	<b>2,331,393</b>	<b>(4,774,362)</b>	<b>(2,442,969)</b>	(1,090,560)

**ANNUAL GOVERNANCE STATEMENT**

## 1. SCOPE OF RESPONSIBILITY

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

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

The council has approved and adopted a code of corporate governance, which is consistent with the principles of CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the City of York Council's Local Code of Corporate Governance is available on the council's website at [www.york.gov.uk](http://www.york.gov.uk).

This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement..

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

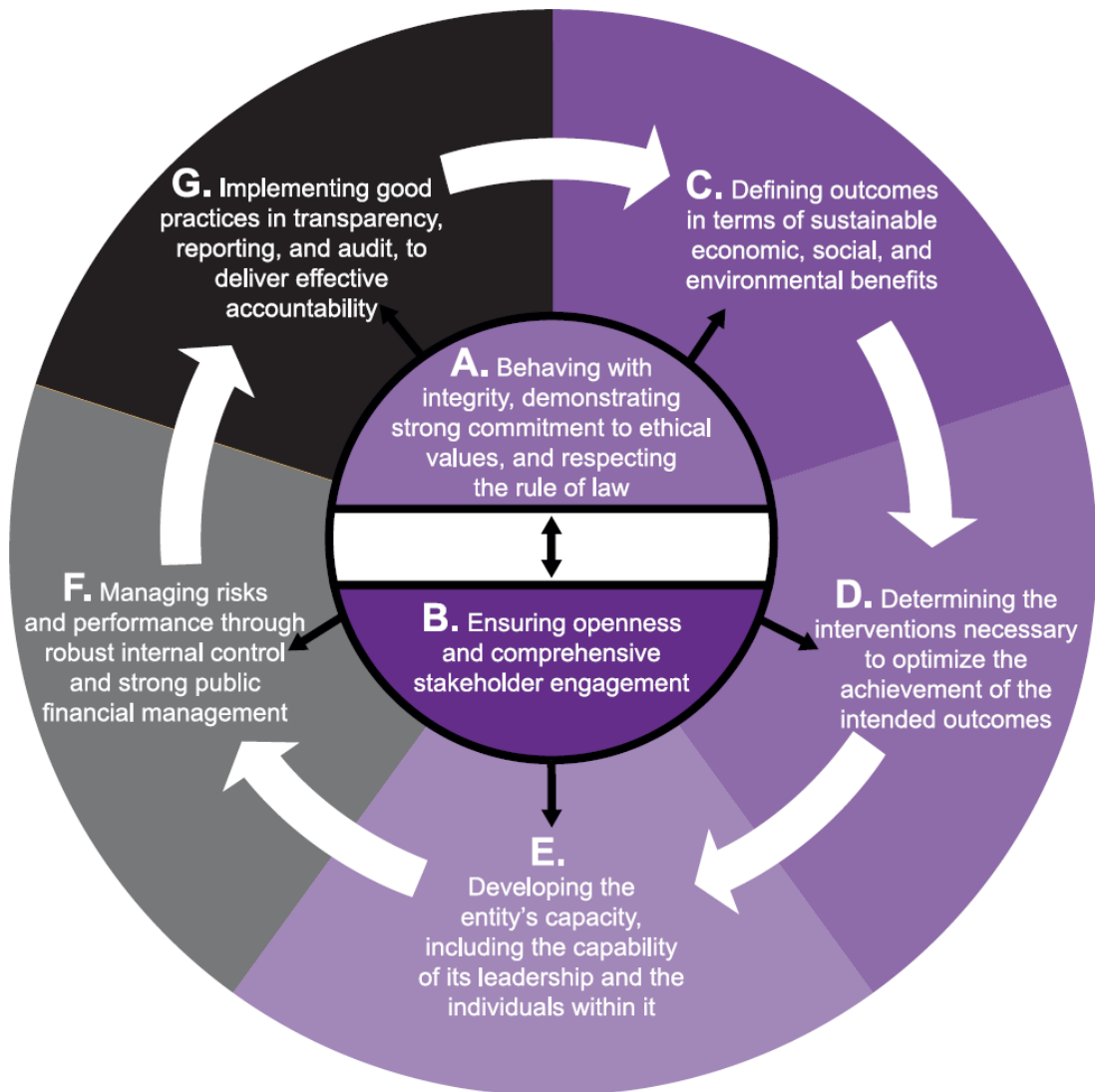
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system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

The overall Governance Framework, and in particular the system of internal control, described in this Statement, has been in place within the Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts for 2016/17.

### CORE PRINCIPLES OF GOOD GOVERNANCE

The Diagram below taken from the *International Framework: Good Governance in the Public Sector (CIPFA/ IFAC)* illustrates the 7 core principles of good governance in the public sector and how they related to each other. The Council's Local Code of Corporate Governance sets out

various documents and arrangements within these core and sub principals which demonstrate that the Council continues to seek to ensure it remains well governed, and that to deliver good governance the Council must seek to achieve its objectives whilst acting in the public interest at all times. The Code is reviewed annually as part of the preparation of the Annual Governance statement and any amendments will be brought to the Committee as part of this process.



### 3. OUR GOVERNANCE FRAMEWORK

The requirement to have a robust governance framework and sound system of internal control covers all of the council's activities. The internal control environment within the council consists of a number of different key elements, which taken together contribute to the overall corporate governance framework. The key elements of the governance framework within the council are set out below:

Strategic Planning Processes

The council has in place a strategic planning process, informed by community and member consultation, that reflects political and community objectives and acts as the basis for corporate prioritisation. The council's Council Plan expresses the council's key priorities until 2019. The aims and associated milestones are refreshed each year. The council has also developed a standard directorate and service planning process which integrates priority setting with resource allocation and performance management.

Political and Managerial Structures and Processes

The full Council is responsible for agreeing overall policies and setting the budget. The Executive which meets monthly, is responsible for decision making within the policy and budget framework set by full Council. The Corporate Management Team (CMT), which meets weekly, has responsibility for implementing council policies and decisions, providing advice to members and for coordinating the use of resources and the work of the council's directorates. The Executive and CMT monitor and review council activity to ensure corporate compliance with governance, legal and financial requirements. The Chief Finance Officer (Director of Customer and Corporate Services) and the Monitoring Officer (Head of Governance) review reports before they are presented to the Executive to ensure that all legal, financial and other governance issues have been adequately considered.

The council implemented new scrutiny arrangements during 2009/10 and continues to seek to develop and improve these arrangements. During 2015 further improvements included the early publication of forward items for Executive, to allow for pre decision of Scrutiny items. Most recently the Council reviewed its scrutiny function during 2016/17 leading to new terms of reference being approved at the Annual meeting in May.

There is an Audit and Governance Committee which acts as the responsible body charged with governance on behalf of the Council. In doing so it provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment. It also oversees the financial reporting process and approves the final Statement of Accounts.

A Joint Standards Committee comprising members of the City of York Council and parish councils is responsible for promoting good ethical governance within the organisation and within local parish councils. The Standards Committee is also responsible for adjudicating in cases where a complaint is made against a member of either, the City of York Council, or the parish councils within its administrative boundary. The council has appointed independent persons to assist in making decisions on complaints and in promotion of high standards generally.

Management and Decision Making Processes

Corporate management and leadership at officer level is led by CMT, and is supported and developed through the Corporate Leadership Group (CMT plus Assistant Directors). Decisions are operated in accordance with the Council's constitution. The council has a Workforce Strategy which sets out the way the council will develop the skills of our staff to help deliver our key priorities effectively.

Policies and Guidance

Specific policies and written guidance exist to support the corporate governance arrangements and have been brought together in one place within the council's Local Code of Corporate Governance, which is available on the councils website and contains live links to relevant documents.

The Local Code of Corporate Governance sets out how the council continues to ensure it remains well governed under the 7 principles set out in the CIPFA/ SOLACE framework 'Delivering Good Governance in Local Government', and is reviewed annually as part of the preparation of this statement, and any amendments will be brought to the Committee as part of this process.

#### Financial Management

The Director of Customer & Corporate Services (as the Section 151 Officer) has the overall statutory responsibility for the proper administration of the council's financial affairs, including making arrangements for appropriate systems of financial control.

The council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) in that:

- he is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
- he is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the council's financial strategy; and
- he leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

In delivering these responsibilities:

- he leads and directs a finance function that is resourced to be fit for purpose; and
- he is professionally qualified and suitably experienced.

The council operates a system of delegated financial management within a corporate framework of standards and financial regulations, comprehensive budgetary control systems, regular management information, administrative procedures (including the segregation of duties) and management supervision. The financial management system includes:

- A Medium Term Financial Plan highlighting key financial risks and pressures on a 5 year rolling basis
- An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies
- Annual Accounts supporting stewardship responsibilities, which are subjected to external audit and which follow best professional practice as set out in the Chartered Institute of Public Finance and Accountancy's guidance and International Financial Reporting Standards
- Joint budget and performance monitoring as outlined in the section on Performance Management below.



Compliance Arrangements

Ongoing monitoring and review of the council's activities is undertaken by the following officers to ensure compliance with relevant policies, procedures, laws and regulations:

- The Section 151 Officer
- The Monitoring Officer
- The Head of Internal Audit
- Finance officers and other relevant service managers.

The Council's Monitoring Officer has a statutory responsibility for ensuring that the council acts lawfully and without maladministration.

Compliance with the council's governance arrangements is subject to ongoing scrutiny by the external auditors, Mazars and other external agencies. The Governance, Risk and Assurance Group (GRAG) also monitors, reviews and manages the development of the council's corporate governance arrangements. The group includes the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit as well as other key corporate officers and is responsible for drafting the Annual Governance Statement on behalf of the Chief Executive, Leader and Audit & Governance Committee.

Risk Management

The council has adopted a formal system of Risk Management. Although responsibility for the identification and management of risks rests with service managers, corporate arrangements are co-ordinated by the Risk Management Service to ensure that:

- the council's assets are adequately protected
- losses resulting from hazards and claims against the council are mitigated through the effective use of risk control measures
- service managers are adequately supported in the discharge of their responsibilities in respect of risk management.

The system of risk management includes the maintenance of risk registers, to which all directorates have contribute. The risk registers include corporate, operational, project and partnership risks, in accordance with best practice in local government. The risk registers are used to monitor risks and identify appropriate action plans to mitigate risks. Relevant staff within the council have also received training, guidance and support in risk management principles. These risk management arrangements and the Corporate Risk Register containing the council's key strategic risks are monitored by CMT and the Audit & Governance Committee.

Internal Audit and Fraud

The council also operates internal audit and fraud investigation functions which comply with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. The service in 2016/17 was provided by Veritau Limited, a shared service company jointly established by the Council and North Yorkshire County Council. Veritau's internal audit and counter fraud teams undertake an annual programme of review covering financial and operational systems and including systems, regularity, and probity audits designed to give assurance to members and managers on the effectiveness of the governance, risk management and control environment operating within the council. Through its work Veritau also provides assurance to the Section 151

Officer in discharging his statutory review and reporting responsibilities. In addition the team:

- provides advice and assistance to managers in the design, implementation and operation of controls
- helps to maintain the council's counter fraud arrangements including policy framework
- supports managers in the prevention and detection of fraud, corruption and other irregularities.

#### Performance Management

The council recognises the importance of effective performance management arrangements and has established the Business Intelligence Hub. It has a Performance Management Framework (PMF), which sets out the formal arrangements for effective performance management at a directorate and corporate level, including both service and finance based monitoring. Each directorate reports finance and service performance progress to members through the established Scrutiny arrangements.

Finance and service performance monitoring is reported regularly at CMT and Executive, and there is ongoing regular discussion of financial performance at CMT to ensure that the Council is able to manage the major savings programmes.

#### Consultation and Communication Methods

The council communicates the vision of its purpose and intended outcomes for all stakeholders to enable accountability and encourage open consultation. To enable this, analysis of the council's stakeholders is undertaken and relevant and effective channels of communication are developed. The Council has in place an Engagement Strategy and media protocol. Examples of communication and consultation include:

- communication of community and corporate strategies
- publishing an annual Statement of Accounts and Performance Report to inform stakeholders and services users of the previous year's achievements and outcomes
- the annual report on the performance of the scrutiny function
- opportunities for the public to engage effectively with the council including attending meetings and watching meetings live or recorded at [www.york.gov.uk/webcasts](http://www.york.gov.uk/webcasts)
- residents' surveys and consultations via [www.york.gov.uk/consultations](http://www.york.gov.uk/consultations) including public consultation events – in the council offices, libraries, public transport and supermarkets
- budget and other consultation processes including statutory public notices
- providing a place for businesses, organisations and residents to publicly share their data, for free, so that anybody can connect to hundred's of up-to-date, searchable data sets and use them to make a difference in their local area at <https://www.yorkopendata.org/>
- citywide publications such as Our City and Your Ward and Streets Ahead (for 8,000 council tenants)
- internal communications within City of York Council to ensure staff and arms length partners are kept informed of communications
- daily interaction via the council's social media channels including Twitter and Facebook
- involvement in devolved budget decision-making at ward level
- customer feedback through the council's complaints procedure or other direct service feedback processes.

#### Partnership working arrangements

The overall governance framework established by the council contributes to effective partnership and joint working arrangements.. The council has developed a methodology and protocols during to ensure that partnerships operate effectively across the Council.

#### 4. REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal control. In preparing this Statement a review of corporate governance arrangements and the effectiveness of the council's systems of internal control has been undertaken, co-ordinated by the Governance, Risk and Assurance Group (GRAG), which comprises the Director of Customer & Corporate Support Services/ Deputy Chief Executive (the Section 151 Officer), the Assistant Director of Customer & Corporate Services - Governance (the Monitoring Officer), the Assistant Director of Customer & Corporate Services (ICT) and the Head of Internal Audit (Veritau Ltd), . The review included consideration of:

- the adequacy and effectiveness of key controls, both within individual directorates and across the council
- any control weaknesses or issues identified and included on the Disclosure Statements signed by the Section 151 Officer and Monitoring Officer
- Disclosure Statements signed by Directors identifying control weaknesses or significant issues
- any control weaknesses or issues identified and included in the annual report of the Head of Internal Audit, presented to the council's Audit and Governance Committee
- significant issues and recommendations included in reports received from the external auditors, Mazars/ or other inspection agencies
- the results of internal audit and fraud investigation work undertaken during the period
- the views of those members and officers charged with responsibility for governance, together with managers who have responsibility for decision making, the delivery of services and ownership of risks
- the council's risk registers and any other issues highlighted through the council's risk management arrangements
- the outcomes of service improvement reviews and performance management processes
- progress in dealing with control issues identified in the 2015/16 Annual Governance Statement.
- 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

The council recognises an ongoing need to review its governance arrangements, and to respond to external reports and changes in legislation to ensure it continues to learn, improve systems, and ensure compliance with relevant legislation. Having considered all of the principles, we are 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.

This on-going review of the effectiveness of governance and internal control systems is also informed by the work of Veritau who have responsibility for providing assurance on the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

## 5. SIGNIFICANT GOVERNANCE ISSUES

On the basis of the review work carried out it was considered that the majority of the governance and internal control arrangements continue to be regarded as fit for purpose in accordance with the governance framework during the financial year 2016/17. There were however some areas identified which require attention to address weaknesses and ensure continuous improvement of governance and internal control arrangements; included within this definition are more general issues relating to service delivery and national challenges which whilst not significant governance issues in themselves, represent important issues which affect the council across all areas.

### **Follow up of issues identified in 2015/16**

Last year's Annual Governance Statement highlighted both significant governance issues along with more general issues relating to service delivery and national challenges which affect the council across all areas. The majority of these general issues remain relevant for 2016/17 therefore remain on the statement and have been updated to reflect the latest position. One new Issue has been identified during 2016/17 and two issues have been removed as set out below.

**ANNUAL GOVERNANCE STATEMENT**

	<b>Issue</b>	<b>Action taken to date/ Planned 2017/18</b>	<b>Reports/ Decisions to be presented to</b>
<p>1 – Existing Issue, updated</p>	<p><b>Financial Risks</b></p> <p><b>(i) Pressures - Impact of funding reductions -</b></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.</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>The MTFS reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. This informs the budget process for future years. The council set a budget in February 2017 covering detailed proposals for 17/18 and outlined broad plans for the 2 years after. Further development of the strategy will take place during 17/18, leading to the budget report in February 2018.</p> <p>Ongoing discussions with Health Organisations in York, and reporting to Health &amp; Wellbeing board</p>	<p>Executive/ Council</p>
<p>Existing Issue, updated</p>	<p><b>(ii) Major capital projects</b></p> <p>The council has a number of major capital projects at different stages, including the Community Stadium, York Central, and the Older Peoples Accommodation Programme (including Burnholme)</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 will be essential to ensure risks can be mitigated/ managed.</p> <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>Executive/ Council</p> <p>Audit &amp; Governance Committee</p>

**ANNUAL GOVERNANCE STATEMENT**

			Scrutiny Committees
<p>2 – Existing Issue, updated</p>	<p><b>Local Plan</b></p> <p>Officers produced a publication draft Local Plan in autumn 2014. This process, however, was halted by Council resolution on the 9th October 2014. Following the Local Government Elections in May 2015 the agreement between the Conservative and Liberal Democrat Groups, to establish a joint administration for City of York Council from May 21st 2015 indicates that:</p> <p>‘We will prepare an evidence-based Local Plan which delivers much needed housing whilst focusing development on brownfield land and taking all practical steps to protect the Green Belt and the character of York.’</p> <p>Planning policy sits within a national regulatory framework; non-compliance with that framework means that planning decisions by the local authority can be successfully challenged both in the Courts and through the Secretary of State. In addition failure to adopt a compliant Local Plan, given the expectations embodied in the National Planning Policy Framework (NPPF) leaves undeveloped areas of the city vulnerable to development proposals</p>	<p>Following the Preferred Sites Consultation the MOD announced as part of their Defence Estate Strategy on 7<sup>th</sup> November 2016 the release of three sites in York – Imphal Barracks, Fulford Road and Queen Elizabeth Barracks and Towthorpe Lines both in Strensall.</p> <p>As highlighted in the reports to LPWG and Executive in December 2016 and January 2017 to incorporate the MOD sites into the plan will require further public consultation. This will allow the opportunity for consultation with the appropriate groups including the parish councils, statutory consultees and members of the public and will be carried out in conformity with the council’s Statement of Community Involvement (SCI).</p> <p>Officers need to undertake further technical work relating to the MOD sites as highlighted in the report to Executive. This work will be considered in conjunction with the analysis of all consultation responses and the update to the SHMA. Ultimately this will lead to the development of a draft portfolio of sites for public consultation as part of a Draft Plan.</p> <p>It is anticipated that the work outlined to evaluate new sites and to undertake an additional consultation prior to reaching publication stage will add around 6 months to the Local Plan timetable and require an adjustment of its key milestones with <b>Local Plan adoption target December 2018</b></p>	<p>Executive/ Council</p>

**ANNUAL GOVERNANCE STATEMENT**

	<p>which the council will be unable to stop.</p> <p>Also given Ministerial statements failure to progress a plan could lead to interventions by Government into the City's planning services along with the removal of funding such as New Homes Bonus</p>		
<p>3</p>	<p><b>Adults/ Health Risks - Challenges of Better Care Act/ Pool budgets</b></p> <p>Adult Social Care is the biggest area of spend (excepting Housing Revenue Account and Education). There is an increasing and ageing population with more complex needs which could dominate council finance's in years to come.</p> <p>The Department continues to implement new duties imposed under the Care Act 2014 as well as pooling budgets with the Vale of York Clinical Commissioning Group in the Better Care Fund, a step in the longer term ambition to integrate Health and Social Care</p>	<ul style="list-style-type: none"> <li>• Regular budget monitoring meetings and reports with all levels of budget managers within the Department</li> <li>• Robust plans in place to deliver savings proposals and develop mitigating actions where savings are not being met</li> <li>• Development of a new operating model which will prevent , reduce, delay and manage an individual's care needs and reduce the number of people needing ongoing statutory agency based support</li> <li>• Increase in reablement and community based support</li> <li>• Increase use of community assets and capacity</li> <li>• Ambition to pool more budgets in order to achieve system wide efficiencies and improve the customer/resident experience</li> <li>• Ensure appropriate governance is in place for the pooled budgets</li> <li>• Attendance at the appropriate level of cross organisation meetings to ensure council's best interests and strategic aims are met</li> <li>• Complete the national stocktakes relating to how successful implementation of the Care Act has been and what further needs doing</li> <li>• Review Universal Information and Advice in line with the Care Act to support people to self manage</li> <li>• Change culture of workforce and population to promote self care/ management</li> <li>• Comprehensive Service plans with clear objectives</li> <li>• BCF Performance and Delivery Task Group meets monthly</li> <li>• Update reports to HWBB regularly on performance of the programme</li> <li>• BCF risks are reviewed regularly</li> </ul>	<p>Executive/ Health and Wellbeing Board, Scrutiny</p>





**ANNUAL GOVERNANCE STATEMENT**

		<p>Government systems.</p> <p>The General Data Protection Regulation will apply in the UK from May 2018. All existing information governance policies are currently scheduled for review to ensure that they meet the standards required by the Regulation</p>	
6 – Existing Issue, updated	<p><b>Absence Management -</b></p> <p>Internal Audit work carried out in previous years highlighted inconsistencies in the recording of sickness on iTrent and evidence of supporting documentation. The work also highlighted delays in implementing the new iTrent module</p>	<p>Significant progress has been made by the Absence Management progress group in 2016/17 and plans are in place to address Absence reporting issues however implementation has been delayed. As this action has not been fully implemented it is therefore retained as an issue.</p> <p>Further update reports will be brought back to the Committee in 2017/18</p>	Audit & Governance Committee
7 – Existing issue, updated	<p><b>Risk Management -</b></p> <p>The Council needs to reliably manage its risks to meet its strategic objectives and agreed priorities. This is particularly important given the range of issues/challenges set out in this AGS, and the range of complex projects, transformation, and changing legislation the Council has to respond to.</p> <p>The Key Corporate Risks (KCR's) set out the Key risks facing the Council and require continual monitoring to ensure risks are suitable managed.</p> <p>An example of a Key Corporate Risk is the risk to the council of the impact of</p>	<p>Risk reports have been brought to the Audit &amp; Governance Committee throughout the year on a quarterly basis. Progress has been made in relation to reporting format and processes however due to its nature risk will always remain a significant issue. Ongoing reports will therefore be presented to Audit Committee during the year providing an update on the Key Corporate Risks (KCRs).</p>	Audit & Governance Committee

**ANNUAL GOVERNANCE STATEMENT**

	significant failure to safeguard children effectively.		
8 - NEW	<p><b>Procurement and Contracting arrangements</b></p> <p>The Council needs to continue to ensure effective procurement and commissioning practice and compliance with the contract procedure rules and other relevant legislation</p>	<p>The Council has established procurement and commissioning processes which have been in place for many years. During 2016/17 priorities for the team have included raising awareness and compliance with the established rules. Process improvements have also been made, particularly in relation to document retention. However, some further improvements are needed to ensure consistent and effective contract management.</p> <p>The Council has invited the Local Government Association to carry out a peer review of procurement to provide an external perspective and challenge, as part of a process of continual improvement.</p>	<p>Executive/ Audit &amp; Governance Committee</p> <p>Scrutiny Committees</p>

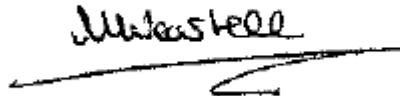
**Key Areas of Improvement from previous Statement that have been completed**

- **Local Code of Corporate Governance** – A Local Code of Corporate governance was prepared during the year which met the requirements of the *CIPFA/ SOLACE Delivering Good Governance in Local Government Framework (2016)* and was presented to the Audit & Governance Committee. The Local Code can be found on the Council's website and will be kept under review and updated annually as part of the process of preparing the Annual Governance Statement
- **External Reports from the Councils external auditors Mazars**
  - **Public Interest Report** – Mazars presented an update on the Public interest report to Audit & Governance Committee during the year. There were no further outstanding actions/ comments in relation to the 10 recommendations set out in the report
  - **Review of Project Management Arrangements for the Transformation Programme** – A number of recommendations were issued in relation to project management. During the year a number of reports in relation to this have been presented to the Committee. Whilst this specific issue has been removed from the statement, the issue is still covered under the Project Management of Major capital projects Issue in the table above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Dated 28/06/17



M Weastell

Chief Executive

Signed

Dated 28/06/17



Cllr D Carr

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

### **Accounting Policies**

Accounting Policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy will, for example, specify the estimation basis for accruals where there is uncertainty over the amount.

### **Accruals**

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

### **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made

### **Actuarial Gains and Losses**

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

### **Agency**

The provision of services by one body (the Agent) on behalf of, and generally reimbursed by, the responsible body.

### **Amortisation**

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

### **Appropriation of Land or Buildings**

The transfer of a holding of land or buildings from one service area to another, at current market value.

### **Asset**

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

### **Assets Under Construction**

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

### **Authorised Limit**

The level of external debt that the Council may have. This limit cannot be breached in any circumstances and is set annually by the Council.

### **Balance Sheet**

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

### **CDS**

Credit Default Swap

### **Capital Charge**

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

### **Capital Expenditure**

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

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

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

### **Capital Financing**

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

### **Capital Adjustment Account**

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

### **Capital Programme**

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

### **Capital Receipts**

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

### **Cash Flow Statement**

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

### **Charging Council**

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

### **Cipfa Accounting Code of Practice**

Guidance issued by CIPFA to ensure Local Authorities comply with IFRS.

### **Collection Fund**

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

### ***Commutation Option***

This is an option available from 6 April 2006 to members of the North Yorkshire Pension Fund to take a larger lump sum on retirement in exchange for a smaller future pension payment.

### **Community Assets**

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

### **Community Charge**

A flat rate charge which was payable by all registered chargepayers within the Council's area. The income from the charge was used to finance a proportion of the Council's expenditure.

### **Consistency**

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

### **Contingent Asset**

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

### **Contingent Liability**

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

### **Corporate and Democratic Core**

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

### **Council Tax**

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

### **Council Tax Requirement**

This is the estimated revenue expenditure on General Fund services that needed to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

### **Creditors**

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

### **Current Assets**

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

### **Current Liabilities**

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

### **Current Service Cost**

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

### **Curtailement**

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

### **Debtors**

Amounts due to the 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**

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

### **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 Executive). In York the Monitoring Officer is Andrew Docherty, Assistant Director IT & 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**

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

### **Non-Operational Assets**

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

### **Operational Assets**

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

### **Operational Boundary**

This is a measure of the most money the Council would normally borrow at any time during a financial year. It may be exceeded temporarily, but a regular pattern of borrowing above this level should be avoided.

### **PA92**

These are tables of figures used by actuaries for standard mortality reflecting mortality experience in the period 1991-94, with assumptions for future rates of change. The 'mc' to 'medium cohort' which was introduced to reflect the increased life expectancy of a specific age group of retirees.

### **Past Service Cost**

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

### **Post Balance Sheet Events**

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

### **Precept**

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

### **Precepting Council**

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

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

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

### **Provisions**

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

### **Prudence**

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

### **Prudential Indicators**

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

### **Public Works Loan Board (PWLB)**

A government agency that lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury. Councils are free to borrow as much as they like from the PWLB provided that it is prudent, affordable, sustainable and within the prudential indicators set at full council.

### **Realisable Value**

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

### **Related Party**

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

### **Reserves**

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

### **Residual Value**

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

### **Retirement Benefits**

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

### **Revaluation Reserve**

This account contains surpluses and losses arising from the periodic valuation of fixed assets.

### **Revenue Expenditure**

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure which may be properly capitalised, but which does not result in, or remain matched with, tangible fixed assets.

### **Revenue Support Grant (RSG)**

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

### **Scheme Liabilities**

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

### **Section 151 Officer (S151)**

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

### **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**

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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**Audit & Governance Committee**

20 September 2017

Report of the Deputy Chief Executive

**Local Government Association Corporate Procurement Peer Review****Purpose of Report**

1. To present the feedback from the Local Government Association (LGA) external peer review of corporate procurement within the Council, along with an update of the action that has already been taken, actions ongoing and consideration of any future actions following the recommendations to ensure the full benefits are realised from the peer review process.

**Recommendation**

2. Members are asked to note the contents and recommendations of the peer review feedback report.

Reason: To update the Committee on the feedback from the LGA procurement peer review and keep regularly informed of any future actions taken.

**Background**

3. In May 2017 the Chief Executive, with the agreement of the Leader & Deputy Leader, commissioned a peer review by the LGA. This was an opportunity to undertake a full root and branch external review of this area of the Council, and also gain independent advice as to progress of improvement made in this area and any further learning to be considered. The scope of the review is set out in section 3 of the attached report.
4. During June the LGA peer team visited West Office and spoke to a range of officers, elected members and external stakeholders. Along with these face to face meetings the team conducted additional research and reading to ensure they were familiar with the Council, the challenges faced and to allow comparison with other councils.
5. The outcome is a written feedback report which is attached as Annex 1 to this report. A member of the peer review team will present their report.

6. The feedback report identifies many positives for the Council and has identified some areas for further consideration. It has concluded the Council has a good corporate procurement function and that the compliance issues are being addressed. Recognition was also given to the work underway to continually improve. The peer review team was impressed with the procurement team, recognising a willingness and desire to improve further and focus on high value, high risk strategic procurements. They also stated with a high degree of confidence that the team is valued across the Council with positive relationships at all levels, adding that the team is well led with knowledgeable and competent staff with a good understanding of business needs.
7. Recent developments introduced by the Chief Executive, such as the Corporate Cost Control Board, were also recognised as being positive steps forward in ensuring the Council continues to focus on business efficiencies, spend management and procurement compliance across the Council along with a greater focus on organisational productivity and efficiency.

### **Key Recommendations**

8. The report identifies a number of key recommendations and these are explored further in the following paragraphs.

#### Roll out of the Yortender e-procurement system

9. The Council welcomes the endorsement of the peer review that the planned roll out of access to the Yortender e-procurement portal for all officers is an important means of addressing compliance and assisting with record keeping. Members will be aware from previous reports that the Council currently uses this regional e-procurement system and that the procurement team use and manage this system on behalf of the Council and run individual procurement exercises on behalf of services. It was planned that we would roll out access to the system across the Council so that officers can run their own procurements and requests for quotes exercises, with support and guidance from the procurement team as necessary.
10. However, due to a recent software upgrade, we are still experiencing some stability and process issues and therefore the roll out has been temporarily suspended pending the resolution of these issues. At the regional strategic procurement group, officers from all councils across the region have been discussing the current problems and working with the software provider to

identify solutions. This will be escalated to ensure these problems are resolved as soon as possible so that the roll out can continue as planned.

#### Council wide commissioning and procurement network

11. It is suggested that the Council develops a cross-council commissioning and procurement network to own and oversee the implementation of the procurement strategy. The Council welcomes the peer review team acknowledgement of the recent work done in this area through the development of a task and finish group that has been established to drive forward the recently approved procurement strategy. The group is co-chaired by the head of finance & procurement and the Assistant Director of Commissioning of Adults and Social Care, has cross directorate representation at a senior level and meets on a regular basis. It has agreed terms of reference, which includes the development of a corporate commissioning strategy and a SMART action plan that is aligned to both strategies. The group has also begun to research strategies in other councils to identify best practice. The focus over the coming months will be to create a commissioning strategy, develop and prioritise the action plan, produce a forward procurement plan and continue the work to strengthen corporate knowledge, market intelligence and market management.

#### Structure and capacity

12. The peer review has also suggested that the Council consider the creation of a dedicated head of commissioning and procurement role. The Council has recently strengthened the procurement team as part of the 2017/18 financial strategy. Further investment in management capacity is an area that the senior management team will consider further and action.
13. The review agreed with the Council that there is currently no advantage to consider appraisal options for the future location of Adult Social Care procurement. The Council recognises that the integration of health and social care provides a major challenge and changes to the way these services are currently configured would potentially disrupt progress. It will therefore ensure that the current arrangements are kept under review to ensure opportunities are taken to enhance and strengthen this when appropriate to do so.

### Process and Contract Procedure Rules

14. The Council agrees with the peer review team that there is merit in putting greater effort and resources into the pre and post tender activities. Work has already begun to streamline processes to ensure that effort is put into those activities but the Council also recognises that there is further work to be done in this area. Guidance and training has been provided to officers and some elected members, and this will continue to be rolled out across the organisation.
15. Further work is being done on reviewing the Contract Procedure Rules to ensure proportionate arrangements are in place for lower value, lower risk procurement activity and cross council contract management procedures are being developed to ensure a consistent approach is taken to supplier management and engagement. Recent developments include the creation of a feedback form to be completed at the end of every procurement exercise completed through the Yortender system which will ensure the learning is capture and best practice shared more widely. The revised contract procedure rules will now be brought to the December Audit & Governance Committee to allow time to ensure all aspects of the rules are reviewed in light of the feedback received.
16. Under the current rules, the procurement team already have sight of any procurement exercises for expenditure over £100k and this will continue to be reviewed both to ensure compliance and to ensure the Council obtains value for money and the appropriate outcomes for residents.

### Regional engagement

17. The review highlights that the Council could benefit from increasing its presence and engagement with neighbouring councils. The Council agrees that this is of benefit and will continue to attend the regional Strategic Procurement Group, although it recognises that it is not always possible to attend every meeting. The group includes representatives from all Yorkshire and Humber councils and meets on a monthly basis. In order to make best use of officer time, we will continue to monitor the agendas and attend where appropriate to do so. In recent months the Council has made a number of suggestions as to how the group can work more efficiently and effectively, which has lead to the development of an online portal that members of the group can use to share ideas and current procurement exercises to ensure that attendance at a face to face meeting is not the only way that ideas can be shared.

### Social Value

18. The Council welcomes the recommendation from the feedback that the council should consider a Social Value policy. This gives a very clear opportunity to strengthen the social value aspect of the One Planet Council policy and further consideration will be given to explore options.

### Wider Organisation Issues - External Perception

19. The feedback report identifies that there are currently negative external perceptions of the Council's procurement processes as well as wider corporate governance. The Chief Executive is already considering options as to how this can be addressed.
20. In the body of the report there was also recognition of training which had been undertaken for members and suggested developing further guidance and training for all members and including it in the council member development programme.

### **Consultation**

21. The LGA team interviewed a range of members, officers and external stakeholders in order to complete the peer review.

### **Corporate Priorities**

22. The peer review provides a summary of the good progress already made and makes some suggestions for further improvement. This focus on procurement will enable the Council to make the right procurement decisions in a challenging financial environment.

### **Implications**

23. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

### **Risk Management**

24. Areas of risk are identified and reported as part of the ongoing risk management process. There are no new risks identified specifically from this report.

<b>Author:</b>	<b>Chief Officer responsible for the report:</b>		
Debbie Mitchell Finance & Procurement Manager Ext 4161	Ian Floyd Deputy Chief Executive / Director of Customer & Corporate Services		
	<b>Report Approved</b>	✓	<b>Date</b> 12 <sup>th</sup> September 2017
<b>Wards Affected:</b> All			
<b>For further information please contact the author of the report</b>			

Annex 1 – LGA Procurement Peer Challenge Feedback Report June 2017





# Procurement Peer Challenge

## City of York Council

20<sup>th</sup> – 22<sup>nd</sup> June 2017

Feedback Report

## 1. Executive Summary

Councils throughout England are faced with the challenge of delivering vital public services while facing significant financial pressures. The arrangements that councils make for commissioning, procurement and contract management therefore play an essential role in meeting that challenge.

City of York Council has many solid achievements to its name and continues to deliver good quality services, including achieving a 'good' OFSTED report on children's services. It has also been successful in delivering its savings programme and a balanced budget position.

Following a period of change, there is now stability in the political and managerial leadership of the Council. The leadership of the council recognises the positive, enabling role that commissioning and procurement can play to support delivery of the Council's priorities.

However, procurement is subject to heightened scrutiny in York due to past internal control issues. These issues have been highlighted in audit reports relating, among other things, to use of consultants, building and civil engineering and adult social care. While action is being taken to address these issues there remains a residual negative perception of procurement, including among members of the public.

The peer challenge team was reassured to find that the Council has a good corporate procurement function and that the compliance issues are being addressed. However, as the Council itself recognises, there is more to do in regard to procurement's enabling role within the Council's developing commissioning framework and to address the residual negative perceptions of historical procurement issues.

With this in mind we have made a series of recommendations.

## 2. Key recommendations

- i. Consider putting in place additional commissioning capacity, supported by a cross-council management group, to drive the new commissioning and procurement strategy and other improvements forward.
- ii. Implement corporate procurement sign-off of individual procurement strategies, including contract management plans, and bid documents for procurements over £100k together with proportionate arrangements for lower value requirements.
- iii. Prioritise Council-wide roll-out of the YORtender e-procurement system for both quotations and tenders and require justification for non-use.
- iv. Increase the Council's presence and engagement with neighbouring councils and regional/national procurement networks to bring in learning from best practice and to profile your achievements.

- v. Implement a policy and associated toolkit on delivery of the Council's corporate policies and priorities through procurement, including compliance with statutory 'social value' obligations.
- vi. Undertake a more detailed appraisal of options for the future location of Adult Social Care procurement at an opportune time in the future.
- vii. Make arrangements to address the negative external perceptions of the Council's procurement processes, as well as wider corporate governance, by supporting the chief executive through strengthened direct and independent advice from the Council's statutory functions.

### 3. Summary of the Peer Challenge approach

#### The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with you. The peers who delivered the peer challenge at City of York Council were:

- **Lead Peer** - Nigel Kletz (Director of Commissioning & Procurement – Birmingham City Council)
- **Specialist Peer** - Lee Digings (LGA procurement consultant – Lee Digings Associates)
- **Peer Challenge Manager** - Satvinder Rana (Programme Manager – LGA)

#### Scope and focus

The peer team considered the following specific questions which formed the overall scope of the peer challenge, as agreed by the council.

- 1) Does the procurement model (which is not wholly corporate and is partly distributed across the Council) support the Council to achieve its strategic objectives through the procurement and management of all external contracts?
- 2) In procuring and managing contracts, does the procurement function ensure the Council achieves improved and maximum value from these contracts and an appropriate balance of risk?
- 3) Is there an appropriate balance in terms of oversight and capacity between the operational and routine, and more strategic procurement? Is there appropriate strategic accountability and proper management of procurement across the Council as a whole?

- 4) How does the procurement cycle support and align to the Council's Commissioning Framework.
- 5) Does the procurement model allow an appropriate level of support, and appropriate use of expertise, to ensure that the right specification is provided to the market including consideration of the following:
  - Lessons learned and benefits obtained from the existing contract
  - Knowledge of the wider market
  - Appropriate levels of aggregation
  - Investment/return from the contract by suppliers.
- 6) Is the right balance struck between the specification stage and the award of contract process? Are appropriate controls in place?
- 7) What input is provided by the procurement team into establishing adequate contract monitoring procedures and how effective is this effort?
- 8) The roles and responsibilities of other officers who are not procurement specialists. Do they understand and have the capability to fulfil these roles?
- 9) Do councillors receive the required level of training and development to undertake their roles?.
- 10) In terms of transparency is there the appropriate level of challenge, for example through internal and external audit and the role of Audit and Governance Committee? Are there any further improvements required in how the decision making process operates, particularly, but not only, regarding the independence of challenge.
- 11) Preparation and reporting of procurements matters / reports to the A&G and presentation of these matters and overall workings of the Committee.

During our time on site we sought to address these questions and pulled together our observations into four key themes:

- a) Where you are now
- b) Improvements underway
- c) Areas for improvement to consider/commence
- d) Wider organisational and governance issues

### **The peer challenge process**

It is important to stress that this was not an inspection. Peer challenges are improvement-focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement focus. The peer team used their experience and knowledge of local

government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared for the peer challenge by reviewing a range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing. The team then spent 3 days onsite at York, during which they:

- Spoke to more than 38 people including a range of council staff together with councillors and external stakeholders.
- Gathered information and views from more than 18 meetings, additional research and reading.
- Collectively spent more than 130 hours to determine their findings – the equivalent of one person spending more than 3.5 weeks in City of York Council.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (20<sup>th</sup> – 22<sup>nd</sup> June 2017). In presenting feedback to you, they have done so as fellow local government officers and not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things you are already addressing and progressing.

## **4. Feedback**

### **4.1 Where you are now**

The peer challenge team was impressed by the Council's corporate procurement function. We can say with a high degree of confidence that the procurement team:

- Is valued by service directorates and executive members and has positive relationships at all levels
- Is knowledgeable, provides good advice, and generally has a sound understanding of business needs
- Is well led with knowledgeable and competent staff
- Applies category management methodologies which is good procurement practice

We found the procurement team to be self-aware and motivated to make further improvements; and there is clarity and understanding about what is required to develop the service for the future. In particular, there is a desire to develop the procurement team as an enabling function and to focus support on high value, high risk 'strategic' procurements. However, this does not mean there is complacency about the compliance issues; for example, the Chief Executive's recently established Corporate Cost Control Board is a positive initiative which gives the Corporate Management Team a focus on spend management and is an effective tool to continue to drive compliance

(i.e. to ensure that procurement expenditure, wherever possible, is on contract). In addition, the Board's wider remit to look at sound business management through a greater focus on organisational productivity and efficiency will continue to help the Council manage its financial challenges.

The procurement team has a credible 'license to challenge'. This is underpinned by procurement training which is being provided to service managers as well as to members on the Executive and the Audit & Governance Committee. We heard that approximately 130 members of staff have received training over the last 6 months. We would suggest that this training is made widely available, especially to all members of the council generally.

Further initiatives are in hand or planned to improve procurement and contract management including action plans in response to internal audit reports (e.g. use of consultants, building and civil engineering, and adult social care) which have been considered by the Audit & Governance Committee.

Nevertheless, there remains a negative external perception of Council procurement, including among members of the public. This is largely a consequence of past internal control and compliance issues which has been the subject of previous external audit reports. This negative perception needs to be addressed if the Council is to secure public confidence in its procurement processes and the wider corporate governance arrangements.

## **4.2 Improvements underway**

The peer team was encouraged to learn about the range of improvements that are already underway. For example, we noted that the corporate procurement strategy will be developed to become a council-wide commissioning and procurement strategy and that a task and finish group has been established to drive this forward. This is a positive development because in the course of our work we found a variety of differing views on the relationship between commissioning and procurement and on the commissioning arrangements best suited to particular services. A strategy which clarifies the corporate vision and approach is therefore to be welcomed.

We also learnt that you are preparing a 'forward procurement plan' intended to facilitate a more strategic approach to the Council's requirements. This plan will:

- Be shared and visible across the Council
- Have a 1 to 5 year planning horizon
- Enable further collaboration with other organisations

This is clearly important in bringing increased visibility to projects, their interdependence, and as a tool for scheduling resources including corporate support. This tool should also facilitate early identification of opportunities for joint projects with other councils/public bodies. These opportunities may be advanced through Yorkshire

and The Humber procurement networks including those associated with the Local Enterprise Partnerships (LEPs).

Furthermore, work is planned to commence on the development of a standard for contract management and we understand this will be disseminated in a variety of ways including through training. Again, this is to be commended as it will strengthen contract management across the Council.

While continuing to develop the corporate procurement function's enabling role, including its role within the commissioning framework, the Council is sustaining its focus on compliance. It is a challenge in every organisation to get the balance between these two roles right and the procurement team in York is conscious of the need to strike the correct balance.

On the compliance side, the overall aim is to achieve a target of at least 90% of spend on contract. We raised the idea of giving each directorate its own target to further enhance the sense of ownership and this was well received. Importantly, the Council's approach to non-compliance has been given 'teeth':

- at CMT level, by making it a corporate director responsibility; and
- at operational level in directorates, by making it a management responsibility.

The corporate procurement team uses the YORtender regional e-procurement system and we were told the plan is to roll this out to all the directorates. We would urge the Council to prioritise this and to accelerate the roll-out. Using this system for lower value procurements (quotations) in addition to tenders is a further important means of addressing compliance as well as assisting with record keeping (i.e. including an electronic audit trail). Once the roll-out is complete, we felt that non-use of YORtender for quotations and tenders should be exceptional and justified in each case (that is to say, the reason for not using it should be recorded and reported).

### **4.3 Areas for improvement to consider / commence**

The new Council-wide commissioning and procurement strategy is a positive development but effective arrangements to communicate and implement it will be key (i.e. to establish a common definition and understanding beyond adult and children's social care and housing).

Based on experience elsewhere, we recommend a cross-council commissioning and procurement network/board (consisting of stakeholders from each directorate) to 'own' and oversee implementation of the new strategy. The wider management 'Leading Together' group could be the forum to take this forward.

Furthermore, in order to lead the new corporate approach to commissioning, further improve the function's internal and external profile, and make an impact on procurement and contract management across the Council the peer challenge team felt that the function should be led by a dedicated head of commissioning and procurement role. We

think these additional improvements will be difficult to achieve within the current capacity constraints.

We also looked more widely at the Council's current procurement model. Outside of corporate procurement, the only area in the Council to maintain a significant procurement capability of its own is Adult Social Care. This is located within the team responsible for commissioning. As might be expected, the peer challenge team heard a range of views on whether this model should be changed. We were informed about a major programme of work to integrate adult social care and health commissioning in the city which already faces a number of challenges. Our overall conclusion therefore was that further disruption should be avoided by retaining strategic commissioning in Adult Social Care. However, we were not clear that this precluded consolidation of care contracting (i.e. the procurement process in the narrow sense) into corporate procurement thereby enabling better use of resources across an expanded corporate procurement team. We would therefore recommend that you carry out a more detailed examination of the options at an opportune time.

More generally, in the context of the Council's developing commissioning framework, we could envisage an arrangement in which all directorates maintain a strategic commissioning capability linked to corporate and service planning (i.e. from population needs assessment and outcomes definition through option appraisal and service design etc. to subsequent contract management) while activities relating to management of the procurement phase are undertaken through a single, corporate procurement 'hub' which also has responsibility for system governance.

Relatedly, there is merit in putting greater effort and resources into pre-tender activities (i.e. identifying needs, market research, supplier engagement) and into post-tender activities (i.e. contract management, continuous improvement, negotiation), instead of focusing large amounts of attention on the actual process of "the tender" itself to maximise opportunities and scope for improvements. Appendix 1 outlines what is referred to as the 'New DNA Diagram' for commercial activities and demonstrates where effort should be placed along the commissioning, procurement and contract management cycle.

That said, we are clear that procurement governance (i.e. the system of guidance, standards, rules and internal controls) should extend to commissioning, procurement and contract management across the Council. At the present time some of these activities appear not to be aligned in the sense that directorates, in some respects, 'do their own thing'. The role of corporate procurement should be boosted so that it both leads on the strategic approach to commissioning and maintains a corporate 'handle' on all procurement and contract management.

We believe that procurement governance, including controls, can be further improved in a number of ways. For example:

- Ensuring procurement strategies, including contract management plans, and bid documents for procurements above the £100k threshold are signed off by the corporate procurement team before going to market. The Council should consider building this control into the Contract Procedure Rules in the



forthcoming review. This will enhance the focus on market knowledge/early market engagement, better specification and appropriate risk allocation within the contract as well as on the successful realisation of benefits during the contract management phase. This is in line with current national public sector best practice.

We recognise that this is not appropriate for lower value procurements but we feel that a proportionate approach could be developed there too. For example, in the case of quotations between £25k and £100k there should be a requirement to briefly document the approach to be taken to the market and the arrangements for managing the contract before taking any action. Justification for the non-use of YORtender, once rolled out, should also be recorded.

- Establishing a corporate approach to learning lessons from completed procurement projects and capturing learning from the rest of the local government and wider public sector. This will help to fine tune the Council's overall approach and ensure continuous improvements.
- Providing guidance to executive members on their role in the commissioning/procurement cycle, for example when to be involved and what information and reports to expect.
- Developing commissioning/procurement guidance and training for all members and including it in the council's member development programme.
- Improving reporting to executive members to include, among other things, the positive story of procurement's achievements. This could take the form of annual or 6 monthly portfolio reports or 'total contribution' reports.

Regarding contract management, we further advocate:

- Adopting or developing a contract management toolkit to compliment the procurement guidance.
- Including contract management plans (including ownership, resourcing and arrangements for KPI and budget monitoring and contract review) within individual procurement strategies.
- Defining the role of the corporate procurement function to support services with commercial and contractual aspects of contract management.
- Identifying and addressing contract management skill gaps across the Council.

We further believe that the Council could benefit substantially by increasing its presence and engagement with neighbouring councils as well as regional and national procurement networks to bring in and share learning from best practice. This would also provide the Council with opportunities to profile itself externally and identify opportunities for more collaboration on projects and improvement. Our assumption is

that the current relatively low level of external engagement of the corporate procurement team is a reflection of the capacity constraints referred to elsewhere in this report.

Members in particular were enthusiastic about expanding the use of procurement as a tool to deliver council priorities, policies and strategies. Relatedly, in the course of our work we heard about examples of procurement being used to achieve broader socio-economic objectives, for example employment and skills plans for construction projects. However there does not appear to be a Council policy/toolkit relating to 'social value', including how to comply with the statutory obligations in this area such as the Social Value Act. This is something the Council should consider addressing.

#### **4.4 Wider organisational issues**

The Council has some impressive achievements to its name and is on a continuous journey of improvement. It is delivering good quality services whilst making the necessary savings and retaining a balanced budget position. The current leadership is focused on moving the Council forward along this journey and has put in place a number of initiatives to strengthen both corporate leadership and governance.

However, it was apparent to the peer challenge team that residual negative external perceptions of historical procurement issues are problematic for the Council and that good news stories are being drowned out. In particular, there is heightened public scrutiny of procurement due to past internal control issues which have been the subject of a previous independent audit report and this continues to impact on the image of the Council. The Council is constantly being asked to look over issues that have been addressed and this is using up valuable resources and diverting capacity.

Nevertheless, we believe that it is essential for the Council to address these residual negative external perceptions (e.g. perceived lack of transparency in decision-making) to enhance trust and free up political and managerial capacity by clarifying reporting lines and governance arrangements further. This is actively being taken forward by the existing Chief Executive and Corporate Directors in conjunction with the political leadership.

Among other things, the arrangements that are made for corporate governance should give the chief executive a clearer 'line of sight' through strengthened direct and independent advice from the Council's statutory functions.

### **5. Next steps**

We appreciate you will want to reflect on these findings and suggestions with your senior managerial and political leadership in order to determine how the Council wishes to take things forward.

As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this.

Mark Edgell, Principal Adviser is the main contact between your authority and the Local Government Association (LGA). His contact details are: Tel: 07747 636 910 and Email: [mark.edgell@local.gov.uk](mailto:mark.edgell@local.gov.uk)

In the meantime we are keen to continue the relationship we have formed with you and colleagues through the peer challenge. We will endeavour to provide additional information and signposting about the issues we have raised in this report to help inform your ongoing consideration.

**Satvinder Rana**

Programme Manager

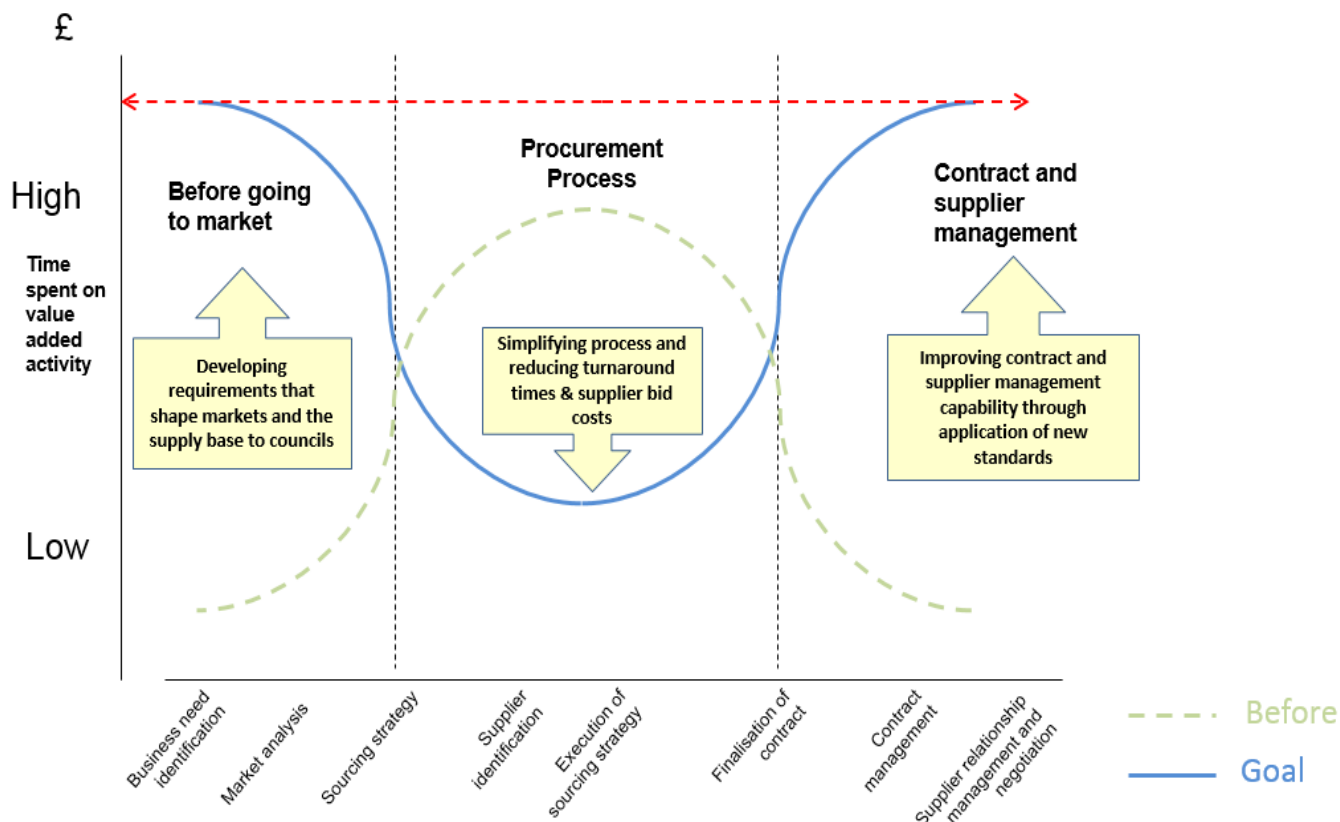
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(on behalf of the peer challenge team)

The new DNA for commercial activities





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**Audit and Governance Committee**

20 September 2017

Report of the Head of Internal Audit

**Internal Audit Follow Up Report****Summary**

1. This is the biannual report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work.

**Background**

2. Where weaknesses in systems are found by internal audit, the auditors discuss and agree a set of actions to address the problem with the responsible manager. The agreed actions include target dates for issues to be dealt with. The auditors then carry out follow up work to check that the issue has been resolved once these target dates are reached. The follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, the Governance, Risk and Assurance Group (GRAG) and ultimately may be referred to the Audit and Governance Committee.
3. A summary of the findings from follow up work is presented to this committee twice a year with the last report being presented in May 2017.

**Consultation**

4. Details of the findings of follow up work are discussed with the relevant service managers and chief officers.

## Follow up of internal audit agreed actions

5. A total of 67 actions have been followed up since the last report to this committee in May 2017. A summary of the priority of these actions is included in figure 1, below.

*Figure 1: actions followed up as part of the current review*

Priority of actions*	Number of actions followed up
1	0
2	21
3	46
<b>Total</b>	<b>67</b>

\* The priorities run from 1 (high risk issue) to 3 (lower risk)

6. Figure 2 below provides an analysis of the actions which have been followed up, by directorate.

*Figure 2: actions followed up by directorate*

	Priority of actions			
	CCS	EP	CEC	HHASC
1 (High)	0	0	0	0
2 (Medium)	13	6	2	0
3 (Low)	27	0	19	0
<b>Total</b>	<b>40</b>	<b>6</b>	<b>21</b>	<b>0</b>

7. Of the 67 agreed actions 55 (82%) had been satisfactorily implemented and 4 (6%) were no longer needed<sup>1</sup>.
8. In a further 8 cases (12%) the action had not been implemented by the target date, but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (e.g. due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date and if necessary they will be raised with senior managers in accordance with the escalation procedure. Figure 3 below shows the priority of these actions.

<sup>1</sup> For example because of other changes to procedures or because the service has ended or changed significantly.

*Figure 3: priorities of actions with revised implementation dates*

<b>Priority of actions</b>				
	<b>CCS</b>	<b>EP</b>	<b>CEC</b>	<b>HHASC</b>
1 (High)	0	0	0	0
2 (Medium)	1	0	0	0
3 (Low)	3	0	4	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>

9. One P2 action had an implementation date revised by more than six months during the period. Further details are included in annex 1.

### **Conclusions**

10. The follow up testing undertaken confirms that in general good progress has been made by council departments to rectify weaknesses in control identified through internal audit work. This is an ongoing process and progress in implementing agreed actions will continue to be monitored and reported as required through the escalation procedure. There are no specific issues that need to be brought to the attention of the Audit and Governance Committee at this time.

### **Options**

11. Not relevant for the purpose of the report.

### **Analysis**

12. Not relevant for the purpose of the report.

### **Corporate Priorities**

13. This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

## **Implications**

14. There are no implications to this report in relation to:
  - Finance
  - Human Resources (HR)
  - Equalities
  - Legal
  - Crime and Disorder
  - Information Technology (IT)
  - Property
  - Risk Management
  
15. The council will fail to properly comply with Public Sector Internal Audit Standards (PSIAS) if it does not establish procedures to follow up on audit recommendations and report progress to the appropriate officers and members.

## **Recommendations**

16. Members of the Audit and Governance Committee are asked to:
  - consider the progress made in implementing internal audit agreed actions as reported above (paragraphs 5 – 10)

### Reason

*To enable Members to fulfil their role in providing independent assurance on the council's control environment.*



**Contact Details**

**Author:**

**Chief Officer Responsible for the report:**

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**Report Approved**



**Date** 11/09/17

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

**Background Papers:**

None

**Annexes**

Annex 1 – Priority 1 and 2 actions with implementation dates revised by more than six months.

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**PRIORITY 1 AND 2 ACTIONS WITH IMPLEMENTATION DATES REVISED BY MORE THAN SIX MONTHS**

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Learning and Development 16-17	2	June 2017	February 2018	<p>Each training course delivered is evaluated on a regular basis and action is now taken more systematically to collect any evaluations forms not returned after a course.</p> <p>Trend analysis and comparisons of evaluation results on a quarterly basis will be carried out more effectively once a new system is in place.</p>	<p>The service is unable to produce a quarterly comparative report of evaluations efficiently due to limitations on the current system. However they are currently procuring a new system which will allow more flexible reporting.</p>

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**Audit and Governance Committee**

20 September 2017

Report of the Head of Internal Audit

**Audit & Counter Fraud Monitoring Report****Summary**

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2017/18 and on current counter fraud activity.

**Background**

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, periodic reports detailing the outcomes of internal audit work are presented to this committee.

**Internal Audit**

- 3 To date (up to 6<sup>th</sup> September 2017), internal audit has completed 27% of the 2017/18 audit plan based on reports issued. The figures do not reflect audits in progress or recently completed<sup>1</sup>. It is anticipated that the 93% target for the year will be exceeded by the end of April 2018 (the cut off point for 2017/18 audits). The current status of audits included in the audit plan is shown in annex 5.
- 4 Details of the audits completed and reports issued since the last report to this committee in June 2017 are given in annex 1.

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<sup>1</sup> The figure including work in progress and work completed but not yet reported is 64%.

- 5 A number of variations to the audit plan have been approved by the Director of Customer and Corporate Services since the last report to this committee in June 2017. Details of these variations are included in annex 2.

### **Counter Fraud**

- 6 Counter fraud work has been undertaken in accordance with the approved plan. Annex 3 provides a summary of the work undertaken in the period.
- 7 Up to 31st July, the fraud team had achieved £123k in savings for the council as a result of investigation work (against a target for the year of £100k). Successful outcomes were recorded for 50% of the investigations undertaken (where cases have resulted in some form of action against the perpetrator, recovery of funds or other action by management). The team also identified £19k in notional savings principally derived from housing fraud investigations.

### **Breaches of Financial Regulations**

- 8 There has been one breach of the council's financial regulations identified during the course of recent audit work. Details of this breach is summarised in annex 4.

### **Consultation**

- 9 Not relevant for the purpose of the report.

### **Options**

- 10 Not relevant for the purpose of the report.

### **Analysis**

- 11 Not relevant for the purpose of the report.

### **Council Plan**

- 12 The work of internal audit and counter fraud helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

## **Implications**

- 13 There are no implications to this report in relation to:
- Finance
  - Human Resources (HR)
  - Equalities
  - Legal
  - Crime and Disorder
  - Information Technology (IT)
  - Property
  - Risk Management Assessment
- 14 The council will be non-compliant with the PSIAS if the results of audit work are not reported to the committee and could therefore be exposed to increased levels of scrutiny and challenge.

## **Recommendation**

- 15 Members are asked to:
- (a) Note the progress made in delivering the 2017/18 internal audit work programme, and current counter fraud activity.

### Reason

*To enable members to consider the implications of audit and fraud findings.*

**Contact Details**

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**Chief Officer Responsible for the report:**

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**Report  
Approved**



**Date** 11/09/17

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers**

- 2017/18 Internal Audit and Counter Fraud Plan

**Annexes**

Annex 1 – 2017/18 Audits Completed and Reports Issued  
Annex 2 - Variations to the 2017/18 Audit Plan  
Annex 3 - Counter Fraud Activity  
Annex 4 - Breaches of Financial Regulations  
Annex 5 - Current Status of Planned Audits

**Available on the council's website**

The following Internal Audit reports referred to in annex 1 are published on the council's website:

- Blue Badge Scheme
- Council Tax & NNDR
- Disposal of scrap metal (follow-up)
- Fleet Management
- Fulford School



- Homelessness – Housing Options
- Housing Rents
- Housing Repairs
- Main Accounting System
- Schools Themed Audit – Maintained Nurseries
- Section 106 Agreements (follow-up)
- St Aelred's RC Primary School
- St Oswald's CE Primary School
- Use of Social Media
- Waste Disposal Contract

Information which might increase risk to the Council, its employees, partners or suppliers has been redacted.

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**AUDITS COMPLETED AND REPORTS ISSUED**

The following categories of opinion are used for audit reports.

<b>Opinion</b>	<b>Level of Assurance</b>
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

<b><u>Priority</u></b>	<b><u>Long Definition</u></b>	<b><u>Short Definition – for use in Audit Reports</u></b>
1 (High)	<p>Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.</p> <p>These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.</p> <p>Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.</p>	<p>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</p>

**Priority**

**Long Definition**

**Short Definition – for use in Audit Reports**

2

Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.

A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.

Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.

3

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

The system objectives are not exposed to significant risk, but the issue merits attention by management.

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

### Draft Reports Issued

Three internal audit reports are currently in draft. These reports are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee.

### Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in June 2017. In all cases the actions have been agreed with management, and will be followed up by internal audit when the due date is reached.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Blue Badge Scheme	High Assurance	0	0	1	This was a review of procedures surrounding applications for Blue Badges. It was found that the arrangements for managing risk were very good.
Council Tax & NNDR	Substantial Assurance	0	0	2	This was a review of key risks and controls relating to Council Tax and NNDR. It found that the arrangements for managing risk were good with few weaknesses identified.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Disposal of scrap metal (follow-up)	No opinion given	0	0	0	This was a follow up of issues raised in an earlier audit. The review identified that the procedures for collection of scrap metal and receipt of income have improved significantly since the original audit and there are no significant concerns remaining.
Fleet Management	Reasonable Assurance	0	4	0	This was a review of the utilisation of vehicles across the Council. Issues were identified in relation to formalising procedures as well as monitoring of vehicle usage and internal recharges.
Fulford School	High Assurance	0	0	4	A routine audit of financial, operational and governance procedures at the school. Systems were generally working well.
Homelessness – Housing Options	High Assurance	0	0	0	This was a review of applications made to the Housing Options team and the decisions made. It was found that decisions were made robustly with appropriate evidence retained.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Housing Rents	High Assurance	0	0	1	A review of controls and risks relating to housing rents. Effective controls were in place, and only a few minor issues needed to be addressed.
Housing Repairs	Substantial Assurance	0	1	2	A review of the arrangements for housing repairs and maintenance conducted by the council's own teams. Systems were generally working well although one issue was identified in relation to the robustness of savings plans.
Main Accounting System	High Assurance	0	0	3	This was a review of key risks and controls relating to the council's financial accounting system. Controls were found to be working effectively with some minor issues identified.
Schools Themed Audit – Maintained Nurseries	Reasonable Assurance	0	2	4	The audit reviewed a sample of nurseries maintained by the Council to ensure that controls were working effectively in a number of areas, including funding entitlement, eligibility checks and charging policies. The main issues identified related to a lack of budget monitoring at some nurseries and a lack of checks on the



Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
					amount of funding received to ensure it is correct.
Section 106 Agreements (follow-up)	No opinion given	0	1	0	This follow-up found that the service has successfully addressed issues of risk which were highlighted by the 2015/16 audit of Section 106 agreements. One further action has been agreed in relation to ensuring sufficient documentation is retained reflecting the full contributions within the final deed.
St Aelred's RC Primary School	Reasonable Assurance	0	1	8	A routine audit of financial, operational and governance procedures at the school. No major issues were identified; however there were a number of improvements that could be made.
St Oswald's CE Primary School	High Assurance	0	0	2	A routine audit of financial, operational and governance procedures at the school. Systems at the school are operating well in all the areas reviewed.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Use of Social Media	No opinion given	0	0	0	A review was carried out of the draft Social Media policy; it found that it was suitably detailed and was clear on individual guidelines for staff. A recommendation was made in relation to publicising and ensuring staff awareness of the policy once it has been finalised.
Waste Disposal Contract	Substantial Assurance	0	4	3	<p>This audit focussed on assessing the current partnership arrangements and found that they were adequate for the project up to this point in time.</p> <p>The Council now needs to become more actively involved with the project as the construction phase is completed to ensure that the plant can start operating at its full capacity on 1st February 2018.</p>

## VARIATIONS TO THE 2017/18 AUDIT PLAN

Additions to the plan are considered where:

- specific requests are received from the S151 Officer which are necessary for him to discharge his statutory responsibilities;
- new or previously unidentified risks result in changes to the priority of audit work;
- significant changes in legislation, systems or service delivery arrangements occur which have an impact on audit priorities;
- requests are received from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management;
- urgent or otherwise unplanned work arises as a result of investigations into fraud and other wrongdoing identifying potential control risks.

Additions to the audit plan are only made if the proposed work is considered to be of a higher priority than work already planned, the change can be accommodated within the existing resource constraints and the change has been agreed by the Head of Internal Audit.

Audits are deleted from the plan or delayed until later years where:

- specific requests are received from the S151 Officer or the audit customer and the grounds for such a request are considered to be reasonable;
- the initial reason for inclusion in the audit plan no longer exists;
- it is necessary to vary the plan to balance overall resources.

To reflect the contractual relationship between the council and Veritau, all proposed variations to the agreed audit plan arising as the result of emerging issues and/or requests from directorates will be subject to a change control process. Where the variation exceeds 5 days then the change must be authorised by the S151 Officer. Details of variations are communicated to the Audit and Governance Committee for information.

## 2017/18 Audit Plan Variations

The following variations have been approved by the Director of Customer and Corporate Services since the last report to this committee in June 2017.

Audit	Days	Reason For Variation
<b>Additions / Increases to the Audit Plan</b>		
Disposal of scrap metal (follow-up)	5	To carry out a piece of follow-up work to confirm agreed actions from the 2013/14 audit of Usage and Disposal of Surplus Materials had been completed.
ICT audit	5	An additional allowance of days to provide sufficient time to carry out two pieces of work (ICT Governance & Cyber Security and Access to Key IT Systems follow-up).
Taxi Licensing	15	There have been some high profile issues with taxi licensing at other authorities; it therefore seems prudent to carry out a review at this time.
	<b>25</b>	

Audit	Days	Reason For Variation
<b>Deletions / Reductions from the Audit Plan</b>		
Housing Rents	20	The service requested deferral to Q1 2018/19. The audit was originally planned for Q4 2017/18 therefore the difference in start date will be negligible.
	<b>20</b>	

**COUNTER FRAUD ACTIVITY 2017/18**

The table below shows the level of savings achieved through counter fraud work during the current financial year.

	<b>2017/18 (Actual: 31/7/17)</b>	<b>2017/18 (Target: Full Yr)</b>	<b>2016/17 (Actual: Full Yr)</b>
% of investigations completed which resulted in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, management action taken).	50%	30%	47%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£123,354	£100,000	£346,944
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£19,600	£250,000	£144,400

**Caseload figures for the period are:**

	<b>As at 31/7/17</b>	<b>As at 1/4/17</b>
Awaiting allocation	57	71
Under investigation	132	103

**Summary of counter fraud activity:**

<b>Activity</b>	<b>Work completed or in progress</b>
Data matching	Results from the 2016/17 National Fraud Initiative have been returned. There are over 2,600 matches to investigate covering a range of council services. Investigation of these matches is underway.
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Social Care fraud</b> – This is a substantial risk to the council and remains an area of development for the fraud team. There are currently 17 ongoing social care fraud investigations and over £14,000 in savings has been produced to date.</li> <li>• <b>Council Tax/Non Domestic Rates fraud</b> – To date the team has received 26 referrals for potential fraud in this area. There are currently 37 ongoing investigations into Council Tax and Non Domestic Rates fraud. One person has been cautioned for a council tax discount fraud offence.</li> <li>• <b>Housing fraud</b> – Working in conjunction with housing officers, one property was prevented from being let where the prospective tenants had provided false information in their housing application. There are currently 10 ongoing investigations in this area.</li> <li>• <b>Internal fraud</b> - The team has received four referrals for potential internal fraud since April</li> </ul>

Activity	Work completed or in progress
	<p>and 10 cases are currently under investigation.</p> <ul style="list-style-type: none"> <li>• <b>York Financial Assistance Scheme fraud</b> – The fraud team received nine referrals since April. Working with the department new procedures have been implemented to help detect and deter fraud against this scheme. There are currently six ongoing investigations.</li> <li>• <b>Council Tax Support fraud</b> – The fraud team have received 61 referrals for potential CTS fraud to date. The team has produced £10,000 in savings thus far in 2017/18. There are currently 33 cases under investigation. Four people were issued formal warnings following investigations in this area.</li> <li>• <b>Parking fraud</b> – The fraud team and parking department have promoted an amnesty to encourage people to return invalid badges to the council. Following the amnesty a day of action took place where disabled badges being used in the city were checked by joint patrols of parking and fraud staff. The day of action resulted in three investigations being instigated. To date in 2017/18 the council has prosecuted one person, cautioned five people and issued eight warnings for disabled badge or parking permit misuse. There are currently 18 cases under investigation.</li> <li>• <b>Education verification</b> – The fraud team works with the schools team to investigate and deter false applications for school placements. The team has received two referrals in 2017/18.</li> </ul>

<b>Activity</b>	<b>Work completed or in progress</b>
Fraud liaison	The council's remit to investigate and prosecute housing benefit fraud transferred to the Department for Work and Pensions (DWP) in 2016. The fraud team now acts as a single point of contact for the DWP and is responsible for providing data to support their housing benefit investigations. The team have dealt with 122 requests on behalf of the council to date during this financial year.



## ANNEX 4

**SUMMARY OF BREACHES OF FINANCIAL REGULATIONS IDENTIFIED  
DURING INTERNAL AUDIT WORK COMPLETED IN THE PERIOD**

<b>Description of Breach</b>	<b>Instances</b>
Spend over £5,000 undertaken without a quotation exercise	1

<b>Directorate</b>	<b>Instances</b>
Children, Education and Communities	1

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## CURRENT STATUS OF WORK IN AUDIT PLAN

AUDIT	STATUS
<b>Corporate &amp; Cross-Cutting</b>	
Annual Governance Statement & Statement Support	Ongoing
Asset Management	Not started
Business Continuity and Emergency Planning	In progress
Data Quality	Not started
Document Management	Not started
Governance	Not started
Health & Safety	In progress
Information Security	Not started
ICT Governance & Cyber Security	Not started
ICT Access Controls (follow-up)	In progress
Freedom of Information	In progress
Overtime	Not started
PCI DSS	In progress
Performance Management	In progress
Procurement - Waivers	In progress
Procurement – Breaches	In progress
Project Management – Miscellaneous Project Support	Ongoing
Project Management – ASC Project Support	Ongoing

AUDIT	STATUS
Register of Interests	In progress
Scrutiny	Not started
Use of Social Media	Not started
Whistleblowing (support)	Ongoing
<b>Main Financial Systems</b>	
Cashiers and Income Management	In progress
Council Tax & NNDR	Not started
Council Tax Support and Housing Benefits	Not started
Debtors	In progress
Housing Rents	Deferred (September)
Main Accounting System	<b>High Assurance</b>
Ordering and Creditor Payments	Not started
Payroll	Not started
Treasury Management	Not started
<b>Health, Housing and Adult Social Care</b>	
Better Care Fund	Not started
Community Safety Plan	Not started
Deprivation of Liberty Assessments	In progress
Direct Payments	In progress
Housing Performance	Not started
Public Health	Not started

AUDIT	STATUS
Savings Plans (HHASC)	In progress
Supporting Vulnerable People	In progress
<b>Economy and Place</b>	
Bus Pass Usage Claims	In progress
Car Parking	Not started
Procurement of Sub-Contractors	In progress
Property Income	In progress
Section 106 Agreements	Not started
Trading Standards	Not started
Taxi Licensing (addition to plan)	In progress
<b>Children, Education and Communities</b>	
Contributions to Care	In progress
High Needs SEN	In progress
Regional Adoption Agency	In progress
Schools: Stockton-on-Forest Primary School	Fieldwork complete

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**Audit & Governance Committee****20 September 2017**

Report of Deputy Chief Executive / Director of Customer & Corporate Services

**Monitor 2 2017/18 - Key Corporate Risks and Update on Major Projects****Summary**

1. The purpose of this paper is to present Audit & Governance Committee (A&G) with an update on the key corporate risks (KCRs) and an update on major projects for City of York Council (CYC).

**Background**

2. The role of A&G in relation to risk management covers three major areas;
  - Assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risk
  - Keeping up to date with the risk profile and effectiveness of risk management actions; and
  - Monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management
3. Risks are usually identified in three ways at the Council;
  - A risk identification workshop to initiate and/or develop and refresh a risk register. A fundamental review takes place every 3 years with our insurance and risk partners. The risks are continually reviewed through quarterly directorate management teams (DMT) sessions.
  - Risks are raised or escalated on an ad-hoc basis by any employee
  - Risks are identified at quarterly DMT meetings

4. 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 and so the main focus is on the significant risks to the council's objectives, known as the key corporate risks (KCRs).
5. The corporate risk register is held on a system called Magique. The non KCR risks are specific to the 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 to inform the risk officer of any updates on at least a quarterly basis.
6. In addition to the current KCRs, in line with the 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 bi-annually to CMT.
7. The risk management officer meets attends DMTs bi-annually to update directorate risks and KCRs and has one to one sessions with Directors.
8. The Verto system is used for the management of major projects (defined as large or medium sized) and is populated from the directorate project registers. This is reviewed on a two monthly basis at CMT, in addition to any individual reports relating to specific projects. The directorate project lists are being considered on at least a monthly basis by DMTs. The directorate process is facilitated by the directorate assurance lead.
9. The programme assurance group meets on a monthly basis where the corporate programme is considered. The group includes the directorate assurance leads and every other meeting is attended by support leads (which includes HR, legal, finance, audit, property and business support).
10. The project support group meets every month to ensure that project managers have a support mechanism and can discuss improvements to process, project management best practices and share experience.



11. The risk management section within Verto is consistent with the criteria recorded in Magique. The risk management officer has access to all projects in Verto for the purpose of risk oversight.

### **Key Corporate Risk (KCR) update**

12. There are currently 11 KCRs which are included at Annex A in further detail, alongside progress to addressing the risks.
13. 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 of Health and Wellbeing Board to deliver outcomes, resulting in the health and wellbeing of communities being adversely affected.
  - KCR7 – Capital Programme: Failure to deliver the Capital Programme, which includes high profile projects
  - KCR8 - Local Plan: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding
  - KCR9 – Communities: Failure to ensure we have resilient, cohesive, communities who are empowered and able to shape and deliver services.
  - KCR10 – Workforce Capacity: Reduction in workforce/ capacity may lead to a risk in service delivery.
  - KCR11 – External market conditions: Failure to deliver commissioned services due to external market conditions.
14. 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 take into account any additional measures which are in place such as training or reporting. The risk scoring matrix is included at Annex B for reference.

15. 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.

<b>Impact</b>					
Critical			5 (5)		
Major			5 (5)		
Moderate		1 (1)			
Minor					
Insignificant					
<b>Likelihood</b>	Remote	Unlikely	Possible	Probable	Highly Probable

16. 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 risks have been added since the last monitor
  - Increased Risks – no KCRs have increased their net risk score since the last monitor
  - Removed Risks – no KCRs have been removed since the last monitor
  - Reduced Risks – No KCRs have reduced their net risk score since the last monitor

### **Updates to KCR actions or controls since the last monitor report**

17. KCR2 – Governance. A new control ‘revised media and social media protocols’ has been added - this is a completed action.
18. KCR5 – Safeguarding. Completion dates for some of the actions have been amended.

19. KCR9 – Communities. The completion date for the action has been revised.
20. Further details are included at Annex A.

### **Update on Major or “Large” projects**

21. The refresh of the corporate Project Management framework (All About Projects) continues and this will be concluded as part of an exercise with the Project Support Group in November. Audit and Governance committee can then be updated on the work at the December meeting.
22. In terms of the Major projects list there have been 3 additions since the last period:
  - Adult Social Care – Future focus
  - School place planning programme
  - Specialist therapeutic short breaks
23. These have been added after an appraisal against the project assessment criteria by respective DMTs. The detail of these, and all the Major projects, can be found in Annex B of this document.

### **Updates on Risk and Programme/Project Management**

24. The interviews for the Project assurance officer post were held on the 12th September and the successful candidate is expected to be in post in the autumn. This role is key to moving forward with a sustainable approach to applying control, managing risk associated and monitoring and reporting with respect to the council’s diverse, complex project portfolio.

### **Options**

25. Not applicable.

## **Council Plan 2015 - 2019**

26. The effective consideration and management of risk within all of the council's business processes helps support achieving 'evidence based decision making' and aid the successful delivery of the three priorities.

### **Implications**

27. There are no further implications.

### **Risk Management**

28. 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.

### **Recommendations**

29. Audit and Governance Committee are asked to:
- (a) consider and comment on the key corporate risks provided at Annex A;
  - (b) consider the project information provided at Annex B;
  - (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 risk and is kept updated on major programme and project activities

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**Chief Officer Responsible for the report:**

Ian Floyd  
Deputy Chief Executive / Director of  
Customer & Corporate Services

**Report  
Approved**

✓

**Date**  
11/09/17

**Specialist Implications Officer(s)** Not applicable

**Wards Affected** Not applicable

**All**

**For further information please contact the authors of the report**

**Background Papers**

For interpretation of the risk scoring see the corporate risk management policy and guide

**Abbreviations**

ASC – Adult Social Care

AWRP – Allerton Waste Recovery Park

BAU – Business as Usual

CMT – Council Management Team

CYC – City of York Council

CRCWG – Creating Resilient Communities Working Group

CORAG - Chief Officer Reference and Accountability Group

CPO – Compulsory Purchase Order

CRM – Customer Relationship Management

DBOM – Design, Build, Operate and Maintain

DHP – Discretionary Housing Payments

DMT – Directorate Management Team

DCLG – Department of Communities and Local Government

ESFA – Education and Skills Funding Agency

EPH- Elderly Persons Home  
ECI – Early Contractor Involvement  
FIRST – Family Intensive Rapid Support Team  
FTE – Full Time Equivalent  
GLL – Greenwich Leisure Ltd  
HCA – Homes and Communities Agency  
ITT – Invitation to Tender  
KCR – Key Corporate Risk  
LDS – Local Development Scheme  
LGWP – Local Plan Working Group  
LBC – Lawful Development Certificate  
LCR LEP – Leeds City Region Local Enterprise Partnership  
LGF – Local Growth Fund  
LCR SEP – Leeds City Region Strategic Economic Plan  
LEP – Local Enterprise Partnership  
LHA – Local Housing Association  
NYCC – North Yorkshire County Council  
OPH – Older Persons Home  
PB – Project Board  
RAG – this is a risk status rating, which stands for “Red”, “Amber” or “Green”  
RTB – Right to Buy  
RIBA – Royal Institute of British Architects  
VSM – Value Stream Mapping  
WYCA – West Yorkshire Combined Authority  
YORR – York Outer Ring Road

## **Annexes**

Annex A - Key corporate risk register  
Annex B - Update of major projects

**ANNEX A  
KEY CORPORATE RISK REGISTER AT SEPTEMBER 2017**

**KCR 1 FINANCIAL PRESSURES: The ongoing government funding cuts will continue to have an impact on Council services.** Over the course of the last 4 years there has been a substantial reduction in government grants leading to significant financial savings delivered. The expectation is that £16m savings will be required over the years 17/18 to 19/20. 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.

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>Increased service demand and costs (for example an aging population).</p> <p>Financial pressures on other partners that impact on the Council</p>	<p>Potential major implications on service delivery</p> <p>Impacts on vulnerable people</p> <p>Spending exceeds available budget</p>	Probable	Major (20)	<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>Skilled and resourced finance function, supported by managers with financial awareness</p> <p>Efficiency Plan agreed by Executive June 2016</p> <p>Financial Strategy 2017/18 approved</p>	Possible	Moderate (14)	No change	Development of budget strategy for 2018-19 (Ian Floyd, 31/01/2018)

**ANNEX A  
KEY CORPORATE RISK REGISTER AT SEPTEMBER 2017**

**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, transparency and health and safety.

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 FOI and transparency</p> <p>Failure to comply with information security policy</p> <p>Serious breach of health and safety legislation</p> <p>Failure to comply with statutory obligations in respect of public safety.</p>	<p>Breach of Data Protection Act and other non compliance</p> <p>Fines levied by Information Commissioner</p> <p>Impact on the end user/customer</p> <p>Public and staff safety may be put at risk</p> <p>Further incidents occur</p> <p>Adverse media coverage</p> <p>Reputational impact</p>	Probable	Major (20)	<p>Electronic Communication Policy</p> <p>IT security systems in place</p> <p>Governance and Assurance Group (GRAG)</p> <p>Secure paper storage and confidential waste disposal available in office accommodation</p> <p>Ongoing Internal Audit review of information security</p> <p>Health and Safety monitoring by CMT and DMTs</p> <p>Regular monitoring reports to Audit &amp; Governance committee and Executive Member decision sessions</p> <p>Open Data platform providing Freedom of Information (FOI) requested data</p> <p>Regular review of transparency code legislation and compliance</p> <p>Ongoing management of data architecture to provide de-</p>	Possible	Major (19)	New control added	<p>Ongoing Action - Health and Safety training programmes at all levels (Ian Floyd, 31/03/2018)</p> <p>Ongoing Action: regular review of internal audit reviews and recommendations (Ian Floyd 31/03/18)</p>



**ANNEX A  
KEY CORPORATE RISK REGISTER AT SEPTEMBER 2017**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
				personalised data to open data platform  <b>NEW</b> - Revised media and social media protocols				

**ANNEX A  
KEY CORPORATE RISK REGISTER AT SEPTEMBER 2017**

**KCR 3 EFFECTIVE AND STRONG PARTNERSHIPS: Failure to ensure governance and monitoring frameworks of partnership arrangements are fit for purpose to effectively deliver outcomes.** In order to continue to deliver some services the council will have to enter into partnerships with a multitude of different organisations whether they are third sector or commercial entities. There needs to be robust, clear governance arrangements in place for these partnerships as well as performance monitoring arrangements to ensure delivery of the objectives.

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, and Council owned organisations</p> <p>Partner (especially NHS, Academies) financial pressures may effect outcomes</p> <p>Unilateral decisions made by key partners may effect CYC budgets or services</p>	<p>Key partnerships fail to deliver or break down</p> <p>Ability to deliver transformation priorities undermined</p> <p>Adverse impact on service delivery</p> <p>Funding implications</p> <p>Reputational impact</p>	Probable	Major (20)	<p>Creating Resilient Communities Working Group (CRCWG)</p> <p>Account management approach to monitoring key partnerships</p> <p>Safeguarding Board revised governance in place</p> <p>Shareholder Committee to monitor Council owned companies</p> <p>York Central Partnership</p>	Possible	Moderate (14)	No change	Ongoing action - Monitoring of controls (CMT, 31/03/2018)

**ANNEX A  
KEY CORPORATE RISK REGISTER AT SEPTEMBER 2017**

**KCR 4 CHANGING DEMOGRAPHICS: Inability to meet statutory deadlines due to changes in demographics.** York has a rapidly changing demographic in relation to both residents and business. This brings with it significant challenges particularly in the delivery of adult social care and children's services. There has also been significant migration and as such 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
Baby boom impact on schools  Inward migration to York  Development and regeneration makes York more desirable and accessible to residents and business  An aging population requiring services from the council placing significant financial and delivery challenges  Increased ethnic diversity  Growing SEN - in particular autism  Popularity of universities  Increase in complexity of needs as people get older  Increase in people living with dementia  Demographic of workforce unable to meet demand	Increased service demand from residents; school placements, SEN, emotional mental health, adult social care and environmental services (eg waste collection)  Increased service demand in relation to business (eg Regulation, Planning)  Impact on reducing budgets and resources  Statutory school places have to be found  Rise in delayed discharges  Impact on service users  Reputational impact  Insufficient capacity for workload - need right people in the right place	Probable	Major (20)	Analysis of need and work around options  Stakeholder and officer group  DfE returns  Inclusion review  Caseload monitoring  Local area working restructures in frontline services, including Early intervention initiatives and better self-care  Place planning strategy in place  School population reported every 6 months  Direct access to support and services  Investment in support brokerage work with NHS integrated commissioning  Creating Resilient Communities Working Group (CRCWG)	Possible	Major (19)	No change	Ongoing Action - Ensure adequate supply of schools places (CYC Place Planning Strategy, Governance Structure) (Jon Stonehouse, 31/03/2018)  Redesign and implement new arrangements for early intervention and prevention (Jon Stonehouse, 31/12/2017)  Assessment and care management Review (Martin Farran, 31/12/2018)  Advise and Information Strategy and Action Plan (Martin Farran, 31/12/2018)  Undertake a review to link the Local Plan and Major

**ANNEX A  
KEY CORPORATE RISK REGISTER AT SEPTEMBER 2017**

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Failure to plan for the impact of a rapid change in demographics to front line service provision								development projects to demographic data to determine the impact on all CYC services (CMT, 31/03/18)

**ANNEX A  
KEY CORPORATE RISK REGISTER AT SEPTEMBER 2017**

**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, organisational 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
Failure to protect a child or vulnerable adult from death or serious harm (where service failure is a factor)	Vulnerable person not protected  Children's serious case review or lessons learned exercise  Safeguarding adults review  Reputational damage  Serious security risk	Probable	Major (20)	Safeguarding sub groups  Multi agency policies and procedures  Specialist safeguarding cross sector training  Quantitative and qualitative performance management  Reporting and governance to lead Member, Chief Executive and Scrutiny  Annual self assessment, peer challenge and regulation  Audit by Veritau of Safeguarding Adults processes  Children's and Adults Safeguarding Boards (LSCB & ASB)  Ongoing inspection preparation & peer challenge  National Prevent process  DBS checks and re-checks  Effectively resourced and well managed service  Safeguarding Board annual plan	Possible	Major (19)	No change	Restructure Children's Social Care Services (Jon Stonehouse, 31/12/2017) – <b>revised date</b>  New Children's Social Care records system (Jon Stonehouse, 30/09/2018) – <b>revised date</b>  Safeguarding Board annual action plan 2018/19 (Martin Farran, 31/03/2018)  Community Safety Plan (Martin Farran 30/09/2017) – <b>revised date</b>

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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>2017/18 and Strategic Plan to 2019/20 are approved</p> <p>Controls implemented from peer review action plan</p> <p>CORAG (Chief Officer Reference and Accountability Group) which brings together Chief Officers from relevant organisations in relation to safeguarding eg police, CYC</p>				

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KEY CORPORATE RISK REGISTER AT SEPTEMBER 2017**

**KCR 6 HEALTH AND WELLBEING: Failure of Health and Wellbeing Board to deliver outcomes, resulting in the health and wellbeing of communities being adversely affected.** The Council has the responsibility for the provision of public health services. The Health & Wellbeing Board, brings together local organisations to work in partnership to improve outcomes for the communities in which they work. Poor governance or financial pressures (partners or Council) may lead to failure to adequately perform these functions, resulting in the health and wellbeing of communities being adversely affected.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Outcomes may be difficult to evidence due to longevity</p> <p>Lack of resources: numbers and/or specialist skills</p> <p>Other Council priorities may result in less focus on Health and Wellbeing outcomes</p> <p>Failure to deliver Health and Wellbeing responsibilities</p> <p>Failure to integrate Public Health outcomes</p> <p>Reliance on partners outside of the council's control</p> <p>Partner (eg NHS) financial pressures may effect outcomes</p>	<p>Health and wellbeing of the community adversely affected</p> <p>Key objectives are not delivered</p> <p>Reputational damage</p>	Probable	Major (20)	<p>The Council have oversight of the Health and Wellbeing Board, which own the Health &amp; Wellbeing strategy and receives reports on progress.</p> <p>The Health &amp; Wellbeing Board has approved a new 5 year joint strategy for the period 2017-21, including a joint strategic needs assessment</p> <p>A governance structure is in place for delivery of the Health &amp; Wellbeing strategy.</p> <p>Development sessions delivered by the Local Government Association (LGA)</p> <p>Improved workforce awareness of Health &amp; Wellbeing Strategy</p> <p>One Planet York's better decision making tool to assist with the Integration of the Health &amp; Wellbeing Agenda in relation to all Council service areas and external organisations</p> <p>Restructured Healthy Child Service</p> <p>Public Health is a statutory requirement of the Council</p>	Possible	Moderate (14)	No change	<p>Develop a Performance Management Framework for monitoring of outcomes. (Sharon Stoltz, Jon Stonehouse, Martin Farran 30/09/2017)</p>

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KEY CORPORATE RISK REGISTER AT SEPTEMBER 2017**

**KCR 7 CAPITAL PROGRAMME: Failure to deliver the Capital Programme, which includes high profile projects.** The capital programme currently has approximately 85 schemes with a budget of £215m from 2017/18 to 2021/22. The schemes range in size and complexity but are currently looking to deliver two very high profile projects, the Community Stadium and York Central, which are key developments for the city.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
Complex projects with inherent risks  Large capital programme being managed with reduced resources across the Council	Additional costs and delays to delivery of projects  The benefits to the community are not realised  Reputational Damage	Probable	Major (20)	Project boards and project plans  Regular monitoring of schemes  Capital programme reporting to Executive and A&G  Financial, legal and procurement support included within the capital budget for specialist support skills  Revised Project Management Framework  Capital Strategy 2017/18 to 2021/22 approved in Feb 2017  Additional resource approved to support project management	Possible	Moderate (14)	No change	Development of capital strategy for 2018-19 (Ian Floyd, 31/01/2018)



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**KCR 8 LOCAL PLAN: Failure to develop a Local Plan could result in York losing its power to make planning decisions and potential loss of funding.** The council has a statutory duty to develop a Local Plan, a city wide plan, which helps shape the future development in York over the next 20 years. It sets out the opportunities and policies on what will or will not be permitted and where, including new homes and businesses. The Local Plan is a critical part of helping to grow York's economy, create more job opportunities and address our increasing population needs.

Risk Detail (cause)	Implications (consequence)	Gross Likelihood	Gross Impact	Controls	Net Likelihood	Net Impact	Direction of Travel	Risk Owner and Actions
<p>Fail to adopt and agree a Local Plan</p> <p>Local Plan adoption process delayed</p> <p>Significant opposition to the plan that may impede its progression</p>	<p>Significant negative impact on the council's strategic economic goals</p> <p>Council continues to have no adopted development plan/framework</p> <p>Legal and probity issues</p> <p>Reputational damage</p> <p>Increased resources required to deal with likely significant increase in planning appeals</p> <p>Development processes and decision making is slowed down</p> <p>Widespread public concern and opposition</p> <p>Inability to maximise planning gain from investment</p> <p>Adverse impact on investment in the city</p> <p>Unplanned planning does not meet the authority's</p>	Probable	Major (20)	<p>Develop strategy for cross party working on long term strategic issues</p> <p>CMT and DMT to work closely with key Members on Local Plan issues</p> <p>Proactive communication strategy</p> <p>Effective programme and project management to ensure timescales and milestones are met</p> <p>Effective project resourcing</p> <p>Continued close liaison with neighbouring authorities</p> <p>Continued close liaison with DCLG, Planning Advisory Services and Planning Inspectorate</p>	Possible	Major (19)	No change	Ongoing action - Monitoring of controls (Mike Slater, 31/03/2018)

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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
	aspirations of the city  Ongoing costs of the preparation of the Local Plan  Potential loss of funding if Plan is not approved							

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**KCR 9 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</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>Creating Resilient Communities Working Group (CRCWG)</p> <p>New service delivery models</p> <p>Revised Community Safety Plan</p> <p>Devolved budgets to Ward Committees and delivery of local action plans through ward teams</p> <p>Local area working restructures for Children’s, Adults and Housing Services</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>	Possible	Major (19)	No change	<p>Develop a Community Engagement Strategy (Jon Stonehouse, 31/12/2017) – <b>revised date</b></p>

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**KCR 10 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.

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>Increased workloads for staff</p> <p>Impact on morale and as a result, staff turnover</p> <p>Inability to maintain service standards</p> <p>Impact on vulnerable customer groups</p> <p>Reputational damage</p> <p>Single points of failure throughout the business</p>	Probable	Major (20)	<p>Workforce Strategy/ People Plan</p> <p>Stress Risk Assessments</p> <p>PDRs</p> <p>Comprehensive Occupational Health provision including counseling</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>	Possible	Moderate (14)	No change	<p>Develop a comprehensive health and wellbeing policy consolidating all current and planned actions. (Sharon Stoltz, 31/03/2018)</p> <p>Ongoing action: Review of HR policies to ensure they compliment the new ways of working in the future (Ian Floyd 31/03/18)</p>

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**NEW - KCR 11 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 to the living wage 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
Increases to the national living wage.  Recruitment and retention of staff  If failure occurs, the Council may remain responsible for ensuring the needs of those receiving the service continue uninterrupted.	Vulnerable people do not get the services required or experience disruption in service provision  Safeguarding risks  Financial implications: Increased cost of alternative provider Increased cost if number of providers are limited  Reputational damage	Unlikely	Major (18)	Clear contract and procurement measures in place  Ongoing review of operating and business models of all key providers  CYC investment in extra care OPHs has reduced recruitment pressure  Revised SLA with independent care group and quarterly monitoring meetings with portfolio holder  Increase in homecare fees to reflect actual cost of care  Local policies in place for provider failure	Unlikely	Moderate (13)	No change	Ongoing action: Ongoing attendance at Independent Care Group Provider Conference (Martin Farran 31/03/18)

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## Annex B – Update of “Large” Projects

Over the page is a summary of “Large” projects:

### Please note before reviewing the “Large” project information:

- The Summary of “Large” projects will evolve over time as projects progress, are completed and new projects are initiated and is provided to inform the committee in performing its role of **risk and assurance of the project management approach**.
- Projects are in the process of being assessed (using the Project assessment matrix (presented to the A&G committee in May 2016). Any project that achieves a score of 106 or more out of 160 qualifies as a “Large” project and is included in this list as a “Large” project.
- Executive is responsible for scheme financing/policy and Scrutiny will perform detailed reviews of any relevant project.
- Further information on projects can be provided to the committee on request or the committee can request that a relevant scrutiny committee to do a more detailed review.
- The status (RAG – Red, Amber or Green) is provided to give an overview of any significant risks and provide assurance as to how individual projects are being managed. An explanation as to what the status means is included in the July 2016 Projects update to Audit and Governance.
- See the matrix below when reviewing the risk scores.

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						

<b>Large projects summary</b>	<b>Previous period (RAG)</b>	<b>This period (RAG)</b>	<b>Direction of travel</b>
Adult Social care – Future focus		<b>Green</b>	
Allerton Waste Recovery Park (AWRP)	<b>Green</b>	<b>Green</b>	<b>Same</b>
Castle Gateway	<b>Amber</b>	<b>Amber</b>	<b>Same</b>
Community Stadium	<b>Amber</b>	<b>Amber</b>	<b>Same</b>
Digital services (CRM)	<b>Red</b>	<b>Red</b>	<b>Better</b>
Guildhall	<b>Green</b>	<b>Green</b>	<b>Same</b>
Housing development (HCA partnership)	<b>Amber</b>	<b>Amber</b>	<b>Same</b>
Local Plan	<b>Amber</b>	<b>Amber</b>	<b>Same</b>
Older person's accommodation (ASC)	<b>Green</b>	<b>Green</b>	<b>Same</b>
Outer ring road (A1237)	<b>Amber</b>	<b>Amber</b>	<b>Same</b>
Provision of School Places 2017-2023		<b>Green</b>	
Specialist Disabled Children Short Break Facility		<b>Green</b>	
York Central	<b>Amber</b>	<b>Amber</b>	<b>Same</b>



**Detailed updates**

<b>Project title</b>	Adult Social Care – Future Focus
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>Demand for Adult Social Care rises each year. People are living longer into old age requiring support, there are more people living longer with complex long term conditions and there are increasing numbers of young adults in transition to adult services with complex needs.</p> <p>This increased demand for services coincides with significant financial pressure arising from reduced Local Authority funding, legislative changes driven by the Care Act and an increased public expectation of Adult Social Care and rightly an expectation of high quality, personalised and flexible support for those who are eligible for care.</p> <p>The goal of health and care services is to help older, vulnerable or disabled adults who have ongoing support needs to live well and have a good life. A “good life” means living independently at home wherever possible, with opportunities to spend time with other people and to do things which are meaningful to that individual.</p> <p>Current ways of supporting adults do not consistently result in everyone achieving all of their goals and living well where they want to live. People and families are not always helped enough to look after themselves and each other. Services can be overly paternalistic and lack the choice and control that services users rightly demand.</p> <p>Social care is often a vital part of enabling people to live independent lives but it is far from being the only component to enable people to live fulfilled lives. We must be ready to have different conversations which take full account people’s assets, strengths, knowledge and skills to build and harness the contributions of people, their personal networks, social capital and their local communities. This will support greater wellbeing and independence.</p> <p>The nature and scale of these challenges requires a fundamental shift in how Adult Social Care is delivered to ensure financial sustainability and to help those with social care needs, their families and carers have a better quality of life.</p> <p>There is an emerging consensus that community based models of social</p>	

work based on Asset Based Conversations that will support a collaborative approach alongside communities, families and carers, are the most effective way to approach the challenges outlined above. A review of national best practice and emerging evidence to identify the elements of such approaches that are likely to be of key importance for any operating model that seeks achieve both improved lives and financial sustainability for Adult Social Care.

To be successful this will entail:

Changing culture and reducing bureaucracy, with an emphasis on having deeper and more specific conversations based upon what people, their families and carers want in terms of their outcomes;

Focussing on maximising the Assets, Skills Knowledge and Strengths of individuals and their communities in maintaining health, wellbeing and independence and thereby helping people develop and maintain skills that will maximise their independence in the long term;

Reaching people earlier and being more accessible in local communities;

Helping people access community solutions and improve their connections with others to reduce isolation and loneliness;

Emphasising the importance of being highly responsive when people are in crisis and developing a plan that helps them to regain as much independence as possible;

Making the best use of digital and technological solutions to support employees to be more effective and efficient in their work, and help people lead independent lives.

Working closely with Community and Health Partners to make best use of resources and ensure that people receive the right care, in the right place at the right time.

### **Current status**

**GREEN**

Activities completed and progressed in the period are:

- a. Continued design engagement.

- b. External / interdependent stakeholder engagement commenced.
- c. Continued Customer engagement
- d. Continued development of Financial baseline.
- e. Engagement with Health Partners
- f. Refine the long list of opportunities into a short list to take forward into operating model design.

### **Progress Update**

#### Design engagement.

1. Through staff and stakeholder meetings and CYC documentation, the programme has agreed, outlined and documented the current process flow within assessment and care management areas of work identifying key challenges and opportunities.
2. Prepared for and ran our first Design workshop – approx. 50 attendees with positive feedback from delegates about the event itself and progress being made by the Future Focus programme. Follow up activities included evaluating feedback and writing/sharing the output with the delegates and wider team.
3. Planned for and ran the first contact and front door design session – attended by 15 professionals across all ASC teams. Drafted output to be shared
4. Arranged working session on asset-based approaches in assessment, support planning and reviews - Wednesday 16th August, invited individuals from across all ASC teams
5. Follow up drop in sessions ran with Review Managers, Carer Support Workers, Safeguarding team, Local Area Coordinators, Community Facilitators and lead managers in this area.
6. Designed and distributed time allocation survey to all ASC frontline staff (deadline 16th August)
7. Prioritised long-list of opportunities and have mapped these against impact and feasibility and categorised into programmes of work. These are the starting point for the external and interdependent engagement of the wider system.

#### External / interdependent stakeholder engagement.

8. The programme has now mapped interdependent ASC programmes of work and those within the wider system. Set up relevant stakeholder interviews to develop this further.

9. A Health workshop is planned for the 16<sup>th</sup> August and will be attended by hospital colleagues.

Customer engagement commenced

10. Following agreement from the board, customer engagement leaflets have been sent out to targeted groups of service user and people on the verge of care. These have been accessibility tested and supported by Healthwatch. The programme has developed pamphlets, large print and easy read describing the vision for Future Focus and seeking examples of the conversation, work and services which have been successful in promoting good outcomes and reduced the need for care.
11. The programme continues to use the various CVS forums to promote the programme objectives, and to seek feedback on its approach and ideas for the design.

Case For Change completed

12. The Case for Change has been refined and signed off following comments from senior managers and stakeholders. A copy of this is attached to the DMT Board report.

Development of Financial baseline.

13. The programme has continued to develop the financial business case tool. The assumptions and approach therein have been discussed with finance and subject matter experts. Tier approach to care packages has been discussed with service managers. 17/18 unit prices figures have been established.
14. The developing financial framework will be used to support programme analysis; map activity and spend data and build financial baseline using CYC agreed growth and inflation rates. Subject matter experts from finance have been brought in to challenge and test this working before the final sign off of financial baseline.

**Future outlook**

To progress the Future Focus Programme over the next period, the team will continue to progress activity against agreed plan, specifically:

- a. Continued Customer engagement:

- b. Quantify the investments and impacts for cost benefit model.
- c. Savings plan and benefits realisation plan.
- d. Detailed implementation planning for Phase 2.
- e. Agree “Go/ No Go” Criteria for phase 2.

Continued Stakeholder engagement:

1. Blueprinting meetings are now happening at a level of detail with the teams to further establish opportunities and their impacts.
2. Workshops will be targeted at staff as widely as possible, but also will need to include wider groups within and without of the council. This will mean including primary care, the acute hospital trust, CV, Mental Health services and care groups.
3. The customer engagement will bear fruit this month and we will establish the possibilities of having ongoing dialogue with customer groups to shape the design of tools and working practices within the new model.

Refine the long list of opportunities into a short list to take forward into operating model design.

4. Blueprinting meeting will continue with staff teams, and the 24<sup>th</sup> August will see a second design workshop aimed at reducing the long list of opportunities to a shortlist tested against the design principles for efficacy and impact.
5. The importance of engaging with those effected by local design, and ensuring we are aware of wider system changes is informed by this process.

Development of the Outcomes Framework.

6. This period will see the development of an outcomes framework for the work of the new model. This will help track and deliver the intended benefits of the transformation and align these outcomes to wider system goals and commitments.

Quantify the investments and impacts for cost benefit model.

7. This period will see the initial draft of the cost benefits model. This product will establish the likely impact of the opportunities within the new model and the likely investment in staff and transformation required to achieve this. This work will underpin the “Go / No Go decision making required prior to phase 2 and as part of the gateway process for the

council projects.

Detailed implementation planning for Phase 2.

8. Opportunities, impacts and goals will allow the programme to establish the phase 2 plan which will align change to be most effective and sequential in terms of supporting staff, residents and the organisation as per the programmes overarching design principles.

Agree “Go/ No Go” Criteria for phase 2.

9. “Go / No Go” decision making is required prior to phase 2 before further investment is made in support of the programme. This constitutes a significant decision making gateway for the council projects. A set of criteria will be established for agreement with the board.

**Key risks**

<b>Risk (brief description/consequence )</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Material inaccuracies in the assumptions and/ or benefits and / or costs of the future model have been miscalculated.  Savings not realised despite change.	Objective external appraisal of Benefits / Savings.  Benefits will have been sensitivity tested as part of the Full Business Case created in Phase 1 before Proceeding into Phase 2.	14	8
The changes do not realise the required levels of financial benefits  Despite changes, external or unforeseen factors prevent full extent of savings to be realised putting ASC financial Savings plan at risk	An extensive and tested Cost/Benefit Analysis to be created during the design phase with an agreed Benefits Realisation Plan. Benefits will be monitored throughout the lifecycle of the programme, with updates at key milestones for all Stakeholders.  Benefits will have been sensitivity tested as part of the Full Business Case created in Phase 1 before	19	14

	Proceeding into Phase 2.		
<b>Reports to</b>	The Programme uses existing Management Structures in the HHASC Directorate and uses DMT as its Programme Board.		
<b>Exec member</b>	Cllr. Carol Runciman		
<b>Director responsible</b>	Martin Farran – Corporate Director for Health, Housing and Adult Social Care		
<b>Dependencies</b>	Market development, Comprehensive Information, Advice and Guidance for ASC		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>			

<b>Project title</b>	Allerton Waste Recovery Park (AWRP)
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>Allerton Waste Recovery Park is an exciting new facility which will bring together state-of-the-art technologies to make the most of the North Yorkshire's and the city of York's waste.</p> <p>The facility, when built, will safeguard our future cost in terms of disposing of residual waste, will generate energy and produce ensure more material can be recycled</p> <p>Amey will then operate the facility on behalf of North Yorkshire County Council and the City of York Council for 25 years.</p> <p>The project represents a significant investment for City of York council.</p>	
<b>Current status</b>	
<p><b>GREEN</b></p> <p>The project is well into the delivery phase. The commissioning of the facility started in July and is ongoing (commissioning is due for completion early 2018) and is on schedule. The first waste was delivered to the facility on the 31<sup>st</sup> July.</p> <p>Alongside the commissioning period has been the opening of the new Transfer station at Harewood Whin. CYC residual waste will be transferred from here to Allerton park. This is operational during the commissioning period though there will still be occasions when the landfill will be used.</p> <p>The work on the further partnership strengthening with North Yorkshire County Council is ongoing and a report is will be presented to members later in the autumn.</p>	
<b>Future outlook</b>	
<p>The hot commissioning will start in the next period. The purpose of this is to test the facility with near operational levels of Waste in order to be able to sign off the construction and move into full operation in February 2018.</p> <p>Work will continue on the review of the JWMA and close working with</p>	



<p>NYCC. Work will also be undertaken to test the payment mechanisms and performance systems between CYC and NYCC.</p>			
<b>Key risks</b>			
<b>Risk (brief description/consequence )</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Arrangements with NYCC need agreeing with respect to the operation of the facility, waste disposal and financials	<p>The arrangements are built into the contract, however, there are early items to resolve with respect to increasing capacity at Harewood Whin. Continue dialogue with NYCC, agree on terms to move forward.</p> <p>Process now nearly completion and will be ready for agreement in the autumn.</p>	19	14
Residents don't see the benefits of the Waste strategy	<p>Develop communications plan and strategy for AWRP and how this links with the council's other strategies on Waste and Renewable energy.</p> <p>Key communications staff key into the project. Work ongoing with the contractor on educational programme.</p>	15	14
Transfer stations - Failure to develop the waste transfer station infrastructure required for effective service delivery results in reduced efficiency, impact on collections and increased costs, reputational issues with collection authorities and residents.	<p>Work with collection authorities to develop a strategy and delivery plan.</p> <p>Implementation now nearly complete.</p>	23	17
Change Management - Changes in government and/or government policies/legislation resulting in financial challenges	<p>Change processes in the schedule and contract, external legal advisers in place, quarterly review of waste law list by external technical advisers,</p> <p>Ongoing monitoring of waste law list and advisers will highlight any substantial changes which results in impacts on the contract. Project advisor developing procedures and processes to effectively manage the contract and react to any potential change proposals.</p>	22	13
<b>Reports to</b>	The Project is managed by NYCC and the delivery		

	partner Amey and CYC have a representative at the Project group.
<b>Exec member</b>	Cllr. Andrew Waller
<b>Director responsible</b>	Neil Ferris – Corporate Director of Economy and Place
<b>Dependencies</b>	None
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	

<b>Project title</b>	Castle Gateway
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>City of York Council (CYC) are one of the principal land owners in the area around Piccadilly, the Eye of York, St George's Field and the Foss Basin. This area is being referred to as the "Castle Gateway" and many parts of the area are underused, semi derelict or of poor quality. Many of the properties are for sale or owned by investors and there is a risk that the area will continue to be blighted or that important sites will be developed in a piecemeal manner. The area is urgently in need of a fresh vision to improve the locality and create a socially and economically sustainable future. As the principal landowner, CYC will be instrumental in delivering a joined-up regeneration of the area which will maximise social and economic benefits for the City.</p>	
<b>Current status</b>	
<p><b>AMBER</b></p> <p>A major update report on the Castle Gateway was taken to January's Executive. The report approved the vision for the regeneration of the area and an action plan for delivering that vision. It also set out the Area of Opportunity policy, which enshrines the vision in planning policy, for inclusion in the emerging Local Plan. The aim was to take a preferred masterplan for the public realm, infrastructure, and council land assets back to the Executive by the end of 2017. However, having reviewed the programme with the appointed masterplan consultants, BDP, it has become apparent that the scale of work required means that this is now likely to be early in the new year.</p> <p>The council are in discussions with the other major landowner in the Castle Gateway regarding their proposals for the area and potential options to work in partnership. The outcome of these discussions, and alternative delivery models, will be taken to Executive for consideration alongside the preferred masterplan. To guide this process the council have appointed Deloitte to provide commercial and valuation advice. They have completed appraisals of the value of the council's land assets, and will work alongside BDP to ensure the emerging masterplan is commercially viable.</p> <p>BDP are progressing at pace with the masterplanning. They have a wealth of experience on large scale projects such as Liverpool One, including</p>	

locally on the Heslington East campus. They also bring with them expertise of working in water borne environments in the Netherlands and specialist bridge design through the inclusion of BDP Rotterdam and Witteveen + BOS. Several meetings with the council's technical officers and key stakeholders have taken place to formalise the brief and statement of heritage significance for the area. From this, and the public engagement work, they are now working on high level options. These will go out to consultation in late 2017, to allow a preferred option to be shaped and developed.

Regular meetings are ongoing with the Castle Gateway Advisory Group, which are feeding directly in to the masterplan process.

Monthly meetings of the council's working group, chaired by Neil Ferris, are ongoing to drive the project forward. This group can make decisions within the scope of previously agreed Executive approvals, and reports in to the Executive. The group includes council's legal, property, finance, and planning representation.

Stage one of the My Castle Gateway public engagement process has now completed. The open conversation process facilitated by the council, Helen Graham from the University of Leeds, and Phil Bixby, has already provided BDP with an interim report, with the formal brief to follow by mid-September. The engagement has applied multi-platform social media, videos, walks, talks, and visioning events to shape the brief. The process is now entering stage two, identifying challenges to delivery and trying to find creative solutions. This will prepare the public for the high level options which will go out to consultation in late 2017.

Work is progressing well at Stonebow House and will complete in Spring 2018.

Spark:York's planning application was approved by planning committee on Thursday 11 May. The scheme will provide a meanwhile use of start-up space for local business, street food and exhibition space at 17-21 Piccadilly. The aim was to open in August 2017, operating under a three year tenancy from the council, but has slipped slightly with the intention to open at the end of September. The first containers will be shipped to site at the start of that month. The project will help drive the regeneration of the area whilst a long term decision on the future of the council's land asset in the area is taken.

English Heritage have been granted planning permission to construct a new

visitor centre as part of wider restoration works to Clifford's Tower to improve visitor numbers and satisfaction. The judicial review of that planning permission was dismissed by the High Court following a hearing on the 3rd May. However, we are awaiting the outcome of a review of the right to challenge the High Court decision. Should the planning permission be upheld the Executive have approved the transfer to English Heritage the small area of council owned land needed for the scheme to progress.

On the 31st August the council's Executive approved the use of Castle Car Park for a full scale pop-up Globe Theatre throughout the summer of 2018. This will host daily productions of Shakespeare, bringing inward investment and tourism to the city. The proposal is of significant benefit to the Castle Gateway project, promoting an alternative use for the car park (the permanent closure of which forms part of the long term vision for the area) whilst allowing us to monitor the impact of the closure on highways and transport in the short term. The council's loss of revenue from the car park will be funded by the Globe operator.

### **Future outlook**

BDP will be working up a series of high level masterplan options for the area. These have been informed through a comprehensive review of the planning history and frameworks, completing a statement of heritage significance, the brief from the My Castle Gateway project setting out public aspirations, and a series of meetings and workshops with key officers, stakeholders and the Castle Gateway Advisory Group. The intention is for these high level options to be taken out to public consultation in November 2017.

As part of that masterplanning work BDP's sub consultants (Weteween+BOS and WSP) are carrying out a series of transport modelling options throughout September and October. This will explore highway and movement opportunities and a review of the scale, type and location of car parking provision. This work will feed directly in to - and shape - the masterplan options.

Throughout the development of the masterplan options Deloitte, the council's commercial advisors, will be reviewing emerging ideas to ensure that proposals are economically and commercially viable. This iterative approach will help to shape the masterplan so that the final preferred option is deliverable and achievable.

Stage two of the My Castle Gateway public engagement project will

commence in September. Stage one sought to understand what is important to people about the Castle Gateway and what they would like to do there in the future. Stage two will seek to explain and identify the challenges and tensions in delivering the regeneration. This will provide the public with a better understanding of what pressures will shape the masterplan, but also allow the opportunity for the public to engage with the process and provide creative solutions to those problems.

Alongside the emerging options, officers will be working with legal and commercial advisors to explore the different delivery models for the project.

Spark:York is due to open at the end of September, with fitted out containers being delivered to site at the start of the month. The scheme opening will represent a major milestone, signalling early delivery and building confidence in the long term regeneration project.

#### Key risks

Risk (brief description/consequence )	Control/action	Gross	Net
<p>Insufficient legal resources and internal experience in to support the establishment of a delivery model for the council's assets</p> <p>The council fail to develop the best delivery structure for developing out its land assets, or are unable to secure the most advantageous contractual agreements with identified partners. This represents a significant risk to both the Castle Gateway project and the council achieving best value</p>	<p>It is likely that the council will need to seek external legal support and advice</p> <p>The council have already sought external legal advice from Bevan Brittain on earlier partnering opportunities in the Castle Gateway. It is probable that their (or another framework partner's) advice will be required in future.</p>	21	14
<p>Land assets outside the council's control do not come forward to market, continuing to undermine</p>	<p>Discussions with landowners and developers to facilitate development, and understand the</p>	23	19

<p>the area and depress the council assets and income</p> <p>Castle Gateway remains run-down, with a number of derelict, vacant or poor quality sites damaging the local area and having a negative impact on the capital and revenue value of the council's assets</p>	<p>implications of the EU referendum on investor confidence. Establishing a planning framework to ensure coherent and high quality proposals when they do come forward</p> <p>Discussions with other land owners and developers are active and ongoing, and an update on this will be taken to Executive in the new year. A draft area of opportunity policy for the Castle Gateway has been submitted to the Local Plan team for review. The proposals for a meanwhile use on 17-21 Piccadilly will lead to an improvement in the area and increased footfall which could act as the catalyst for development</p>		
<p>Failure to provide a realistic timeframe for potential development of council land assets may result in unnecessary expenditure and investment in the short term to keep them operational. This is particularly pressing for Castle Mills and Castle car park, both of which are in a poor condition and if they were to remain open in even a short to medium time period would need significant expenditure.</p> <p>The council has to spend</p>	<p>To develop and bring forward a clear vision for the Castle Gateway, including identified options for the council's land assets, as soon as possible. Developing this vision requires a clear strategic view on the level of investment and risk the council want to assume.</p> <p>Work is ongoing with Directors and Members to establish the level of risk and investment the council want to assume, which will</p>	20	19

<p>significant money on assets in the short term to keep them operational when they will potentially close in the near future. This would represent wasted expenditure, but it may be unacceptable to close them without a clear identified plan in place for their future use. If any money is invested in to the assets it may make it difficult to bring them forward for fear of having wasted that money</p>	<p>establish the nature of the council's involvement in Castle Gateway and the future use of land assets. The first stage in assessing these options will be the Castle Gateway vision report that will be taken to the Executive in early 2017. This will start to establish delivery options and proposed timescales for development.</p>		
<p>There will be a number of options and opportunities for the council to consider throughout the Castle Gateway project. These will require varying levels of investment and risk. Choosing not to pursue some of these opportunities may result in the failure of the key aims of the project</p> <p>Private sector and other public sector sites may not progress without the council's investment. Although there may be possibilities to achieve the regeneration aims of the Castle Gateway without council investment these may result in the council losing existing and potential new revenue streams. Not taking key decisions regarding</p>	<p>Clear and realistic delivery models need to be established and presented to Members for decision, founded on robust business case principles</p> <p>Officers are currently working up proposals that will provide a range of options from low to high intervention, and are in discussions with neighbouring landowners to understand their proposals and desire to work in partnership. External valuation and planning advice will be procured by the end of January to provide detail on the land values of council assets. This is key to assessing the different delivery options and the council's capacity to generate financial returns.</p>	21	20



investment may mean that the project ultimately fails			
<b>Reports to</b>	Working group has been established to manage the project governance. Chaired by Neil Ferris and reports through to the Executive.		
<b>Exec member</b>	Cllr. David Carr and Cllr Ian Gillies		
<b>Director responsible</b>	Neil Ferris – Corporate Director of Economy and Place		
<b>Dependencies</b>	Local Plan Policy, City Transport Policy		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	<p>Executive October 2015  <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4</a></p> <p>Document  <a href="http://democracy.york.gov.uk/documents/s100456/Report.pdf">http://democracy.york.gov.uk/documents/s100456/Report.pdf</a></p> <p>Executive November 2016  Land assets on Piccadilly  <a href="http://democracy.york.gov.uk/documents/s110378/Executive%20report%20-%20Update%20on%20land%20assets%20on%20Piccadilly.pdf">http://democracy.york.gov.uk/documents/s110378/Executive%20report%20-%20Update%20on%20land%20assets%20on%20Piccadilly.pdf</a></p> <p>Executive January 2017  Update  <a href="http://democracy.york.gov.uk/documents/s112252/York%20Castle%20Gateway.pdf">http://democracy.york.gov.uk/documents/s112252/York%20Castle%20Gateway.pdf</a></p>		

<b>Project title</b>	Community Stadium
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>The Community Stadium project will deliver a new football and rugby stadium for professional sport and community sport and leisure facilities for the city of York. The project also includes a new athletics facility for use by York Athletic Club as well as many community uses and work with community partners.</p> <p>The core project objectives are to provide a new Community Stadium within a new leisure facility complex on the grounds of the existing Huntington Stadium / Waterworld swimming pool.</p> <p>This project represents an opportunity to create one of the country's most far reaching community stadium complexes.</p>	
<b>Current status</b>	
<p><b>AMBER</b></p> <p>An update report to executive was presented on 16th March 2017 detailing the plan for Yearsley pool and also the timetable for the project given the delay from the Judicial review and the subsequent retender for the construction contract. The JR challenge has caused approximately 1 year in delay to the project.</p> <p>In the last six months of the project progress has been made as follows:</p> <ul style="list-style-type: none"> <li>• Construction retender launched 3 March 2017, 12 week tender for construction partner and final build price. Tender submission date is 9 June 2017.</li> <li>• Exec report on the Yearsley review and future of the Yearsley pool site completed and a recommendation that allows Yearsley to stay open for at least another 5 years.</li> <li>• Completion of the construction retender as at 30 June 2017.</li> <li>• Report to Exec 27 July 2017 following successful completion of the construction tender.</li> </ul> <p>Finalisation and signing of all DBOM contracts in the project can now take place once GLL confirm the construction contractor and the developer finalises the development package. A new timetable is included in the report to Executive which highlights the facilities will now be complete Spring/ Summer 2019.</p> <p>Completion date for contract close is now 29 September 2017 subject to</p>	

finalisation of the commercial deal by the developer.

### Future outlook

The scheme is predicted to create around 165 FTE jobs including match and event day staff. There will also be additional temporary construction jobs created during the build phase.

During the construction period the development will generate a range of employment opportunities. At the peak of the construction programme, there would be up to 250 people on the site.

The new stadium has the potential to increase supporter demand and attendance numbers. Evidence suggests that the new stadium could generate from 20% - 40% increase in visitor numbers. A 20% increase in visitor numbers to the stadium will equate to 4,200 additional visitors per year from outside the City of York.

Between £129,831 & £259,662 additional expenditure could be generated per annum from the stadium, based on a range of 20% to 40% increase in attendance at matches.

The next steps involve:

- Finalisation of all community partner agreements. September 2017.
- Completion of the Design, Build, Operate and Maintain (DBOM) contract, end of September 2017.
- Full construction will begin once the contracts signed. Expected October 2017 site mobilisation.
- Site completion March/ April 2019.
- Site operational May/ June 2019.

### Key risks

Risk (brief description/consequence)	Control/action	Gross	Net
NHS fail to sign agreement for lease in time for DBOM. GLL will require CYC to underwrite all costs for the NHS areas which total	Discussions ongoing at high level between CYC Chief Exec and Chief Exec of the York NHS Trust.	19	19

c£240k at present per year.	Confirmation of design and delivery and NHS approval of legal agreement.		
Failure to deliver completion of the DBOM legal contract in the current timescales. Delay to the project build and delivery timescales. Increased cost of build, increase in legal and project costs.	Legal advice and input from Bond Dickenson as well as Legal officers. Ongoing work to finalise all contracts within the agreed timeline	19	19
Commercial return on land receipt  Not realising estimated commercial return on commercial proposals in the final bid or completing the commercial deal due to developer failing to meet budget and procurement requirements.  Not sufficient revenue to finance the build of the leisure building and facilities. Additional capital required by CYC, value engineering required, decrease spec or size of the build.	Savilles report supports figures as proposed. Potential to increase the amount of retail in the final scheme. Reduce the outputs of the project  Awaiting outcome of the commercial development deal between developer and the fund. 6/9/2017	23	23
<b>Reports to</b>	Executive, Economic Development and Transport Scrutiny Committee, Project Board		
<b>Exec member</b>	Cllr. Nigel Ayre		
<b>Director responsible</b>	Ian Floyd – Deputy Chief Executive and Corporate Director of Customers and Corporate Services		
<b>Dependencies</b>	Yearsley review. The continued operation of Yearsley is potentially linked to the DBOM contract proposed.		
<b>Link to paper if</b>	Full Council March 2016:		

<p><b>it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b></p>	<p><a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&amp;MId=8836&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=331&amp;MId=8836&amp;Ver=4</a></p> <p>Executive December 2016</p> <p><a href="http://democracy.york.gov.uk/documents/s111121/Stadium%20Project_Dec16%20Exec%20Report_VERSION%20A_vF.pdf">http://democracy.york.gov.uk/documents/s111121/Stadium%20Project_Dec16%20Exec%20Report_VERSION%20A_vF.pdf</a></p> <p>Executive March 2017</p> <p><a href="http://democracy.york.gov.uk/documents/s113417/Community%20Stadium%20Leisure%20Facilities.pdf">http://democracy.york.gov.uk/documents/s113417/Community%20Stadium%20Leisure%20Facilities.pdf</a></p>
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<b>Project title</b>	Digital Services (CRM)
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>This project replaces our existing system (Lagan) with a new system (Oracle Right Now.) This will provide much increased alignment with the website and a “My Account” style function, social media consolidation and proactive management and integration across a number of back office systems facilitating automation, work allocation and monitoring.</p>	
<b>Current status</b>	
<p><b>RED</b></p> <p>The project has continued to make progress however no work in the current live environment has taken place although the change freeze has now been lifted due to the dispute being concluded. We are now working with the Service Areas to determine if there are any fixes that can be made to the current system to close any initial issues.</p> <p>Our project configurers continue to work in the new environment and Oracle Consulting have completed a light touch analysis of the work we have done so far to provide some assurance. The outcome was positive and that during the review session nothing in the configuration was of a concern and the use case shown made good use of base Service Cloud functionality and also highlighted the smart development work regarding the display of assets on a map and data integration back into Service Cloud. We are now preparing a more detailed specification for an investigation to take place. Once this investigation has taken place we estimate that phase 1 will complete in 6 - 7 months.</p> <p>Exploratory testing has been completed by our internal tester and a list compiled for our configurers to work to. We are aiming for the first clone from live to test to take place w/c 11th September for functional testing to take place.</p> <p>We are investigating how we develop forms once the system is in BAU and have had a first draft of a Jadu statement of works which will be reviewed once our primary developer is back from leave w/c/ 4th September.</p> <p>We have revised the phases of the CRM project which has been approved by the project sponsor and we are working on the resource plan to ensure we are not under resourced.</p>	

Work continues with Revs & Bens; specifically DHP, Universal credit, student and multiple landlord forms. Digital DHP waiver solution has been approved and we are now in development. Details of Universal Credit full service have been passed to Team Netsol to amend our existing new claim form.

### Future outlook

Our priority of Phase 1 is still to decommission Lagan and move all processes over to the CRM although we have also releasing Service Cloud modules such as web chat and social media monitoring as part of this phase. (See high level phase breakdown document) Technical Project Manager.

### Key risks

Risk (brief description/consequence )	Control/action	Gross	Net
<b>Issue</b> Contractual issue has meant that rolling the processes out in live is on hold, pending an expert independent review.	Appoint independent reviewer and complete review.		
Solution does not meet requirements in terms of fully automated end to end processes within project timescales so the Service is not ready to implement solution.	<b>Controls</b> - Engage with all business areas - stakeholders through a business readiness assessment <b>Actions</b> - Business readiness assessments and VSM to be completed by end of Sept	23	23
Unable to configure system once transferred to the council. This would mean that there would be a failure to ensure system is maintained effectively And that the recovery from system problems is	<b>Controls:</b> Work with Connection point on the skills transfer and ensure all staff involved in future support are fully skilled up Ongoing face to face dialogue with services	17	12

delayed	<b>Actions</b> CPT to complete knowledge transfer including training material Processes (outside of Release 2) passed to configurers whilst CPT are still on-site Schedule Oracle training course (5 day)		
Service not ready to implement solution due to a of robust business readiness assessments. This would impact the go-live	<b>Controls:</b> Ongoing face to face dialogue with services <b>Actions:</b> Complete Business Readiness Assessments	23	19
Solution does not meet requirements in terms of fully automated end to end processes within project timescales so the Service is not ready to implement solution.	<b>Controls</b> - Engage with all business areas - stakeholders through a business readiness assessment <b>Actions</b> - Business readiness assessments and VSM to be completed by end of Sept	23	23
<b>Reports to</b>	Digital Services Programme Board; Corporate Scrutiny and Management Board		
<b>Exec member</b>	Cllr. David Carr		
<b>Director responsible</b>	Ian Floyd – Deputy Chief Executive and Corporate Director of Customers and Corporate Services		
<b>Dependencies</b>	CRM Lagan MDM -Clearcore Govtech Rev's and Ben's.		
<b>Link to paper if it has been to another member meeting (e.g.</b>	Corporate and Scrutiny Management Policy and Scrutiny Committee 9th May 2016 City of York Digital Inclusion <a href="http://democracy.york.gov.uk/documents/s105678/City%2">http://democracy.york.gov.uk/documents/s105678/City%2</a>		



<b>executive, council, a scrutiny committee)</b>	<u><a href="#">0of%20York%20Digital%20Inclusion.pdf</a></u>
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<b>Project title</b>	Guildhall
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>City of York Council vacated the Guildhall in April 2013, moving to West Offices as part of the Admin Accommodation programme, in order to make approx £1m pa savings. An evaluation of potential future uses had already been undertaken, and following further feasibility work and review a decision on the Future of the complex was taken by Executive in October 2015. Approval was granted for detailed project development work to secure the future of the Guildhall as a serviced office venue; with virtual office and business club facilities, maximising the benefits of the different spaces within the complex, its heritage appeal, and also ensuring ongoing council use and public access in a mixed use development.</p>	
<b>Current status</b>	
<b>GREEN</b>	
<p>The project remains on track with all approvals now in place for delivery:</p>	
<p>Statutory Consents / approvals</p> <ul style="list-style-type: none"> <li>• Planning and LBC approvals granted 16 Feb 17</li> <li>• Executive approval for scheme delivery 16 Mar 2017</li> <li>• Full Council approval of budget requirement 30 Mar 2017</li> <li>• Grant Agreement letter signed with WYCA 7 Apr 2017 securing £2.347m of LGF funding from LCR LEP to support project delivery</li> </ul>	
<p>Contractor procurement</p> <ul style="list-style-type: none"> <li>• The SQ stage saw 7 submissions with a short list of 4 contractors agreed for the ITT stage</li> <li>• ITT documentation (for the stage 1 tender) was issued 25 May 2017</li> <li>• The ITT stage Bidder Day was held at the Guildhall on 14 June 2017 with individual sessions for each contractor (reduced to 3 where one contractor had withdrawn)</li> <li>• ITT submissions were received on 19 July 17</li> <li>• Contractor interviews were held on 26 July 17</li> <li>• Following the statutory standstill period Interserve have been confirmed as the contractor</li> </ul>	
<p>Design / project development</p> <ul style="list-style-type: none"> <li>• The Design Team continue to finalise co-ordinated RIBA stage 4</li> </ul>	

detail design documentation packages for issue to the preferred contractor in Sept 2017 at the commencement of the ECI phase (2nd stage tender)

- Marketing of Restaurant unit : The marketing is now progressing at pace with new agents
- Arrangements for operation / management of the business club / serviced office offer by CYC now in development with FM working group engaged with Design team
- Cross Party member working group to be established to agree Management Plan for Common Hall Yard and Civic / Council uses
- Arrangements for Construction project management using CYC framework with AECOM now confirmed.
- Party Wall Surveyors (Cushman Wakefield) now appointed to secure agreements as necessary under the Party Wall Act and to facilitate construction access with neighbours as required.

### Future outlook

Early Contractor Involvement (ECI) phase 2<sup>nd</sup>

- This will commence in Sept and run to Dec 17 to agree the works packages and pricing ahead of construction
- It is intended to issue the notice to proceed to construction before the end of Dec 17 subject to the Target Cost being agreed
- Construction works to start January 2018 - subject to the above

### Key risks

From project risk register

Risk (brief description/consequence)	Control/action	Gross	Net
Capital costs increase/exceed budget  Costs of scheme exceed current budget estimate as scheme is developed in detail.  Project becomes unaffordable	Project team approach - early contractor involvement - value engineering workshops	23	19
Insufficient revenue income to repay borrowing	Soft market testing  Robust marketing -	23	19

<p>Gap between cost of repaying borrowing and income from lease/rental exceeds agreed limit.</p> <p>Project is unviable or requires additional council revenue to underwrite borrowing costs.</p>	<p>selection and assessment process</p> <p>LGF funding application for 'gap funding' to secure delivery of LCR SPE objectives in partnership with CYC</p>		
<p>Failure to secure pre-let on restaurant unit at appropriate value</p> <ul style="list-style-type: none"> <li>• No offers at expected value</li> <li>• Failure to agree heads of terms</li> </ul> <p>Project is unviable/too risky</p>	<p>Soft market testing</p> <p>Robust marketing - selection and assessment process, may require re-marketing</p>	23	18
<b>Reports to</b>	Executive, CSMC, project board		
<b>Exec member</b>	Cllr. David Carr		
<b>Director responsible</b>	Ian Floyd – Deputy Chief Executive and Corporate Director of Customers and Corporate Services		
<b>Dependencies</b>	Local plan		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	<p>Executive October 2015  <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4</a></p> <p>Scrutiny – 13 June 2016  <a href="http://modgov.york.gov.uk/ieListDocuments.aspx?CId=144&amp;MId=9420&amp;Ver=4">http://modgov.york.gov.uk/ieListDocuments.aspx?CId=144&amp;MId=9420&amp;Ver=4</a></p> <p>Exec – 14 July 2016  <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4</a></p> <p>Planning application links</p> <p>16/01971/FULM   Alterations and refurbishment of Guildhall complex to create conference rooms, meeting rooms and offices, refurbishment and part rebuild of</p>		

	<p>existing south range to provide cafe and ancillary accommodation, and erection of extension on north side of complex to form restaurant and office accommodation   The Guildhall Coney Street York YO1 9QN</p> <p><a href="https://planningaccess.york.gov.uk/online-applications/applicationDetails.do?activeTab=summary&amp;keyVal=OCD5KESJMZK00">https://planningaccess.york.gov.uk/online-applications/applicationDetails.do?activeTab=summary&amp;keyVal=OCD5KESJMZK00</a></p> <p>16/01972/LBC   Alterations and refurbishment of Guildhall complex to create conference rooms, meeting rooms and offices, refurbishment and part rebuild of existing south range to provide cafe and ancillary accommodation, and erection of extension on north side of complex to form restaurant and office accommodation   The Guildhall Coney Street York YO1 9QN</p> <p><a href="https://planningaccess.york.gov.uk/online-applications/applicationDetails.do?activeTab=summary&amp;keyVal=OCD5LDSJMZL00">https://planningaccess.york.gov.uk/online-applications/applicationDetails.do?activeTab=summary&amp;keyVal=OCD5LDSJMZL00</a></p> <p>Executive March 2017</p> <p><a href="http://democracy.york.gov.uk/documents/s113442/Development%20of%20the%20Guildhall%20Complex.pdf">http://democracy.york.gov.uk/documents/s113442/Development%20of%20the%20Guildhall%20Complex.pdf</a></p>
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<b>Project title</b>	Housing Development (HCA partnership)
<b>Reporting period</b>	September 2017
<b>Description</b>	
Programme of council-led housing delivery in partnership with the HCA	
<b>Current status</b>	
<b>AMBER</b>	
<p>Draft legal advice has been received in regards to the housing delivery model needed for the council to develop a number of sites with a mix of market and affordable housing. Advice is that a wholly owned company is the most appropriate delivery method to meet the outlined objectives. Discussions are on-going with our legal advisors and other authorities who have created housing delivery vehicles.</p>	
<p>Lowfield Green</p> <ol style="list-style-type: none"> <li>1. A public consultation event was held on 18th July at the Gateway Community Church on Front Street, Acomb. The masterplan was presented including housing, a care home, community and self build, and a police/health-hub. The general feedback was positive particularly in relation to the bungalows and the amount and quality of green open space proposed. Some concerns remain for those who live next to the site and designs have been altered where appropriate to address these concerns. Burnholme</li> <li>2. Work is underway to procure an architect to develop plans for the site. An assessment of the local housing market is underway to inform the residential plans for this site. The residential development of this site is part of wider redevelopment plans including sports provision, a health and wellbeing hub, and a care home. The Askham Bar site</li> <li>3. Work is underway to procure an architect to develop plans for the site. An assessment of the local housing market is underway to inform the residential plans for this site. The Former Clifton Without School site</li> <li>4. A public consultation process has commenced regarding the future use of this site for non-education purposes. The Manor school site</li> <li>5. Negotiations continue regarding the wider development potential utilising the British Sugar land.</li> </ol>	

6. Tenders are being sought for the demolition of the school buildings.

### **Future outlook**

Various strands of work are being undertaken in parallel. This includes progressing the plans for Lowfield to support a planning application and developing site feasibility work on other sites. The process of due diligence on the housing delivery vehicle continues with the aim of bringing a paper before Executive in November. This paper will set out broader ambitions in relation to land assets and a more detailed business case for the development of Lowfield. Alongside this, work will continue on understanding the best delivery vehicle and starting the process of decision making to bring this forward.

#### **Lowfield Green**

7. The planning application for the redevelopment of this site will be submitted in late September. This will be a 'hybrid' application with the housing and open space elements of the proposal being submitted with full details included. The care home, health/police hub, self and community build parts of the proposal will be submitted in outline with full details to be subsequently submitted before any building work starts on site.

8. A detailed assessment of the local housing market has been undertaken. We have built up a strong understanding of likely sales and rental values alongside likely development costs. A number of development scenarios have been developed particularly in relation to affordable housing provision. This has informed the provision to be provided within the planning application.

#### **Burnholme**

9. The access road to the edge of the housing site should be complete by Q4 2017 and the housing land accessible and ready for development in Q3 2018.

10. Over the coming months we will develop the detailed designs for the housing on this site with the intention of submitting a planning application in early 2018.

#### **The Askham Bar site**

11. During Autumn, it is proposed to update existing advice to enable its use as a guide for designing the development of housing on the site. This design will be priced and will form a component of the Housing Delivery business case.

#### **The Former Clifton Without School site**

12. The process of seeking Department for Education consent to relinquish the education use of the remainder of the site is underway.

<p>13. Once in place, a decision will be made by Executive as to whether to dispose of the site or for the council to lead on the housing delivery. The Manor school site</p> <p>14. Tenders are being sought for the demolition of the school buildings.</p> <p>15. The process of seeking Department for Education consent to relinquish the education use of the remainder of the site is underway.</p> <p>16. Once in place, a decision will be made by Executive as to whether to dispose of the site or for the council to lead on the housing delivery.</p>			
<b>Key risks</b>			
<b>Risk (brief description/consequence )</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Reaching agreement over the correct commercial partner to deliver housing	Soft market testing. Obtaining legal and procurement advice.	19	19
Housing market fluctuations	Robust market testing and analysis. Maintaining control over costs.	18	18
Planning permission	Resident and Ward Councillor consultation. Taking advice from internal specialists. Careful consideration of site proposals.	19	19
Approval of business case	Robust and tested proposals.	18	18
<b>Reports to</b>	Working group established which reports into Executive where approval is sought for key decisions.		
<b>Exec member</b>	Cllr. David Carr and Cllr. Sam Lisle		
<b>Director responsible</b>	Neil Ferris – Corporate Director of Economy and Place		
<b>Dependencies</b>	None		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a</b>	March Executive meeting - approval of project inception <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9311">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9311</a>		



<b>scrutiny committee)</b>	
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<b>Project title</b>	Local plan
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>The 'Local Plan' is a citywide plan which sets the overall planning vision and the spatial land use strategy for the city. It provides a portfolio of both housing and employments sites for at least a 15 year period and will set the Green Belt boundaries for York. In addition it incorporates both policies and approaches to set the context for development management decisions. Effectively, it sets out the opportunities and policies on what will or will not be permitted and where, including new homes and businesses.</p> <p>The Local Plan must be accompanied by an infrastructure delivery plan setting out the Council's approach to strategic infrastructure and its funding. All housing and employments sites included must be viable and deliverable this is directly linked to future approaches to planning gain i.e. CiL and S106.</p> <p>In response to both the Council resolution in autumn 2014, and the changed national and local context, officers have initiated or a series of work streams to inform the next stages of plan production. This relates to housing need, economic growth and the related need for employment land, and detailed site assessments.</p> <p>The production of the plan has to be in accordance with statute and national guidance. This includes a legal requirement to work with neighbouring authorities. It also means that the plan must be subject to Sustainability and Environmental Assessments. It will also ultimately be subject to an independent examination by a government inspector.</p>	
<b>Current status</b>	
<p><b>AMBER</b></p> <p>A report on Local Plan progress was taken to LPWG on 10<sup>th</sup> July and Executive on 13<sup>th</sup> July. The report sought to :</p> <ul style="list-style-type: none"> <li>• provide an update to Members on the work undertaken on the MOD sites highlighted in previous reports to LPWG and Executive;</li> <li>• seek the views of Members on the methodology and studies carried</li> </ul>	

out to inform the housing and employment that the City is tasked with accommodating;

- seek the views of Members on the most appropriate way of accommodating this future growth;
- to ask for Members approval of non-housing and employment site specific policies; and
- to request the approval of Members for officers to undertake the necessary work to produce a draft plan based on the recommendations of the Executive for the purposes of consultation along with associated technical papers.

The Executive on 13<sup>th</sup> July decided in respect of the latest housing need assessment to 'accept the increased figure of 867 dwellings per annum based on the latest revised sub national and household projections published by ONS/CLG'. The report and background papers are available at the following link:

<http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MId=10188>

In respect of employment need they decided to accept the updated Employment Land Review. In terms of sites for both housing and employment Members decided to accept minor changes to sites included in the Preferred Sites Consultation along with the addition of some new sites including the MOD sites at Imphal Barracks and Queen Elizabeth Barracks for housing and at Towthorpe Lines for employment. A range of non-site specific policy modifications were also approved.

Following agreement at Executive in July 2017 the Draft Plan (Pre-Publication Draft) will commence a 6 week consultation period commencing on 18<sup>th</sup> September 2017 and ending on 30<sup>th</sup> October 2017..

At this stage of plan preparation there is no regulatory framework to adhere to however the proposed strategy is in accordance with the Council's adopted Statement of Community Involvement (2007). The consultation strategy has been produced working alongside colleagues in the Communications Team and Communities and Equalities Team. The consultation will include a city wide 'Our City' special distributed to all households with a response form, a letter to all people registered on the Local Plan database (approx 10,000), a dedicated website and response form and a series of drop in exhibitions across the city. All the documents will also be made available online, in West Offices reception and in all CYC libraries.

**Future outlook**

Following consultation in September/October, subject to the number of representations received, it would be Officers intention to bring a publication draft document to Executive in January 2018. This would be subject to consultation in February 2018 with the intention of submitting a plan for Examination in April / May 2018. It is anticipated that the Examination would take between 6 to 9 months.

Officers will seek dialogue with key partners including neighbouring authorities, the County Council and both LEPs. In addition dialogue will also be sort with both DCLG and the Planning Inspectorate.

**Key risks**

<b>Risk (brief description/consequence )</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Unable to steer, promote or restrict development across its administrative area	Work to approve LDS continuing to develop a strong evidence base.	19	18
The potential damage to the Council's image and reputation if a development plan is not adopted in an appropriate timeframe	Work to approve LDS continuing to develop a strong evidence base.	19	18
Risks arising from failure to comply with the laws and regulations relating to Planning and the SA and Strategic Environmental Assessment processes and not exercising local control of developments, increased potential to lose appeals on sites which may not be the Council's preferred development options	Procure appropriate legal and technical advice to evaluate risk as the plan progresses.	19	18
Financial risk associated with the Council's ability to utilize planning gain and deliver strategic	Develop Local Plan policies linked to planning gain, undertake viability and deliverability work and	19	18

infrastructure	progress CIL.		
The Government has stated its intention to remove the New Homes Bonus in the case of an authority that has not submitted its Local Plan by early 2017.	Work to approve LDS continuing to develop a strong evidence base.	19	18
<b>Reports to</b>	Executive, Local Plan Working Group		
<b>Exec member</b>	Cllr. Ian Gillies is Executive Member Cllr. David Carr and Cllr. Keith Aspden are responsible for leading the process. Cllr Nigel Ayre chairs LPWG		
<b>Director responsible</b>	Neil Ferris – Corporate Director of Economy and Place		
<b>Dependencies</b>	Deliverability of York Central		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	<p>Executive July 2015</p> <p><a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8840&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8840&amp;Ver=4</a></p> <p>Document</p> <p><a href="http://democracy.york.gov.uk/documents/s98802/Report.pdf">http://democracy.york.gov.uk/documents/s98802/Report.pdf</a></p> <p>Executive May 2016</p> <p>City of York Local Plan – Preferred Sites Consultation</p> <p><a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9191&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9191&amp;Ver=4</a></p> <p>Document</p> <p><a href="http://democracy.york.gov.uk/documents/s106782/Final%20report%20for%20Executive%2022.06.16.pdf">http://democracy.york.gov.uk/documents/s106782/Final%20report%20for%20Executive%2022.06.16.pdf</a></p> <p>Executive January 2017</p> <p>Update on Local plan</p> <p><a href="http://democracy.york.gov.uk/documents/s112269/City%2">http://democracy.york.gov.uk/documents/s112269/City%2</a></p>		

	<a href="#">0of%20York%20Local%20Plan%20Update.pdf</a>
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<b>Project title</b>	Older Persons' Accommodation Programme
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>The Council's Executive on 30th July 2015 approved the Business Case for the Older Persons' Accommodation Programme in order to prepare the city for a 50% increase in the size of the over 75 people. This will:</p> <ul style="list-style-type: none"> <li>• fund 24/7 care support at Auden House, Glen Lodge and Marjorie Waite Court Sheltered Housing with Extra Care schemes;</li> <li>• progress with plans to build a 27 home extension to Glen Lodge;</li> <li>• seek the building of a new Extra Care scheme at Oakhaven in Acomb;</li> <li>• see the procurement of a new residential care facility as part of the wider Health and Wellbeing Campus at Burnholme; and</li> <li>• encourage the development of additional residential care capacity, extra care and age related housing, supporting older people to continue to live independently in their own home.</li> </ul> <p>These efforts will facilitate the replacement of council-run Older Persons' Homes which are not longer fit for purpose.</p>	
<b>Current status</b>	
<b>GREEN</b>	
<i>This report now includes the Burnholme Project</i>	
<u>Glen Lodge Extra Care scheme</u>	
<ol style="list-style-type: none"> <li>1. Construction of the extension to Glen Lodge Extra Care facility in Heworth is nearly complete. However, the projected completion date is now October 2017, three months later than originally planned, partly because of agreed additional works to the existing entrance area and partly due to cumulative poor weather during the construction period.</li> <li>2. Colleagues are working together to ensure that the new homes are let to those with appropriate care needs. Thirteen nominations have been approved by the Allocations Panel and further applications continue to be assessed.</li> </ol>	
<u>Burnholme Health &amp; Wellbeing Campus</u>	
<ol style="list-style-type: none"> <li>1. Construction of The Centre @ Burnholme is progressing well. A</li> </ol>	

successful "breaking the ground" publicity event was held in June, the site is now secure, the unwanted buildings around the school hall have been demolished and the retained buildings have been stripped out. The priority remains the construction of the access road and this will be completed by November 2017. The Centre will be ready for occupation in May 2018.

2. Ashley House are progressing plans for the Care Home @ Burnholme. Their proposals have been well received by neighbours and stakeholders during a public engagement event held on 29th June. A planning application was submitted in August.
3. We continue to discuss the detail of the care contract with HC-One and agreement is close.
4. Priory Medical Group have appointed designers for their c4,000 m2 facility. They propose a building which "sits" well between The Centre and The Sports facilities. As their proposals develop, they plan a public engagement event in autumn 2017 to seek views and comments. They plan to re-locate GP services from three centres, bringing them together at Burholme: the surgeries at Tang Hall Lane, Millfield Avenue and Heworth Green. They will carry out appropriate consultation on these moves. They plan to submit a planning application in the autumn.

#### Oakhaven Extra Care Facility

1. Ashley House are close to securing a Housing Association partner to be involved in the management of the Oakhaven Extra Care Scheme.
2. They are also seeking planning guidance on their proposals.

#### Marjorie Waite Court Extra Care scheme

1. Designers have draw up plans for the Marjorie Waite Court extension including 29 new apartments, four new bungalows, a 172m2 community facility and enhancements to the facilities of the wider complex.
2. External cost planners estimate that the cost of construction is £6.6m and our finance colleagues confirm that this investment, following value engineering, is affordable.
3. Because of the additional costs and technical issues related to the re-location of the Marjorie Waite boilers, the capital investment needed from the Programme budget increases from £600k to £1m.
4. Executive have agreed the investment and recommend to Council that it is added to the capital programme.

#### Lowfield re-development

1. BDP designers continue their work to prepare and submit a hybrid



planning application for the site including a detailed application relating to the housing, roads and public open space plus an outline application relating to the care home, health centre and community self-build. Good progress is being made and submission is due in September.

2. We have engaged cost consultants to price the proposals in order to confirm the affordability and profitability of the development.
3. Yorspace, the community self-build partner, continue with the development of their plans, assisted by grant funding to help them prepare the business case in support of their investment at Lowfield. They seek to achieve 19 homes on their site. We are seeking an independent valuation this site to guide us in our negotiations for sale. We have agreed an exclusivity agreement over the land to allow them to secure funding for it purchase.
4. Yorspace have offered to take on the management of any allotments or growing spaces provided on the site.
5. We are progressing plans for new football provision at the Ashfield estate and have met with the Football Federation and Sports England, who support the proposals. However, we will also pursue the enhancement of the football pitches at Chesney Fields in order to ensure that replacement provision is in place to allow the re-development of sports pitches at Lowfield.

#### Existing Older Persons' Homes

1. Octopus Healthcare received positive support during public engagement on their plans for a 64 bed care home at Fordlands and have submitted a planning application.
2. The prospective purchasers of the Grove House site propose to refurbish and extend the current building to deliver 33 apartments. They will seek planning consent shortly.
3. McCarthy & Stone are progressing the re-development of the Oliver House Older Persons' Home site (the home closed in 2012) to provide 36 retirement apartments. We have received the first phase of their payment for the site.
4. Willow House Older Persons' Home on Long Close Lane, Walmgate, has now closed and residents have moved safely. We are evaluating bids for the site and a health receipt is expected.
5. Following consultation, Executive have agreed to close Willow House and residents will now move out. The home is expected to be empty by the end of October 2017.
6. Work has begun on exploring the option to transfer Haxby Hall as a going concern to a partner with improvement or redevelopment following

on.

### New Independent Sector Care Home provision

1. The Chocolate Works care home has opened, providing 90 care beds.
2. Plans have been submitted to build a 79 bed care home on the site of the Carlton Tavern on Acomb Road (next door to Oakhaven) to deliver an integrated care solution for older people with a range of care needs. We have written in support of the proposal. We await the planning decision.
3. The Joseph Rowntree Foundation have withdrawn from sale Beverly House on Shipton Road. This means that plans for a care home on the site are abandoned.

### New Independent Sector Extra Care provision

1. Work will begin in August 2017 on the construction of the care home and Extra Care apartments at New Lodge in New Earswick. The Joseph Rowntree Housing Trust expect the first phase of accommodation to be ready by May 2019 and work will continue until late 2020.
2. The Abbeyfield Society have submitted plans for the construction of a 25 home extension to their scheme at Regency Mews off Tadcaster Road. We have opened negotiations to secure nomination rights to a proportion of these homes.

### Resources

1. The Board have reviewed the revenue and capital performance of the Programme and confirm that the savings expected to be achieve are higher that expected, at £1.3m per annum, and that higher capital receipts are also being generated.

Ben Burton will continue his work, on a full time basis, for the next year, supporting the provision and development of sports facilities at Burnholme, ensuing effective liaison between the developers at Burnholme, delivering the self-build and community build commitments at Lowfield Green and supporting change at Haxby Hall.

### **Future outlook**

1. The Glen Lodge extension will be completed at the middle of October and we will then install soft furnishing and decorations and begin to move tenants in at the end of that month.

2. Pre-planning public consultation for the Health Centre @ Burnholme will be held in the autumn.
3. The planning application for the Lowfield Green development will be submitted in September
4. Residents of Woolnough House will be supported to move safely and the home will be closed.
5. Work will begin to prepare for the construction of the 33 home extension to Marjorie Waite Court Extra Care scheme.
6. An offer for the purchase of Willow House will be agreed.
7. Soft market testing will be undertaken amongst partners interested in taking over Haxby Hall as a going concern and residents, relatives and staff will be consulted on the option to transfer.

Planning Committee will consider the application for a new care home on the site of the Carlton Tavern.

### **Key risks**

A key risk relating to the granting Department for Education consent to dispose of land and/or buildings at the Burnholme school site is diminishing. Consent has been granted for the disposal of the building. We now press for the playing fields consent. The Burnholme Health and Wellbeing Campus proposals is carefully structured and brought forward in such a way as to minimise the impact upon the Programme should the consent not be granted to sell the playing field land.

A key element of risk management of this project is contingency planning. As we move forward with the Programme we seek to identify key steps and to plan for alternative options at these steps so that, in the event of blockage or problem we can proceed to goal via an agreed alternative route. At present these option points include:

1. The award or not of HCA grant for the Glen Lodge extension. Should grant not be forthcoming CYC will use RTB receipts or Section 106 "commuted" sums in its place.

Grant has now been awarded including arrangements to allow recent potential changes to Housing Benefit regulations (the LHA issue) to be mitigated.

2. When we have tested the market for interest investment in the residential care home at Burnholme (2016), should there be no willingness to invest CYC will either invest itself or pursue the option to invest on the Haxby Hall site and buy more care beds from the independent sector. We are currently testing this via the Care Home procurement.

Loss of EPH staff morale leading to negative impact on service provided to existing EPH residents	Maintain staff morale and focus through regular, open and honest briefings/updates; engagement through EPH Managers and staff groups; investment in staff training, support and development.	19	13
Project does not deliver the right number and type of care places required by the City.  Needs remain unmet.	Regular market review  Modelling of predicted care levels to look at effect of the provision of different numbers of care places by type	19	6
Increase in interest rates would impact negatively on borrowing.	Ensure impact is capped or controlled through the contracts.	19	14
There is insufficient funding to deliver all of the elements of the project.  The Programme does not progress.	Sale of vacant OPH sites and land at Burnholme.  Alternative sources of funding be identified and secured in order to achieve full project	19	13
<b>Reports to</b>	Executive, CMT, Project board, DMT		
<b>Exec member</b>	Cllr. Carol Runciman		
<b>Director responsible</b>	Martin Farran – Corporate Director for Health, Housing and Adult Social Care		
<b>Dependencies</b>	Burnholme Health & Wellbeing Campus Capital Programme		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	<p>Executive July 2016  <a href="http://modgov.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4">http://modgov.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4</a></p> <p>Executive October 2015  <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4</a></p> <p>Executive July 2016  <a href="http://modgov.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8840&amp;Ver=4">http://modgov.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8840&amp;Ver=4</a></p>		

	<p>Executive November 2016 (Willow house OPH) <a href="http://democracy.york.gov.uk/documents/s110335/Willow%20House%20Older%20Persons%20Homes%20-%20Executive%2024th%20November%202016%20f.pdf">http://democracy.york.gov.uk/documents/s110335/Willow%20House%20Older%20Persons%20Homes%20-%20Executive%2024th%20November%202016%20f.pdf</a></p> <p>Older Persons' Accommodation Programme Update – December 2016 <a href="http://democracy.york.gov.uk/documents/s111003/Older%20Persons%20Accommodation%20Programme%20Update.pdf">http://democracy.york.gov.uk/documents/s111003/Older%20Persons%20Accommodation%20Programme%20Update.pdf</a></p> <p>Oakhaven Extra Care Facility: the sale of land to facilitate the development – March 2017 <a href="http://democracy.york.gov.uk/documents/s113398/Oakhaven%20Extra%20Care%20Facility.pdf">http://democracy.york.gov.uk/documents/s113398/Oakhaven%20Extra%20Care%20Facility.pdf</a></p> <p>Burnholme: the sale of land to facilitate the development of a Care Home; agreement to management arrangements for the Community &amp; Library facilities; disposal of the Tang Hall Library site – March 2017 <a href="http://democracy.york.gov.uk/documents/s113384/Burnholme%20Report.pdf">http://democracy.york.gov.uk/documents/s113384/Burnholme%20Report.pdf</a></p> <p>Sale of Land at Fordlands Road as Part of the Older Persons' Accommodation Programme – February 2017 <a href="http://democracy.york.gov.uk/documents/s112465/Sale%20of%20Land%20at%20Fordlands%20Road.pdf">http://democracy.york.gov.uk/documents/s112465/Sale%20of%20Land%20at%20Fordlands%20Road.pdf</a></p>
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<b>Project title</b>	Outer Ring Road (A1237)
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>This project increases the capacity of 7 roundabouts on the ring road to reduce orbital and radial journey times. Upgrades would be to a similar standard to the A59 and A19 roundabouts with 3 lane approaches and 2 lane exits on the A1237. The enhancements will be designed to accommodate future dualling where possible.</p>	
<b>Current status</b>	
<b>AMBER</b>	
Activity in July/August 2017:	
<ol style="list-style-type: none"> <li>1. The report submitted to CYC Executive setting out the proposed management of the project was approved by the meeting.</li> <li>2. Since the re-start of the scheme in 2017, it is apparent that the prices for the design commission have risen beyond allowable financial limits which means that a new procurement exercise to appoint a designer may be necessary. Work has been in progress to explore whether a direct award to Pell Frischmann can be made in order that the existing designer can be retained.</li> <li>3. DVS acting on behalf of CYC have begun contacting and meeting landowners about the acquisition of land.</li> <li>4. Engineering Consultant Pell Frischmann are working on the detailed design of the Wetherby Road junction.</li> <li>5. The York Traffic Model updates were passed to Pell Frischmann during early July in order to be factored into the designs. However it has been noted that further work will be required to align the modelling with the York Local Plan.</li> <li>6. Quarter 1 Claim for monies expended has been submitted to WYCA.</li> </ol>	
<b>Future outlook</b>	
Work planned for September 2017:	
<ol style="list-style-type: none"> <li>1. New Senior Project Manager to start in September and lead on YORR.</li> <li>2. Review the impacts of the York Traffic Model following Local Plan</li> </ol>	

adjustments.

3. Monitor and chase progress on meetings with landowners, especially B1224 Wetherby Road as this is a priority.

4. Commence process to appoint a legal partner to draft a Compulsory Purchase Order.

5. Commence discussions to award B1224 Wetherby Road civil engineering works to the CYC Delivery Team.

6. Commence Project Delivery Group and Lead Member Board meetings (the former is bi-monthly, the latter is quarterly).

### Key risks

Risk (brief description/consequence )	Control/action	Gross	Net
Risks associated with land acquisition. There is a high risk that some landowners will be unwilling to sell land to the City of York Council by private agreement, or in a timely manner. This presents a programme risk potentially prolonging the time to complete the overall project, and in turn risks the release of funding from WYCA.	In order to mitigate this risk, preparation of a CPO in parallel to land negotiation is proposed.	20	14
Risk associated with withdrawal of funding for the programme. All projects in the WY+TF Programme are under review by UK Government in order to ensure efficient delivery. There is a risk that funding could be withdrawn by the Centre if	The risk level is low at the current time, but it is incumbent on City of York Council to take all necessary measures to play it's part and ensure delivery is met. The delivery period extends until the end of financial year 2021-22.	18	13

targets for delivery are not met by the WYCA as a whole.			
Risks associated with Planning Approval. Two junction upgrades will require Planning Approval because they present a bigger environmental impact on their surroundings. These are at Haxby Road and Strensall Road. There is a risk that preparation, submission and procuring Planning Approval may delay the programme e.g. ecology surveys can only be done at certain times in the year.	The risk is estimated to be low at this stage as the overall timescale for the project is adequate and provides sufficient allowance for preparation to avoid this..	14	13
<b>Reports to</b>	Transport board		
<b>Exec member</b>	Cllr. Ian Gillies		
<b>Director responsible</b>	Neil Ferris – Corporate Director of Economy and Place		
<b>Dependencies</b>	LTP3, Local plan		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	Executive West Yorkshire Transport Fund – 24 November 2016  <a href="http://democracy.york.gov.uk/documents/s110381/WYTF%20Exec%20Nov%202016%20v5.pdf">http://democracy.york.gov.uk/documents/s110381/WYTF%20Exec%20Nov%202016%20v5.pdf</a>		



<b>Project title</b>	Provision of School Places 2017-2023
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>The need to provide sufficient school places for current and future residents is a key statutory duty of CYC and will build an educational infrastructure for the city by forecasting likely demand and supply of school places over the medium term (until 2022/23).</p> <p>The aims of this project are to identify where and when additional school places will be required, and work with central government and the school community to provide places in good or outstanding schools.</p> <p>CYC is provided with some 'Basic Need' funding from central government for this purpose and will need to ensure that this and other sources of funding are used to best effect in those areas of greatest need, and to ensure that all educational provision is sustainable in the longer term, working with the school community.</p> <p>The project represents a significant priority for City of York council in delivering educational opportunities for residents.</p>	
<b>Current status</b>	
<p><b>GREEN</b></p> <p>The project is currently in a forecasting phase, where local datasets on current pupil numbers, migration and currently approved housing schemes are producing forecasts for pupil numbers until 2022/23.</p> <p>School capacity across all existing schools has now been through a first level of assessment, where potential changes in the capacity of existing school buildings have been identified. Officers have developed a schedule of site visits for detailed assessment over the course of the school year to identify any current and potential teaching spaces.</p> <p>Forecast data has now been quality assured and submitted to the Education and Skills Funding Agency, incorporating existing intelligence from school census, housing and school admissions data and preference trends. A separate submission has also been made to the ESFA regarding what Basic Need funding has been spent or committed to date and the high-level priority areas that future Basic Need spending will need to</p>	

address.	
<p><b>Future outlook</b></p> <p>The ESFA data submission is only in draft-form until approved by the ESFA, following a period of clarification and data cleansing between CYC and the EFSA in late 2017. This data will form the basis for the identification of future Basic Need allocations. This data will then be re-run annually and shared with Members, colleagues and the school community, to inform current and future strategy and decision making on priorities to be taken forward in the coming months and years.</p> <p>Discussions with the school community regarding the potential capacity of existing school buildings will commence in the Autumn term with site visits for detailed assessment over the course of the school year. This will identify the 'net capacity' of schools by reviewing any and all current and potential teaching spaces, and from there predicted surplus/deficit by each planning area will be assessed. This work will inform further project work on which planning areas require additional permanent or bulge (temporary) accommodation.</p>	
<p><b>Key risks</b></p> <p>Risk register is in development.</p>	
<b>Reports to</b>	Children, Education and Communities Directorate Management Team meeting
<b>Exec member</b>	Cllr. Stuart Rawlings
<b>Director responsible</b>	Jon Stonehouse – Corporate Director of Children, Education and Communities
<b>Dependencies</b>	None
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	

<b>Project title</b>	Specialist Disabled Children Short Break Facility
<b>Reporting period</b>	September 2017
<b>Description</b>	
<p>City of York Council with its partners are planning to:</p> <ol style="list-style-type: none"> <li>Deliver a feasibility study to explore the opportunities and benefits of building a Specialist Disabled Children Short Break Facility in York.</li> <li>To expand the Family Intensive Rapid Support Team (FIRST) to incorporate a therapeutic short break residential element and to explore the opportunities and benefits of increasing the service offer to neighbouring Local Authorities across the region</li> </ol> <p>The project is part of the wider development of services for disabled children and young people across the city and provides the council with an opportunity to:</p> <ul style="list-style-type: none"> <li>– Invest capital in developing a ‘Disability Centre of Excellence’ which has the potential to be a leader in innovative practice both regionally and nationally</li> <li>– Make York Home for more disabled children and young people by reducing out of Area placements</li> <li>– Develop and invest in service provision in order to generate future savings and income generating potential</li> <li>– Deliver better outcomes for disabled children and young people including those with the most complex needs</li> </ul> <p>FIRST is a specialist Clinical Psychology led service that supports families with children/ young people who have a learning disability, autism and the most complex behavioural needs. FIRST provides intensive assessment and intervention for children and their family at the point of potential placement breakdown.</p> <p>The proposed Specialist Disabled Children Short Break Facility would potentially incorporate and replace the short break residential provision currently provided at The Glen and Glen House.</p>	
<b>Current status</b>	
<b>GREEN</b>	
Design Specialist Consultants – Gilling Dod Architects have been recruited	

and have started work.

Representatives across different part of the business / service provision (including parents / foster carers) have contributed to an initial set of building requirements to inform work with Design Consultants.

An initial discussion has taken place at the Capital Asset Board to identify a potential preferred land option to base the feasibility work on.

Agreement reached to pilot work with East Riding with a view if successful to develop regional practice and funding arrangements.

### **Future outlook**

Further work is required and planned to develop the financial, operational and service user costs for a 'doing nothing' option

A detailed financial business case is being developed and will be presented as part of a progress update report to CMT in October.

Stakeholder engagement event is planned for October to consult on initial design concepts, ideas and options.

### **Key risks**

<b>Risk (brief description/consequence)</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Parents with disabled children are unhappy with the feasibility process and or the proposed changes to provision	Parent communication and engagement plan Co production approach taken by involving parents in each stage of development	20	19
The feasibility plans and proposals are unable to demonstrate financial viability	Finance lead part of Project Board (PB) Financial modelling for future plans developed from the start and scrutinised by PB	20	19
Key stakeholders are not adequately engaged with the feasibility work and development plans eg Health, Adult services, ER / NY	Key stakeholder part of PB Additional meetings arranged to consult and involve specific stakeholders	14	13

<b>Reports to</b>	Reports to Project Board chaired by Eoin Rush and CEC DMT
<b>Exec member</b>	Cllr Stuart Rawlings
<b>Director responsible</b>	Jon Stonehouse – Director of Children, Education and Communities
<b>Dependencies</b>	None
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	

<b>Project title</b>	York Central
<b>Reporting period</b>	June 2017
<b>Description</b>	
<p>York Central is a key strategic development site for economic growth and housing delivery for the city. The majority of the land is in the ownership of Network Rail and the Homes &amp; Communities Agency. CYC have a role to play in de-risking the site and accelerating delivery with public sector partners. In recent months, the site and the opportunity it presents have been positioned at all levels of Government as a priority site for support to enable delivery of locally-led regeneration and development schemes.</p>	
<b>Current status</b>	
<p><b>AMBER</b></p> <p>Masterplanning and viability testing work is continuing, and will be informed by the outcomes of Access Option consultation which is currently underway and will fix a key aspect of site design and delivery . A further 'pre-application' consultation on the site masterplan as a whole is planned to follow this in late 2017 ahead of planning application submissions early in 2018.</p> <p>Partnership arrangements between the land owners and infrastructure funding are progressing to ensure a credible delivery route for York Central. An executive report is programmed for October 2017 to confirm a preferred access route and agree funding to take the project through to planning..</p> <p>Land acquisition is completed. HCA have invested significantly on the site and have purchased Unipart site, surplus land from NRM and a portion of land from NR off Leeman Rd.</p> <p>Legal agreements with WYCA have been signed and WYCA funds drawn down. A project budget to progress the masterplan and design and consultation work is currently being worked up with partners. A variation report has been taken to WYCA requesting that funding be used to explore alternative bridge designs to those approved in the original gateway 1 submission, further variation reports will be taken should alternative access solutions be required.</p> <p>The LEP Enterprise Zone (EZ) board continues to meet. This board is a requirement of the MoU with DCLG in respect of the EZ and its purpose is</p>	

to support the successful delivery of the commercial element of York Central.

### Future outlook

- Public consultation on access routes to conclude
- Masterplan work to conclude
- Public consultation on draft masterplan **to commence**
- Partnership arrangements and funding principles to be developed

### Key risks

Risk (brief description/consequence )	Control/action	Gross	Net
Partnership with NR, HCA and NRM breaks down leading to failure to unlock site	Establish a senior level Board and formalise via a Memorandum of Understanding with development of the site delivered under the terms of a proposed partnership agreement.	23	23
Inability to attract finance/ investment in sufficient quantity at acceptable levels of risk and return	Consideration of all potential funding routes and securing of appropriate partnership terms.  Early market testing, as well as market viability work, to confirm level of interest.	23	19
Failure to agree satisfactory repayment mechanism for partners	Engage specialist advisors to work on the financial model.	23	19
<b>Reports to</b>	Executive, Economic Development and Transport Policy and Scrutiny Committee, Project steering group		
<b>Exec member</b>	Cllr David Carr and Cllr Keith Aspden		
<b>Director responsible</b>	Neil Ferris – Corporate Director of Economy and Place		
<b>Dependencies</b>	Local Plan Policy, Economic Strategy, City Transport Policy		

<p><b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b></p>	<p>Executive December 2015</p> <p><a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8844&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8844&amp;Ver=4</a></p> <p>Document</p> <p><a href="http://democracy.york.gov.uk/documents/s101740/York%20Central%20Exec%20December%202015%20Final.pdf">http://democracy.york.gov.uk/documents/s101740/York%20Central%20Exec%20December%202015%20Final.pdf</a></p> <p>Member update – May 2016</p> <p>Executive July 2016</p> <p><a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4</a></p> <p>Document</p> <p><a href="http://democracy.york.gov.uk/documents/s107107/York%20Central%20Exec%20July%202016%20final.pdf">http://democracy.york.gov.uk/documents/s107107/York%20Central%20Exec%20July%202016%20final.pdf</a></p> <p>Executive November 2016</p> <p>Consultation on access options</p> <p><a href="http://democracy.york.gov.uk/documents/s110389/York%20Central%20Exec%20Nov%202016%20Consultation%20on%20access%20options%20V7.pdf">http://democracy.york.gov.uk/documents/s110389/York%20Central%20Exec%20Nov%202016%20Consultation%20on%20access%20options%20V7.pdf</a></p> <p>Third party acquisitions</p> <p><a href="http://democracy.york.gov.uk/documents/s110392/York%20Central%20-%20Third%20Party%20Acquisition%20November%202016%20v7.pdf">http://democracy.york.gov.uk/documents/s110392/York%20Central%20-%20Third%20Party%20Acquisition%20November%202016%20v7.pdf</a></p>
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**Audit and Governance Committee****20<sup>th</sup> September 2017****Report of the Monitoring Officer****Overview of the Constitution****Summary**

1. This report responds to Members' request for a report providing an overview of the Constitution.

**Background**

2. The Local Government Act 2000 introduced for the first time a requirement for upper tier Councils to adopt a Constitution. Before then it was normal for Councils to produce a single document setting out their scheme of delegations, financial regulations and standing orders but there was no requirement to do so. The Council's Constitution is a public document and is available here: <http://democracy.york.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12830&path=0&wb48617274=06D9ACDB>.
3. The contents of the Constitution are in part defined by law. It must contain:
  - (a) a copy of the authority's standing orders for the time being,
  - (b) a copy of the Members' code of conduct,
  - (c) such information as the Secretary of State may direct

In 2000 the Secretary of State issued a direction (under an earlier version of the current legislative provision) which required around 80 matters to be included within constitutions. That covered such things as a summary of the purpose of the constitution, the members' allowances scheme and access to information provisions, amongst other things. This has resulted in local authority constitutions being weighty documents.

4. Most local authority constitutions follows a similar style. This is because they are largely based on a model constitution issued by the predecessor department to the Department for Communities and Local Government in 2000. They also have to reflect the law which underpins local authority decisions making. As with York's constitution though they have all been changed over the years to reflect changes in the law and local requirements.
5. So long as Councils meet the legal requirements they are free to adopt the constitution they wish. Constitutions are though are an important legal and governance document. Whether a Council has complied with its own constitution can and does become an issue in legal proceedings. The resulting need for accuracy and clarity does not always go hand in hand with making constitution documents which the general public will find easy to read. Nevertheless in recent years work has been undertaken to make the constitution easier to follow both by simpler drafting and by reducing some of the need to have an understanding of where it is necessary to cross reference various parts of the constitution. In addition, in 2014 this Committee supported the introduction of a new summary and explanation section to the constitution. This is intended to give an overview of how the Council operates for any interested reader. For ease that section has been included as an annex to this report.
6. While it does have to follow the law the importance of the Constitution is at least as much in what it says about how the Council wishes to operate. So, for example, York's Constitution:
  - Allows opposition group leaders to participate at meetings of the Executive which is not a legal requirement
  - Obliges Executive Members to make their decisions in public and only after giving at least 28 days notice. These requirements are unusual in local government.
  - Makes arrangements for public participation at all meetings. Again there is no requirement for this.
  - Requires all Executive and Executive Member decisions to normally be included on the Forward Plan for at least 28 days before the decision is made. This exceeds the legal requirements which only apply to key decisions.
  - Includes provision for pre decision call in rather than simply post decision as the law provides for.

## Changing the Constitution

7. The Audit and Governance Committee has a responsibility under the Constitution:

“To keep under review the Council’s contract procedure rules, financial regulations, working protocols and codes of conduct and behaviour (not otherwise reserved to the Joint Standards Committee)”

Changes recommended by the Committee are reported to Council for approval.

8. Other Committees may make recommendations to Council in relation to their own terms of reference and procedures.
9. The Executive may make changes which result in amendments being required to the Constitution. For example, the Leader is personally responsible for the allocation of responsibilities and delegated powers in respect of executive functions. As the Constitution should reflect Members’ wishes as to how the Council operates it is normal for relatively significant changes in the Constitution to follow changes in the Council’s leadership and to be initiated by the leadership.
10. The Monitoring Officer has the power:

“to make such amendments to the Constitution and related documents as may be necessary. Such changes should not include any changes of substance but be restricted to changes which the Monitoring Officer considers are required to reflect and take account of changes in legislation, guidance, Council policy and decisions of the Council and the Executive or are drafting changes and/or improvements”

These changes are reported to Council.

11. The Constitution is the subject of regular and going review. With the exception of two sections the entire Constitution has been the subject of review since 2014 with some sections having been reviewed on more than one occasion during that period. The sections which have not been recently reviewed are Section 4E which repeats legislative provisions in connection with approving

the budget and policy framework and section 5B – the Officer Code of Conduct. Currently reviews are planned of the sections containing the financial regulations, the contract procedure rules and the scrutiny procedure rules. The first two will result in reports to this Committee and the third will be reported through and involve discussions with Corporate and Scrutiny Management Committee.

### **Council Plan**

12. The Constitution supports good governance and the delivery of the council's priorities.

### **Implications**

13. **Legal** – Section 9P of the Local Government Act 2000 requires the Council to have a Constitution.

### **Risk Management**

14. There are no particular risks associated with this report.

### **Recommendations**

15. Members are asked to note the report.

**Contact Details  
Author and Chief  
Officer responsible for  
the report:**

Andy Docherty  
Assistant Director  
Telephone: 01904  
551004

**Report  
Approved**

**Date**

29 August  
2017

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers**

None

**Annex A**

Summary and Explanation of the Constitution

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## 1.1 **Purpose and Content of the Constitution**

- 1.1.1 The Constitution describes the various bodies that make up the Council, their functions, Membership and procedural rules.
- 1.1.2 In Part 5D (Getting Information and Getting Involved) we have provided information for members of the public and councillors on how you can get information about the Council, and how you can get involved. We hope that this will help people who have an interest in the Council's work, or a particular matter it is dealing with, understand where they can get more information, and how they can contribute to Council activities.
- 1.1.3 You can get a better understanding of what each of the Council's bodies do in Part 3 of this Constitution, including Full Council, Executive, Policy, Overview and Scrutiny Committees, Standards Committee and Regulatory Committees. Part 3 also provides information on the management and Officer structures of the Council. Some Officers have a specific duty to ensure that the Council operates within the law and uses resources wisely. This part of the Constitution says which Council bodies, and which Officers, have authority to make which decisions.
- 1.1.4 The procedural rules that apply to the different Council bodies are contained in the sections relating to those bodies, eg Full Council (Section 4A), the Executive (Section 4B) and Policy, Overview and Scrutiny (Section 4F). You may find these useful if you want to attend a meeting, particularly if you want to be able to ask questions, have a matter discussed, or put your point of view in accordance with the Council's Public Participation Scheme.
- 1.1.5 Sections Parts 5A and 5B have the Codes of Conduct and Protocols which Officers and Members have agreed to comply with. They set the standards of behaviour.
- 1.1.6 The Contents pages at the beginning of this Constitution provide a guide on what is in the Constitution and where you can find it.



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## 1.2 What the Council does

1.2.1 The City of York Council is a Unitary Council. This means that the City Council is responsible for ensuring that most local authority services are provided to York residents. This contrasts with North Yorkshire where some services are provided on behalf of the North Yorkshire County Council and others by the various District Councils – in Harrogate, Ryedale, Selby etc. Unlike in some areas the City Council is not directly responsible for the fire service. That is controlled by a Combined Fire Authority made up of Members of the City of York and North Yorkshire County Councillors. York also has thirty Parish and Town Councils providing some services within their communities.

1.2.2 A very wide range of services is provided by the City Council including:

- Supporting economic development to create jobs in the City
- Waste collection and disposal
- Handling planning applications
- Collecting council tax
- Administering housing and council tax benefits
- Assessing and meeting social care needs of the elderly and people with disabilities
- Supporting families and safeguarding vulnerable people
- Ensuring that effective education is made available for school age children
- Providing council housing and advice or accommodation to the homeless
- Maintaining the local highway network (the Council is not responsible for major routes such as trunk roads)
- Ensuring an effective library service
- Providing swimming pools and leisure centres
- Running the Trading Standards and Environmental Health Services
- Public health

Much more information about what the Council does can be found on the Council's website.

- 1.2.3 York also has thirty Parish and Town Councils. These are independent of the City Council and represent smaller areas. Not every part of York has a Parish Council and, where there is one, the services provided will vary but may include providing allotments, managing burial grounds, providing bus shelters, running community centres and providing litter bins. Parish Councils are notified and will comment on planning applications in their area and may also develop Neighbourhood Plans establishing some general planning principles for their area.
- 1.2.4 Parish Councillors put themselves forward for election every four years. If there are vacancies local people have the right to request a by election following notice of the vacancy being published. If no election is requested then the Parish Council can co-opt individuals to act as Parish Councillors.
- 1.2.5 The City Council does have responsibilities to receive complaints that Parish Councillors may have breached their Code of Conduct, to undertake reviews of parishing arrangements (known as community governance reviews) and to appoint temporary Parish councillors where there would not otherwise be a quorum. Other than this Parish Councils are self governing. Many Parish Councils have their own websites but you can also find contact details for each Parish on the City Council's website.

### **1.3 City of York Councillors**

- 1.3.1 The City of York Council has 47 councillors. They each represent part of the City known as a "Ward". York has 21 Wards. Some are represented by three, some by two and some by one councillor. Details of current councillors and the wards they represent are available on the Council's website.
- 1.3.2 From time to time an independent, national body, the Local Government Boundary Commission, reviews the number of councillors and Ward boundaries and makes recommendations to Parliament for any changes which may be thought desirable. Any agreed changes are set out in legislation.

## **1.4 Councillors' allowances**

- 1.4.1 Councillors are entitled to receive a basic allowance which is the same sum of money irrespective of their role in the Council. Councillors who perform particular roles are also entitled to a special responsibility allowance. Other allowances such as travel, subsistence, and dependent care are also payable. The details of the allowances and expenses which may be claimed are set out in a scheme in part 6 of the Constitution. This scheme has to be approved by full Council. Before changing the scheme the Council must consider a report from an Independent Remuneration Panel but Council does not have to accept the Panel's recommendations.
- 1.4.2 Details of all allowances paid and expenses claimed are published on the Council's website.

## **1.5 Local elections**

- 1.5.1 York has elections every four years when all the Council seats are contested. Normally these take place on the first Thursday in May in the relevant election year and, in accordance with the Local Government Act 1972, newly elected councillors take office on the fourth day after election day. The next local elections are scheduled to take place in 2019.
- 1.5.2 If a councillor retires or dies then, unless it is within 6 months of a normal election date, a by election will be held to fill the vacancy.
- 1.5.3 Most councillors belong to a political party and York currently has representatives of the Labour, Conservative, Liberal Democrat and Green parties. However, there are also independent councillors who do not represent any political party.
- 1.5.4 A great deal of information about the process for standing for election and who is eligible to do so can be found on the Electoral Commission website.

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## 1.6 The Lord Mayor and Sheriff

- 1.6.1 York has had a mayor since before 1217, with the status subsequently being elevated to that of Lord Mayor and traditionally recognised as such by Richard II in 1389. The office of Sheriff is the oldest in England dating back to 1396.
- 1.6.2 The Lord Mayor is a councillor formally elected by his or her fellow councillors at the Annual Meeting of the Council. Traditionally this takes place in the ancient Guildhall in mid to late May. To be eligible to be nominated for Lord Mayor a Councillor must, by tradition, have 5 years service. For some years the Council has operated an arrangement whereby points are awarded to political groups based on the number of serving councillors they have at the time of the annual meeting. The group with the most points is given the honour of nominating a councillor to serve as the next Lord Mayor. Having done so they lose 47 points the following year.
- 1.6.3 The Sheriff is nominated by the Lord Mayor and appointed by Council at the annual meeting. The Sheriff may but need not be a councillor.
- 1.6.4 In the past these posts exercised significant political power. Nowadays the role of Lord Mayor largely involves acting as *First Citizen* promoting York and representing the City at civic and ceremonial events, although he or she also chairs the meetings of the full Council. Traditionally the Lord Mayor avoids political activity during his or her term of office and although he or she is entitled to vote on business at Council, the Lord Mayor will often abstain from doing so. The Lord Mayor does though have the right to exercise a second or casting vote at Council meetings if there are an equal number of votes for or against a proposal.
- 1.6.5 The Council's Constitution sets out in more detail the Council's expectation of its Lord Mayor and Sheriff.

## 1.7 Council staff

- 1.7.1 The Council employs paid staff known as "Officers" who deliver services on a day to day basis. The Officer team is headed by the Chief Executive. Officers work for the whole Council but the

Officer team is divided into a number of departments or directorates based on related services. Each directorate is headed by a senior Officer known as a Director. The Directors and Chief Executive together form the Council's Corporate Management Team.

The Council is required to have certain Officers by law.

- The Chief Executive acts as the Head of Paid Service and has responsibility for appointing staff below the level of Assistant Director. In practice, of course, this responsibility is generally delegated to managers.
- The Council's Corporate Director Customer and Corporate Services is the Chief Finance Officer appointed in accordance with section 151 of the Local Government Act 1972. The postholder has legal responsibilities in respect of ensuring the proper conduct of the Council's financial affairs.
- One of the Assistant Directors of Customer and Corporate Services is the Monitoring Officer appointed in accordance with the Local Government and Housing Act 1989. The postholder has legal responsibilities in respect of the Council acting lawfully and without maladministration.
- The Council is required to have a Director of Children's Services, a Director of Adult Social Services and a Director of Public Health to lead on their respective functions. These roles do not necessarily have to be performed by different people.
- The Council must also designate one of its officers as the statutory scrutiny officer with the key function of promoting the role of and supporting overview and scrutiny in the authority. This role is undertaken by the Head of Civic and Democratic Services.

1.7.2 Various pieces of legislation require action to be taken by the “Proper Officer” of the Council. The Constitution sets out which Officer is the Proper Officer for certain purposes. If no specific Officer has been identified then the Chief Executive has that responsibility.

## **1.8 The Council Leader and the Executive**

1.8.1 The full Council appoints one councillor to act as the Council Leader. In York the Leader is appointed for a four year term or until the end of his or her term of office. The term of office may be shorter if the Leader resigns or loses a vote of no confidence. Where one political group has a majority of seats on the Council the leader of that group will normally be appointed as the Council Leader. The Council Leader has very significant powers relating to decision making.

1.8.2 York operates the system known as “executive decision making” introduced by the Local Government Act 2000 and has a Leader and Executive. One of the key powers of the Leader is to appoint Executive Members and to allocate responsibility for executive decision making. The Leader is entitled to establish an Executive made up exclusively of him or herself and other members of his or her political group. The Leader must appoint at least two Executive Members to serve with him and is entitled to appoint up to nine although York’s Executive currently consists of the Leader and seven other councillors.

## **1.9 Executive Decision making**

1.9.1 The law which governs the way decisions are made within the Council is quite complicated. The Local Government Act 2000 says that any function which the Council performs is a function of the Executive unless there is a specific legal provision which says otherwise. In the main those exceptions are set out in a piece of legislation called the Local Authorities (Functions and Responsibilities)(England) Regulations 2000. The exceptions are relatively few so very many of the decisions made by the Council are the responsibility of the Executive and cannot be made by Councillors who are not Executive Members.

- 1.9.2 Executive decisions may be taken in a variety of ways. Most commonly decisions may be taken by the Executive collectively in one of their regular meetings, by the Leader or an Executive Member individually or by an individual Officer. The Leader, in line with the Local Government Act 2000, has produced a scheme of delegations which allocates decision making powers including portfolios for Executive Members and this appears in the Constitution.
- 1.9.3 There are some variations to this – for example there are some Joint Committees with other local authorities which may make executive decisions in accordance with agreements establishing the committee. These are referenced in the Constitution.
- 1.9.4 When making executive decisions there are other rules which need to be followed. For example the Council has rules which must be followed when entering contracts. These Contract Procedure Rules are set out in the Constitution. Executive decisions also have to be made within the overall budgetary framework approved by Council. The Council's financial regulations include details of how decisions can be made to transfer funds between budgets.

## **1.10 Non executive decision making**

- 1.10.1 The “Functions and Responsibilities” Regulations set out a long list of decisions which are not “Executive” decisions. However, by and large they fall into a few categories:
- Agreeing the budget and policy framework (which consists of certain key plans and strategies). These plans and strategies are developed by Executive but approved by full Council.
  - Taking regulatory decisions – such as granting planning permission or certain licenses and making by-laws
  - Appointing staff
  - Electoral and civic issues

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1.10.2 Like executive decisions, non-executive decisions may be taken in a variety of ways. Most commonly these decisions may be taken by the Council meeting together, by a Committee or Sub Committee of councillors or by an Officer. Non-executive decisions cannot be made by an individual councillor. So, for example, an individual Councillor cannot grant planning permission because granting planning permission is a non-executive function.

### 1.11 **Allocating responsibility for non- executive decision making**

1.11.1 By and large full Council decides who should have the power to perform these functions and the scheme of delegation in the constitution sets out the allocation of responsibilities which has been agreed.

1.11.2 There are some exceptions to this though. For example the law says that the budget and certain key plans and strategies which make up the policy framework can only be approved by full Council. Similarly, by law, the Head of Paid Service (or Officers he or she authorises) and not councillors are responsible for appointing most staff. Councillors are only involved in the appointment of the Chief Executive, Directors and Assistant Directors.

1.11.3 Part 3 of the Constitution describes in more detail where decision making responsibilities lie and includes terms of reference for the various Committees.

1.11.4 The Council has appointed a Health and Well Being Board. The Board is responsible for encouraging providers of health and social care to work together and has certain statutory functions. Although it operates as a form of Committee the Health & Well Being Board is unusual in that some of the membership is set out in law (including, uniquely, certain Officers), the Leader has the power to nominate to some positions and some positions are reserved to postholders who are not councillors.



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## 1.12 Scrutiny

- 1.12.1 The Council appoints a number of scrutiny committees made up of councillors who are not members of the Executive. These Committees have the power to review or scrutinise decisions taken on behalf of the Council and to make recommendations on matters affecting York residents. In doing so Committees may look at the activities of other organisations working in York and they have specific legal powers to require NHS bodies, the police, fire service and probation to provide information to help their work.
- 1.12.2 The Committees often appoint task and finish groups to undertake particular pieces of work, gathering evidence on an issue affecting the City and preparing a report for consideration by the Committee. Most of these reports will result in recommendations to Executive suggesting steps that could be taken to improve the way the Council does its business and supports local people.
- 1.12.3 There are some exceptions but normally, where the Executive or an individual Executive Member has made a decision, any three councillors may “call that decision in” for review. This power also applies in the unusual event of an Officer making a decision which meets the constitutional definition of a “key decision”. A decision which has been called in is referred to a meeting of the Corporate and Scrutiny Management Policy and Scrutiny Committee. The reason for the decision and the call in will be explained and debated. The Committee cannot overturn a decision but may refer it back to the decision maker to be reconsidered or refer it to full Council for discussion.
- 1.12.4 Arrangements are also in place for an issue to be scrutinised before a decision is made by an Executive Member or the Executive. When a decision is due to be made either by an Executive Member or the Executive it is published on the Forward Plan. Within seven days of an item being added to the plan it may be called in provided that not fewer than three named Councillors lodge a written notice with Democratic Services not later than 5.00pm on the seventh day following publication of the Forward Plan. The notice must identify the item to be called-in and give reasons for the calling-in. In the

case of a forthcoming Executive decision, the Corporate and Scrutiny Management Policy and Scrutiny Committee will consider the matter and the outcome of the committee's deliberations will be reported to the Executive. If it is a forthcoming Executive Member decision that is called in, then the report will normally go to the relevant Policy and Scrutiny Committee within whose remit the decision lies. In some cases, dependent on the nature of the decision, it may go to the Corporate and Scrutiny Management Policy and Scrutiny Committee (Calling In). This could be either because it is impractical to organise an additional scrutiny committee meeting in the timescale available or because the Chair and Vice Chair do not agree. The Executive Member will attend the meeting to hear the views of the scrutiny committee Members. Following this the Executive Member will make his decision.

### **1.13 Political Proportionality**

- 1.13.1 Where the Council appoints Committees and makes certain other appointments then generally speaking it must comply with principles of political proportionality. These mean that any political group with a majority on the Council must have a majority on each Committee. Subject to that the allocation of the *total* number of Committee places should be proportionate to the representation on the Council. Finally and subject to the first two principles the allocation of places on each *individual* Committee should also be proportionate. These rules can be waived by Council if no Member objects.
- 1.13.2 These rules do not apply to the Council's Executive. It is possible for the Executive to be made up of members of only one political group.

### **1.14 Code of Conduct**

- 1.14.1 The Council has adopted a code of conduct which all councillors must follow. The Council has a Standards Committee which oversees the code and can hear complaints that the Code has been breached. The Committee also deals with complaints in respect of local Parish councillors and, for

that reason, the Standards Committee is a joint committee established with Parish Councils.

- 1.14.2 The Council's Monitoring Officer has a key role in administering the process in respect of member complaints and may be contacted for further advice.

## **1.15 Transparency and public involvement**

- 1.15.1 The most significant right that residents have to affect the way the Council operates is to exercise their right to vote if registered to do so. There are many other ways though that residents can gain information about how the Council operates and become involved with the work of the Council.
- 1.15.2 Residents are, of course, entitled to contact their local Councillor about any matter of concern to them. Residents can also attend one of the Ward Committee meetings that are held in each area. These are led by the local councillors and supported by groups and other partners who are active in the area.
- 1.15.3 The Council welcomes customer feedback both positive and negative. Any complaints about the Council's services will be considered in accordance with its policy. A resident who is dissatisfied with the Council's response to a complaint is entitled to pursue it with the independent Local Government Ombudsman
- 1.15.4 A great deal of information about the Council is available on its website including information about all Council expenditure, allowances paid to Members and the salaries of the most senior staff. Other information is freely available from the Council on request. In addition the Freedom of Information Act and Data Protection Act give statutory rights to information which will usually be provided unless there is a proper reason to refuse the request – such as information being commercially sensitive or containing personal information relating to third parties. Residents also have the right to inspect the Council's accounts and make their views known to the external auditor.

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- 1.15.5 The Council publishes a calendar for a full year of its formal meetings on the Council's website and formal notice of each meeting is displayed at the Council offices. Agendas and reports are usually available to be inspected in advance of the meeting either on the website or at the offices. The exception to this is where a report contains "exempt information" such as the details of the proposed price of land which the Council is considering selling or of legal action which the Council is considering taking against an individual. Key documents (other than published works) relied upon to a material extent in preparing a report will normally be listed in the report. These "background papers" are accessible in the same way as reports.
- 1.15.6 The Council also publishes a forward plan of matters upon which decisions will be taken by the Executive or individual Executive Members. In most cases a matter will have been on the forward plan for at least a month (often longer) before a decision is taken but there are special procedures allowing urgent decisions to be brought forward.
- 1.15.7 The public are welcome to attend formal meetings of the Council, Executive and Committees. Very occasionally it may be necessary to meet in private session because "exempt" business is being discussed. The Council will normally give at least 28 days notice where the Executive is likely to be discussing exempt business. As a rule though, even if a report contains exempt information, Councillors will debate it in public if it is possible to do so without disclosing the sensitive information.
- 1.15.8 Most formal meetings include an agenda item for public participation where members of the public are entitled to speak to councillors on matters relating to their business. There are many other ways that residents can get involved with the work of the Council such as bringing forward a petition, giving evidence to a scrutiny committee, responding to public consultations or lobbying their councillor.
- 1.15.9 The Council keeps and makes available to the public copies of agendas, reports and minutes of its meetings. Records of decisions made by Executive Members and some office decisions are also published on the website. Increasingly the

Council is arranging for its meetings to be video or sound recorded and the recordings are available on the Council's website.

This introduction is only a brief summary of how the Council operates. There is much more detail in the Constitution itself. We are reviewing the whole Constitution to make it as easy to read as possible but, if you need any further help please do not hesitate to contact us at: Democratic Services, West Offices, Station Rise, York YO1 6GA  
email:democratic.services@york.gov.uk

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**Audit and Governance Committee**

20 September 2017

Report of the Director of Economy &amp; Place

**York Environmental Services Consultancy****Summary**

1. This note presents further information on the York Environmental Services (YES) Consultancy as requested by members at the last meeting.

**Recommendations**

2. Members are asked to note the contents of the report

*Reason*

*To ensure Audit & Governance Committee are fully briefed on this matter.*

**Background and Analysis**

3. Historically, officers within Public Protection have undertaken work for various council departments in the areas of environmental protection (air quality, noise and contaminated land) around major projects such as upgrading the outer ring road, and have occasionally provided similar services for other Local Authorities in the region. This work being undertaken for a recharge. When faced with the challenge to provide 'New Operating Models' to meet existing and future budget pressures, it appeared that 'environmental consultancy' was one of the areas which provided opportunity.
4. Making access to our skilled and qualified staff more widely available had a number of advantages:-
  - i) Businesses could tap into timely and affordable advice, and because it was being delivered by Regulators increase the

- likelihood of 'getting it right first time' and reducing the need/ for corrective action or the threat of enforcement.
- ii) Other Local Authorities could access specialist services which were no longer sustainable in-house – a form of 'shared services'.
  - iii) City of York Council would retain the skilled and experienced staff it had invested in. This was particularly important in view of the development opportunities that will arise from Local Plan and other key development projects in the city.
  - iv) For the tax payer, reduce the number of complaints and the cost of the service – particularly in enforcement.

### **The YES (York Environmental Services) Consultancy**

- 5. The officers responsible for providing these services determined that it would be beneficial to use a brand name more memorable potential customers - this became York Environmental Services Consultancy or 'YES Consultancy' as it is referred to. It is important to note that YES is simply a 'brand name' of City of York Council, it has no separate legal status.
- 6. Much of YES Consultancy's work continues to be for other Local Authorities who are experiencing reductions in services and redundancies. Officers are currently working with, or have done work for, most of the Local Authorities in North Yorkshire. Officers also carry out work for developers in other areas – mainly in and around the Yorkshire area but occasionally further afield, and have recently been contacting local developers, planners, builders and architects in York and the surrounding areas who might find the services helpful through a series of events.
- 7. Officers are careful to avoid any conflict of interest with statutory duties. There are professional codes of conduct, and a 'practice note' (an internal procedure) to avoid any potential conflict of interest. For example, officers will not provide services in which the Council have specifically asked for an environmental report as part of the planning application process and an officer would not comment on an application they have provided consultancy work on. As a result of our strict procedures, our consultancy work inside the York council boundary has been limited.
- 8. York is one of a growing number of local authorities providing chargeable advice and consultancy services such as YES, e.g.



Cornwall use the “Better Regulatory Services (BRS)” brand. Furthermore, Environmental Consultancy is only one of a number of services within the Public protection team that is focussed on helping business to grow and comply with regulations for which a charge is made. Examples include Primary Authority - a statutory service giving businesses greater control of their regulation, businesses ‘approved’ by trading standards and advice to businesses prior to receiving their official visit and food hygiene rating score.

### **Charging policy**

9. All work is charged at a ‘cost recovery’ rate, as calculated by the Council’s Finance team. The charging rate is based upon the full employment cost of an officer including on-costs so as not to subsidise the work through council tax or to make a profit. Currently, the full cost recovery rate for an Environmental Health/Trading Standards Officer is £66.40 per hour (lower rates apply for lower grade officers). This is in-line with the hourly rate charged by other councils for similar services. A report would be taken to members if Public Protection wished to ‘trade’ and make a profit (or loss) as opposed to simply ‘charging’ in the future. If there was a wish to trade this would have to be done through a separate trading company such as City of York Trading Ltd.

### **Management and staff**

10. Officers working under the YES Consultancy brand are managed by the Head of Public Protection via the Public Protection Manager (Regulatory Support and Advice). The YES Consultancy work is provided by officers under the normal pay and service conditions.

### **Insurance risks**

11. The Council hold Public Liability Insurance for £20 million, Employers Liability Insurance for £20 million and Professional Negligence Insurance for £5 million.

### **Business Feedback**

12. Businesses of all sizes have been supportive of our services, with several repeat customers. YES Consultancy has helped to fill a gap in the market for many small businesses in the York area that require high quality local consultancy at a reasonable price.

13. YES Consultancy supports the Government's initiative on Better Business for All, and is supported by MakeItYork, the Local Enterprise Partnerships Growth Hubs, and the Federation of Small Business.

### **Consultation**

14. Not applicable.

### **Options**

15. Not applicable.

### **Corporate Priorities**

16. The Yes Consultancy supports Council's priorities in respect of the following:
  - A prosperous city for all – enabling businesses to thrive by providing good quality, timely advice particularly in respect of sites being developed for housing and other purposes in York and the surrounding area.
  - A focus on frontline services – enabling the Council to retain its own 'in house' expertise in key areas of service delivery.
  - A council that works in partnership with local communities – being entrepreneurial and making the most of commercial opportunities, cutting red tape and building the culture we need to attract, retain and develop colleagues.

### **Implications**

17. There are HR, equalities, crime and disorder, IT or property implications arising from this report.

- **Legal implications**

“Powers in the Local Authorities (Goods and Services) Act 1970 permit Councils to provide services to each other and certain other public bodies and profits can be made from such services. So far as other organisations are concerned the general power of competence in section 1 of the Localism Act 2011 provides ample power for the Council to offer this service. The Council is entitled to charge for services provided using this power where there is no other charging power, where the service has been requested by the person who is to pay and where there is no statutory duty to provide the service.

Income from charges, taking one year with another, cannot exceed the costs of provision.

If the Council wished to provide this service for a commercial purpose and make a profit then it would need to do so through a company.

- **Financial implications**

The delivery of external funds through consultancy work has contributed to the significant savings agreed in 2015/16 across Public Protection. In 2016/17 c£80k was generated from consultancy work and primary authority work. This equates to c 5% of the gross cost of the Public Protection team. The hourly rate that is charged to businesses has been calculated so that it covers full costs including overheads such as management supervision, accommodation and council support services. This is to ensure it does not enjoy a competitive advantage in the market place or make profits for the council.

### **Risk Management**

18. Applying the Council's Risk Scoring Matrix, the impact of a breach by officers acting under the YES Consultancy brand is 'moderate' (action in a local court, local media coverage), but the steps taken make such action 'remote' which represents a score of 6 – a 'green risk'.

<b>Authors:</b>	<b>Chief Officer responsible for the report:</b>			
Mike Southcombe Public Protection Manager	Neil Ferris Director of Economy and Place			
Matt Boxall Head of Public Protection	<b>Report Approved</b>	✓	<b>Date</b>	12/9/17
<b>Wards Affected:</b> All				
<b>For further information please contact the author of the report</b>				

**Background Papers: None**

**Abbreviations: YES = YES Consultancy**

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**Audit and Governance Committee**

20 September 2017

Report of the Deputy Chief Executive/Director of Customer & Corporate Services

**Audit & Governance Committee Forward Plan to July 2018****Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to April 2018.

**Background**

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an annex is the indicative rolling forward plan for meetings to July 2018. This may be subject to change depending on key internal control and governance developments at the time. A rolling forward plan of the Committee will be reported at every meeting reflecting any known changes.
3. At the request of members the format of the Forward plan has been amended. In addition, a follow up report on Health and Safety Issues has been added to the Agenda for the February 2018 meeting, and a follow up on the implementation of recommendations from the LGA procurement report has been added to the Agenda for the next meeting in December 2017.

**Consultation**

4. The forward plan is subject to discussion by members at each meeting, has been discussed with the Chair of the Committee and key corporate officers.

**Options**

5. Not relevant for the purpose of the report.

**Analysis**

6. Not relevant for the purpose of the report.

## **Council Plan**

7. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

## **Implications**

8.
  - (a) **Financial** - There are no implications
  - (b) **Human Resources (HR)** - There are no implications
  - (c) **Equalities** - There are no implications
  - (d) **Legal** - There are no implications
  - (e) **Crime and Disorder** - There are no implications
  - (f) **Information Technology (IT)** - There are no implications
  - (g) **Property** - There are no implications

## **Risk Management**

9. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control environment and governance arrangements, and it will also fail to properly comply with legislative and best practice requirements.

## **Recommendations**

10.
  - (a) The Committee's forward plan for the period up to July 2018 be noted.

### *Reason*

*To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.*

(b) Members identify any further items they wish to add to the Forward Plan.

Reason

*To ensure the Committee can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.*

**Contact Details**

**Author:**

**Chief Officer Responsible for the report:**

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Customer & Corporate Services  
Telephone: 01904 551100

**Report  
Approved**



**Date** 11/09/17

**Specialist Implications Officers**

None

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

None

**Annex**

Annex 1 - Audit & Governance Committee Forward Plan to July 2018

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## Audit & Governance Committee Draft Forward Plan to July 2018

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

Item	Lead officers	Other contributing organisations	Scope
<b>Committee Wednesday 6<sup>th</sup> December 2017</b>			
Treasury Management mid year review report 2017/18 and review of prudential indicators	<u>CYC</u> Debbie Mitchell		To provide an update on treasury management activity for the first six months of 2017/18
Review of Contract Procedure Rules	<u>CYC</u> Debbie Mitchell		To present an update of the Contract Procedure Rules for review before recommending approval to Full Council
Procurement Follow up report	<u>CYC</u> Debbie Mitchell		To update members on progress in implementing recommendations from the LGA Procurement report
Mazars Annual Audit Letter	<u>Mazars</u> – Gareth Davies/ Jon Leece		To present a report summarising the outcome of the 2016/17 audit and work on the value for money conclusion.
Internal Audit & Fraud Progress Report	<u>Veritau</u> – Max Thomas/ Richard Smith		An update on progress made in delivering the internal audit work plan for 2017/18 and on current counter fraud activity
Information Governance & Freedom of Information Report (including information security)	<u>CYC</u> Lorraine Lunt		This report provides Members with an update on the following issues: <ul style="list-style-type: none"> <li>• information governance performance</li> <li>• the new General Data Protection Regulation (GDPR)</li> <li>• the Information Commissioners Office (ICO) data protection audit and recommendations</li> </ul>

			<ul style="list-style-type: none"> <li>• compliance with the Local Government Transparency Code 2015 (LGTC 2015)</li> <li>• the Health and Social Care Information Centre (HSCIC) Information Governance Toolkit (IG Toolkit) update</li> <li>• information security checks</li> </ul>
Key Corporate Risks Monitor (including project risks)	<u>CYC</u> Sarah Kirby/ Dave Atkinson		Update on Key Corporate Risks (KCRs) and major projects
<b>Committee Wednesday 7<sup>th</sup> Feb 2018</b>			
Mazars Audit Progress Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Scrutiny of the Treasury Management strategy statement and Prudential indicators	<u>CYC</u> Debbie Mitchell		To present to members the: <ul style="list-style-type: none"> <li>• Integrated treasury management strategy statement including the annual investment strategy and the minimum revenue provision policy statement;</li> <li>• Prudential indicators</li> <li>• Revised treasury management policy statement</li> <li>• Specified and non-specified investments schedule</li> <li>• Treasury management scheme of delegation and role of the section 151 officer</li> </ul>
Counter Fraud: Risk Assessment and review of policies	<u>Veritau</u> – Max Thomas/ Richard Smith		To inform members about potential fraud risks that the council is exposed to, and proposed activity to address those risks. The report will also include a review of the counter fraud strategy and details of any updates required to counter fraud policies.
Audit & Counter Fraud Plan & Consultation	<u>Veritau</u> – Max Thomas/ Richard Smith		To seek members views on the priorities for internal audit in 2018/19 and identify any specific areas which should be a priority for review in 2018/19.
Health & Safety follow up report	<u>CYC</u> Pauline Stuchfield/		
<b>Committee Wednesday 11<sup>th</sup> April 2018</b>			
Approval of Internal Audit Plan	<u>Veritau</u> – Max Thomas/		To seek the committees approval for the planned programme of internal audit, and counter fraud to be undertaken in 2018/19.

	Richard Smith		
Internal Audit & Fraud Plan Progress Report	<u>Veritau</u> – Max Thomas/ Richard Smith		An update on progress made in delivering the internal audit work plan for 2017/18 and on current counter fraud activity
Internal Audit Follow up of Audit Recommendations Report	<u>Veritau</u> – Max Thomas/ Richard Smith		This is the regular six monthly report to the committee setting out progress made by council departments in implementing actions agreed as part of internal audit work
Mazars Audit Progress Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Mazars Audit Strategy Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Report from the Councils external auditors setting out their audit plan in respect of the Councils Audit for the year ending 2018.
Key Corporate Risk Monitor (including project risks)	<u>CYC</u> Sarah Kirby/ Dave Atkinson		Update on Key Corporate Risks (KCRs) and major projects
<b>Committee June 2018</b>			
Mazars Audit Progress Report	<u>Mazars</u> – Gareth Davies/ Jon Leece		Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Key Corporate Risk Monitor (including project risks)	<u>CYC</u> Sarah Kirby/ Dave Atkinson		Update on Key Corporate Risks (KCRs) and major projects
Treasury Management Outturn Report	<u>CYC</u> Debbie Mitchell		To provide Members with an update on the Treasury Management Outturn position for 2017/18.
Annual Report of the Head of Internal Audit	<u>Veritau</u> – Max Thomas/ Richard Smith		This report will summarise the outcome of audit and counter fraud work undertaken in 2017/18 and provide an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control
Draft Annual Governance Statement	<u>CYC</u> Emma Audrain		To present the draft Annual Governance Statement (AGS) for approval
Annual Report of the Audit & Governance Committee	<u>CYC</u> Emma Audrain		To seeks Members' views on the draft annual report of the Audit and Governance Committee for the year ended 5th April 2018, prior to its submission to Full Council.

**Committee July 2018**

Draft Statement of Accounts	<u>CYC</u> Debbie Mitchell/ Emma Audrain		To present the draft Statement of Accounts to the Committee prior to the 2017/18 Audit.
Key Corporate Risks Monitor (including project risks)	<u>CYC</u> Sarah Kirby/ Dave Atkinson		Update on Key Corporate Risks (KCRs) and major projects
Information Governance & Freedom of Information Report (including information security)	<u>CYC</u> Lorraine Lunt		To provide Members with an update on current information governance issues.